

Economic Data Inquiry

**Common Weal
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Common Weal Calls for a Scottish Statistics Agency

The progress of devolution has led to the Scottish Government assuming more direct control over economic policymaking in Scotland and recognition has grown that Scotland's economy is in many ways distinct from the economies of other parts of the UK – as they are from each other. Modern economies as a whole have grown more complex and more interconnected and ever more data driven.

Data has become an increasingly valuable resource and it is one which demands more attention, more scrutiny and more investment. Scotland therefore would greatly benefit from the creation of a single, dedicated Scottish Statistics Agency.

International examples of data provision have shown that there are benefits to both a highly centralised model for a statistics agency but also benefits to a decentralised model whereby various departments gather deep but very specific data. Which model best suits Scotland is therefore open to discussion. However, a key aspect of interpreting and communicating the data in a useful form lies in being able to connect these departments together hence even under a decentralised model a central agency for the collation and publication of the data in a single location is fundamental. This central agency would be in a position to set standards and regulations – perhaps by offering a “kitemark” stamp of approval by which statistics may be judged as appropriate for government use. The central agency may also be in a position to aid with connecting the data, identifying potential gaps in provision and possibly identifying where particular studies are now obsolete and may be discontinued.

Across Scotland, the quality of data provision is decidedly mixed. Often, the data can only be obtained via subsets of UK data which can mean that data sample sizes become smaller than may be appropriate for rigorous policy-making (particularly at local or regional levels of government). However in other areas, particularly areas directly initiated by Scottish statisticians, the detail of data can exceed that which is found elsewhere in the UK.

Recent debates over high profile publications such as GERS have also brought into focus questions over some aspects of data gathering, methodology or in the interpretation of figures beyond their strict remit (such as asking how much GERS figures may or may not reflect the finances of a hypothetical independent Scotland). These

are as much questions about the transparency of data collection and the manner in which it is communicated as they are issues with the actual quality of the data involved.

The following briefing note is Common Weal's response to the questions asked by the Scottish Government's Economic Data Committee consultation.

Accuracy

How reliable is the economic data currently available at the Scottish level?

This is a broad question and the answer depends on the individual dataset in question. The data actually gathered should be considered generally reliable and accurate so long as robust and verifiable methodologies are followed. Weaknesses or failings are often due to gaps in the data where an answer to a question is not available; projections and interpretations which attempt to extrapolate beyond the limits of the data; or by the failure to ask appropriate questions which results in data either not being gathered or gathered data not being assessed.

What are the areas of strength and of weakness of provision within Scotland and at UK level?

This response agrees broadly with the general view that many areas of Scottish and UK economic data are fairly good (demographic and employment rate data in particular) though many areas of specific concern remain.

Data on personal and household income appears to be adequate at a UK level but is significantly lacking at a Scottish level. The data which does exist appears to have been gathered from either very limited surveys or from subsets of UK data then modelled based on other indirect factors. Neither of these methods supply resolution sufficient for the Scottish Government to adequately form policy – especially on issues such as income tax. Geographic breakdowns of income and income inequality are also difficult to prepare based on the available data.

Similarly, household expenditure data in Scotland is weaker than it could be and is often drawn from sub-samples of UK data.

Balance of trade is an extremely notable area of concern both at Scottish and UK level. At a UK level, whilst trade data is published, significant doubt may be cast on the viability of such data given the diminution of the role of Customs as a government body in recent years.

At a Scottish level, whilst data for export of goods between Scotland and the rest of the world is likely to be stronger than the UK level data due to its method of direct survey, the limited sample size of such surveying may be an issue for improvement. Additionally, the trade data for Scotland and the rest of the UK is generally weak due to the lack of a statutory requirement to collect

such data and the difficulty of measuring such trade over an open border and a single market. This may be entirely understandable for a UK measuring itself as a unitary state – the trade between Scotland and rUK would be no more relevant to policy than the trade between the North East of England and the South East – but in a time where such data plays into the ongoing constitutional debate it becomes important to avoid misconstruing or misinterpreting that data which is available. Further, even beyond such a debate, the geographic inequalities of the UK are placing increasing demand on understanding these trade flows so that any necessary redistributions can be put in place.

At both a UK and Scottish level, data on trade imports is particularly weak which hampers the calculation of balance of trade statistics.

A further identified weakness lies in government revenue and expenditure data. Reports such as Scotland's GERS report and the UK's PESA and CRA reports allow some synthesis of the distribution of government spending around the UKⁱⁱ but gaps do remain. To give an arbitrary example, GERS gives a figure for expenditure for a particular function such as recreation, culture and religion in (or for) Scotland. CRA gives a figure for expenditure for a government department grouping, such as defence, in (or for) Scotland. Whilst PESA gives the expenditure for department groupings IN functions across the UK such as how much the defence department spend on recreation, culture and religion (£27mn in 2016-17). But it is not often possible from the available data to break this last statistic down geographically to find how much defence spent on recreation, culture and religion IN Scotland.

This is largely true across other functions and departments (such as how much is spent by HMRC on Customs in Scotland).

Finally, a lack of connection and sharing between data gathering departments at both UK and Scottish levels has been identified. Data sharing or collective access to data across all relevant departments should be encouraged.

What could be done by Scottish Government and/or others to improve the quality of data? How would this be funded?

The guidance notes described the Scottish Government as both a producer and consumer of data. Becoming more of a producer will enable better and more cohesive policy to be produced. The funding shouldn't necessarily be considered a "cost" as in many cases it would pay for itself either directly – better tax data may help close the "tax gap" and increase accrued revenue whereas better economic data may allow for better economic policy which, in turn, would allow for a more stable, more balanced economy which improves the lives of more people.

Do you have any views on how data is collected, specifically the role of businesses and households in providing economic data?

There will generally be a reluctance to “increase red tape” by asking for more direct provision of economic data from businesses and households. This may be especially true in areas where Scotland seeks to replicate UK data collection (even if the goal is to improve on UK collection). The lack of statutory levers in some areas may be a limiting factor on any attempt to increase collection but measures should be investigated to overcome this.

If automatic or frictionless data collection measures can be obtained without onerous effort by households or businesses then it should be considered in balance with the expected benefits of the data. The net benefit may play an important role in explaining why such data is now to be collected.

This response recognises the points made by the Bean Review (Section 4.120 and 4.127) that whilst a well designed and implemented data survey is a powerful tool, they are resource intensive to perform even when there is a statutory onus on the household or business to provide the data. However efforts to reduce costs have resulted in declining response rates and shorter surveys which runs the risk of compromising the statistical significance of the survey for the purposes of policymaking, especially where Scotland relies on subsets of UK data.

Methods of automatic or, at least, online data collection are becoming increasingly available and may be explored as an alternative to surveys.

Utility

How are economic statistics used by local, regional and national policy-makers to deliver and scrutinise policy?

Speaking for Common Weal, we are greatly reliant on the publication of data both to develop policy and to scrutinise policy coming from other policy-makers. This highlights the importance of timely, transparent and open publication of data. Our paper on Public Procurementⁱⁱⁱ highlights especially the need for transparency not just in the data itself but on the methodology underlying both its collection and its processing. Where data is not openly presented, bodies such as ourselves become reliant on measures such as FOI requests which can be administratively burdensome for both involved parties and, in the worst cases, can result in FOI returns which are unhelpful or too heavily redacted to be useful. This is significantly deleterious to the scrutiny process.

Where are the gaps in provision?

As stated, gaps are particularly apparent in areas such as balance of trade (particularly trade between Scotland and rUK) and in overarching metrics such as wellbeing. A very significant gap is the lack of Whole of Government Accounts for Scotland and we repeat and amplify the call from the Audit and Standards Committee to set out a timetable for implementation of this proposal.

Further gaps which should be filled as a priority are in provision of data on household income/wealth (including private debt levels), innovation and investment rates, and more detailed examination of import and export behaviours.

Can you identify examples of international good practice and case studies?

Denmark, Sweden and New Zealand all offer examples of countries similar in size to Scotland providing a great deal of economic data over a wide range of topics and areas despite the marked demographic and geographic challenges of their countries. In this, they may offer case studies for how Scotland could improve provision. The case of Estonia, with its highly developed digital infrastructure, can also offer instances where data collection is already fully integrated into normal everyday transaction processing – obviating the need for separate surveys or suchlike.

This said, countries can approach data monitoring from either a highly centralised viewpoint (where a single national data collection agency has a near monopoly on government data processing) or from a decentralised viewpoint where many bodies specialise in gathering specific types of data. At present, the UK tends towards the former model and Scotland the latter leading to a hybrid system between the two. Therefore what works for one country – even one which is superficially similar to Scotland – may not work for another or may require a shift in attitude between centralisation and decentralisation before the lessons can be applied.

Are there barriers preventing the Scottish or UK Governments from improving statistical provision?

On a UK level, the principle barrier will simply be political will. As stated previously, the cost of provision should be balanced against the benefit but in many cases it will be possible to justify as an investment resulting in better policymaking.

On a Scottish level, additional barriers may be raised in the form of being constrained within a UK framework unsuited to the task (a fully autonomous government would, presumably, change the framework if this occurred) and the potential for additional provision to be seen as “increasing red tape” compared to provision outside Scotland.

Interpretation

What are the key issues in making sense of the data?

Ultimately, the key issue will lie in asking the correct questions and ensuring the appropriate data is collected. It is entirely possible to construct an expansive data collection agency which does little more than stockpile and archive without understanding and it is entirely possible to ask a question and discover that the data is not being gathered only by dint of the fact that the question has now been asked.

A recent prominent example of this at the UK level is the story that the UK's immigration policy has been significantly compromised. There had been an assumption that ~100,000 students entering the UK overstayed their visa every year. Only when a survey was conducted and the data gathered was it discovered that the true number of overstays may be closer to 4,600 per year.

What are the barriers to better understanding and how might they be overcome?

Periodic review of the scope of data collection and data requirements would overcome this problem though it may require collection departments to be nimble and flexible so that they could shift focus when new data is needed or older data depreciated.

Communication between data departments is absolutely key – especially under a decentralised statistics agency model – as it allows provision gaps and double-coverage to be identified. It will also allow cross-analysis of superficially distinct datasets as it is becoming understood that the modern economy is increasingly interconnected. Specialisation amongst data collectors may allow a richer supply of data but only if it can be properly connected to the wider view.

A dedicated Scottish Statistics Agency would greatly benefit help in overcoming these barriers. In a centralised statistics agency model, an SSA would assume full responsibility for a great share of the data provision process. In a decentralised model, the SSA would collate and publish data from the other providers and would play a role in aiding communication between agencies, verifying that data and methodologies were held to an appropriate standard and may help in identifying gaps in provision.

Scrutiny

What are we measuring and what should we be measuring?

In addition to items mentioned above, there should be greater recognition that annual calculations of metrics such as GDP (and especially change in GDP) do not fully capture the things which are important in the economy. Important points are raised by the Bean Review – especially Section 3.29 – which notes that disruptive digital innovations can reduce GDP without reducing output such as by consumers booking holidays themselves rather than relying on travel agents.

Greater focus on happiness, wellbeing and inequality (of both wealth and income and recognising the limits of measurements such as GINI) will allow better policymaking than can be achieved by chasing fractional percentage points of GDP growth every year.

What data is necessary for effective parliamentary scrutiny by the Economy, Jobs and Fair Work Committee (our remit also covering energy)?

A comprehensive response to this question would be well beyond the scope of the limits of this consultation as the data required will vary greatly depending on what issue is being examined. The Scottish economy is diverse and thus diverse data will be required to understand key drivers ranging across areas such as investment behaviours, innovation practice, market reach, export patterns, quality of infrastructure, skills of employees, company governance, external conditions and others. It is also fundamental to the understanding of the economy that such data is able to be disaggregated across the regions of the country and across industrial sectors as the weighting applied to each key driver may vary situationally.

Jobs data is significantly lacking on key areas such as pay and income distribution across economic sectors as well as on a host of other areas such as emerging economic trend forecasts, productivity drivers, training requirements and impact studies of disruptive emerging technologies.

Scrutiny is not effective if it is only able to conclude that an indicator is moving without being able to explore the underlying causes and which factors may allow it to be affected in the future.

Are the current National Performance Framework indicators the best way of measuring innovation, internationalisation, investment and inclusive growth in the Scottish economy?

The National Performance Framework indicators are best considered a presentational tool. They allow the public to make a judgement on government progress but without a nuanced understanding of the deeper data behind the top line, this judgement is vulnerable to limitation or misinterpretation.

For example, “widening use of the internet” is a laudable aim but there is substantial difference between deeper penetration of broadband into rural areas for the purposes of commercial development and an increase in online gambling. High-level indicators are useful and serve a valuable role in communicating both data and policy progress but unless the underlying data and the underpinning methodologies are openly and transparently published it is impossible to properly scrutinise the top line announcements. Inadequate gathering and analysis of data which fails to capture real-world behaviour or the chasing a particular metric without adequate understanding of the underlying principles may also lead to poor policy and governance.

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ⁱB Austin and P Henderson, “An Independent Scotland’s Customs and Borders – Principles and Approaches”, Common Weal, January, (2017)

ⁱⁱC Dalzell, “Beyond GERS”, Common Weal, November, (2016)

ⁱⁱⁱM Cuthbert, “Public Procurement in Scotland”, Common Weal, May, (2017)