

Note of Video Conference with the Organisation for Economic Co-operation and Development

31 October 2017

Members in attendance: Ash Denham, Jamie Halcro Johnston, Richard Leonard, Gordon Lindhurst (Convener), Dean Lockhart, Gillian Martin, John Mason (Deputy Convener), Andy Wightman

OECD: Paul Schreyer, Deputy Chief Statistician.

Gordon Lindhurst: We're looking at the question of data in Scotland and what statistics and data we have available in Scotland. What principles does the OECD see as important for the collection and dissemination of economic statistics?

Paul Schreyer: We have a general and widely accepted data quality framework that we apply internally at the OECD. You will find the criteria there (accuracy, relevance, accessibility, consistency of statistics) and we are scrutinising our own statistics in line with that framework. As far as countries are concerned we have a similar approach. Indeed, there is an OECD legal instrument recommended by OECD council on good statistical practices that we assess our members against. This covers legal institutional frameworks, questions like: is there a clear legislative arrangement for statistics, how is the independence of statistics ensured, are there resources of statistical systems, and what are the international commitments? This is on a broader scale. We apply this to all statistics, not just economic statistics. However, we very much focus on economic statistics.

Andy Wightman: What examples of international best practice could Scotland learn from, particularly countries that have subnational entities?

Paul Schreyer: Different configurations exist if you look around the OECD area. I'll give you two examples that are different but have a lot in common. One is Germany with a very strongly developed federal system. The other example is Canada, also with a strongly developed provincial system. Yet their statistical setups are very different.

In Germany there is one statistical office per state and a lot of bottom-up activity happening in terms of statistical production. Inquiries and surveys are conducted at a state level, then passed on to the federal statistical office which has a strong coordination function and brings together the different methodologies. In a way, there is almost a contractual relationship with the "Länder" statistical offices. The latter are financially and institutionally independent from the federal statistical level. In practice, while mainly a bottom-up approach, there are also examples for both a bottom-up and top-down approach to producing statistics. e.g. national accounts use both these approaches.

Canada has as equally a strong developed federal system, politically speaking. The statistical system is, however, very centralised. Statistics Canada is a federal agency which develops data for the provinces. Statistical

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implementation in Canada, for the vast majority of data, is covered by Statistics Canada. It has regional antennae in each province but they would be aligned in structure to Statistics Canada.

It's hard to say there's a best practice case. Even in federal systems you find quite a range of arrangements for historical and institutional reasons.

Andy Wightman: In Scotland, there's increasing scope and desire, and legislative provision, to use administrative data and to produce national statistics. Are there any OECD countries doing that particularly well in the use of administrative data that we might look at?

Paul Schreyer: Singularly the most widely quoted example in this respect is Denmark. It's a small country that also has a very well developed system of registers and access to administrative data that allows it to operate very efficiently in statistical production. An example of this is population censuses. In some countries these are carried out by people going out to households, in some other countries (an increasing number) censuses are based on administrative data, which works relatively well if you have a well-developed system of the basic information needed. In Denmark, this is so much the case that they could produce census information basically every week if they wanted, simply because it is more a matter of putting the software in place to generate the information rather than going out and conducting a big census. You need the basic infrastructure for this, and Denmark is a relatively small country. You also need some sort of social/societal understanding that this is the right way to go. Every person can be tracked from cradle to death – there is a single identifier that links you as an employee to your employer. There may be issues of privacy that are involved that may not be equally acceptable to other societies. On a purely technical basis, Denmark would be an excellent example.

Andy Wightman: Estonia is also often cited?

Paul Schreyer: Absolutely. Estonia is another example where you have excellent access to administrative data. The Netherlands are also doing quite well.

John Mason: Following on from Andy Wightman's questions, it's very much the Government who is doing this and how has control of all these statistics. Would it be better if it was an arms-length body that produces statistics?

Paul Schreyer: Firstly when I say independence, I want to be clear that I am talking about professional independence in that an institution would have full control of the methodologies that are being applied to generate statistics, which is somewhat different from administrative independence. Nearly every statistical office will be administratively dependent on either the chancellery or the ministry. Professional independence is the main characteristic. In connection to administrative data, I don't think this is so much an issue. If you have a law that allows the statistical office can access administrative data, of course the data sits with ministries and the executive branch, but there would not be an issue if the statistical office accessed this data. I see no issue of independence there. The problem may be more that if the ministry itself

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generates the statistics it is easier to have some sort of perception of conflict of interest. However we know very well that statistics in many countries are both produced by and used by ministries.

John Mason: Yes, we've heard that analysis coming out of HMRC for instance may be less independent than data produced by the ONS. There is danger if it is linked too closely to the government that even if the statistics themselves are accurate, there may be an interpretation of them by a tax agency such as HMRC for instance.

Paul Schreyer: The more professional independence is guaranteed by law, the less there is a perception of the risk of conflict of interest or an issue of independence. What you have in OECD countries is a notion of national statistical systems with an "s" at the end. That means you have the national statistical office but you also have other actors in this system, such as the statistical functions of ministries. In principle, each of the actors should be subjected to the same scrutiny and legal provisions in terms of the generation of statistics.

Jamie Halcro Johnston: How does the OECD measure non-market activities such as unpaid labour?

Paul Schreyer: Do you mean unpaid labour e.g. that provided in households e.g. look after the elderly, take care of your children?

Jamie Halcro Johnston: Yes.

Paul Schreyer: As you know [non-market activities of households] are outside GDP so this is outside of GDP statistics. We have periodic assessments of the size of these non-market activities by households. We would use time-use surveys. You need time-use surveys providing information on how people spend the time of the day doing different activities. These time-use surveys are carried out in some countries, and once you know how people are spending their time, you can combine that with information on the value of the time, and come up with some measure of the production value of households. There is a lot of uncertainty attached to these estimates. Whenever we do this exercise, it's always the case that these figures [related to non-markets activities] are large, about 25 to 40% of GDP.

Time-use surveys are conducted at a national level. The methodology is that you select a representative sample of households that note every day for a certain period of time what they have been doing that day. There's a categorisation and they tick off which of these activities have taken place. You end up with the results of a time-use survey which is key to making these estimates. What typically is a big issue here is gender issues so you always want a breakdown between genders, and if you want also other breakdowns in relation to other aspects of diversity. But this is the main tool to making those estimates.

Richard Leonard: To probe a little further as a statistician, the range you said was between 25% and 40%. That's an enormous range. Is this because of variations over time, from society to society?

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Paul Schreyer: There are two reasons. Between countries you have different outcomes of these time-use surveys. If you look at Korea or Japan and some European countries for instance there will be differences probably; and an equally important reason for these differences is the uncertainty in the methodology used to value time. For example, there are different ways of going about the valuation of an hour of childcare. One could say there's an opportunity cost for the person to value the childcare, that would be a person's wage. Another way to value it is by imputing the wage of a child nurse for the spending. Or if you cook a meal, is it the opportunity cost of your own time or is the cost that a cook would take to prepare the same meal? Then you would adjust upwards or downwards depending on your ability to cook. You end with quite a range of "value". This is probably one of the reasons why we are rather reluctant to incorporate this into the core GDP figures because you are adding a massive number that does not move much over time, but there's a big uncertainty around it. This would reduce the usability of these figures for macro-economic management purposes. Having said that, I think it's still useful and important to produce this data regularly, particularly as there are issues related to these non-market activities.

Gillian Martin: One of the drivers of our inquiry is to try and look at wellbeing, the effects of policy and how that can be measured. Can you tell us how you measure wellbeing?

Paul Schreyer: This is an activity we've been doing for a number of years. We consider it critical to get a more accurate picture than you get from national accounts. We identified eleven dimensions across which we measure wellbeing. Three are rather traditional ones (income, housing, work) that relate to material well-being and the other 8 measures would relate to broadly speaking quality of life measures. Here we would have things like health, education, social cohesion, integration into democratic processes, life-work balance and a few others. The way we go about measuring them is that we are trying to do three things for each dimension:

1) We try to identify indicators that are related to households or people. When we talk about income, rather than using GDP as a macro-economic aggregate, we use household income because that is something that is typically closer to people's perceptions.

2) We always try to bring in some indication of the distribution of the measure that we are looking at. Income is an obvious example but of course you can talk about distribution for each of those domains of quality of life as well, and typically they are not equally distributed in our society. To give you an example, health, even if you look at very crude indicators, is not something that is equally distributed amongst our societies. Even in OECD you have large discrepancies in life expectancy depending on your educational attainment and income. By large, I mean a decade.

3) Whenever we think of indicators for these dimensions, we try to identify indicators of what we call outcomes rather than outputs or

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inputs. For health we would not measure health expenditure per person as we think of this as a measure of input to the health care system. Rather we would look at the health situation of the population – how healthy is the population? There are many other factors that affect this outcome: lifestyle and behavioural elements, so the outcome approach would be much more telling.

For each of the 11 dimensions, we tried to identify a relatively small set of variables that fit these three points. Some of our colleagues in different directorates that deal with territorial issues have also carried out these measures at a subnational level, and I should think for the UK they have identified Scotland as one of the entities for which they would produce data.

Gillian Martin: The difficulty we have in Scotland is how we disaggregate data produced at a national level.

Paul Schreyer: To the extent possible I should say the data that is available at a subnational level is the same as that available at a national level. However, we cannot produce all the indicators we have available at a national level. Adjustments need to be made but we do have a publication and a website that deals with regional wellbeing.¹

Andy Wightman: Do you have any issues when trying to compile regional data from Scotland?

Paul Schreyer: I'm not very well placed to answer that question I should say, because I have not been working on the regional data, these are our colleagues from the directorate that deal with territorial data. I really can't answer that question. I'm happy to find out and go back to them and ask if there were any specific issues that they encountered with Scotland.

Andy Wightman: Do you have any idea how well served Scotland is for data compared to other OECD regions?

Paul Schreyer: This is hard for me to answer. I had a quick look at the economic data. I would probably place it somewhere in the middle in terms of availability of sub-national data for OECD countries. There are examples like Canada where there is an extremely well-developed provision of provincial economic data. In some other countries there is no information available. Based on the series available and my own judgment, I would probably put Scotland in the middle or upper middle.

Dean Lockhart: My question relates to inclusive growth which is an area where Scotland has done a lot of work. Inclusive growth can mean different things to different people and there is no one definition. Can you explain how the OECD measure inclusive growth and what the key areas might be that we can keep a track of?

¹ http://www.oecd-ilibrary.org/urban-rural-and-regional-development/data/oecd-regional-statistics/regional-well-being-edition-2016_d147c81c-en

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Paul Schreyer: You're quite right. There is no single way of defining inclusive growth. At the OECD we have started looking at inclusive growth measurement on the basis of the wellbeing framework that I described a minute ago. The challenge for inclusive growth is to identify one measure that would capture the idea of inclusive growth that is shared amongst a large number of persons, or growth for the median citizen. That's probably the best way of characterising it. As I said, we didn't stop at purely economic notions of inclusiveness; we tried to bring in at least a small number of those dimensions that I was describing before. On the basis of empirical studies of what is most important for people's wellbeing, we found that apart from income, two things that account for most of people's wellbeing are health and their state of employment, so whether they have a job or not. Income, state of employment and health are the three things that seem to matter most for subjective wellbeing in people. So then we thought about a methodology: how we could aggregate those three areas into a single figure and we came up with a methodology that would attach weights to those sub-elements and allow us to construct a measure of what we call multidimensional living standards, basically an income measure enhanced for the state of employment and for the evolution of life expectancy. There is also a distributional element in there. It sort of gives us a first idea of where things are going over time and how different countries fare in this comparison. To give you just a little example, we noted that even on a very crude measure of health in the form of life expectancy, we have large differences in the evolution between OECD countries. In Europe, life expectancy has been going up. In general, this is not a trend that is observed in the US for example. Once we managed to bring in life expectancy or health into the overall picture, the relative position say between the US and Europe, looks quite different from the position that you get if you only look at income per capita. This measure of inclusive growth is a sort of entry point to the discussion, because then you have to ask, what are the determinants of health, of income, and link this to the policy area? This is ongoing work where we are trying to identify the policy levers that affect these elements, which in turn impact the measure of inclusive growth.

Dean Lockhart: Would education be part of the three measures you mention?

Paul Schreyer: For the time being, we only retained those three elements but you are quite right. Education is something that is worth considering. Education is complex for 2 reasons: one is that you can see education both as a means to improve your health, income and probability of having a job. It's sort of a means to an end. At the same time, it is an end in itself. Your subjective wellbeing is probably influenced by the fact that you undergo education, you have access to cultural facilities and a richer experience in life so one could see education as an end in itself, but there's a lot of value judgments that come along with that. It is clear that education is a determining factor for income, health and employment. Those are things that are well established in the research domain. One can quantify the importance of education for those factors and then see how education influences the overall measure of inclusive growth via its positive impact on health, on employment and on income.

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Dean Lockhart: Do you publish for OECD member countries an index of inclusive growth or multidimensional living standards?

Paul Schreyer: We do, but it's not so much a regular statistical index, it's something that we are using in various analytical publications. I'd be happy to provide you with information on methodologies and relevance there.

Final remarks from Paul Schreyer: The subnational aspect is of increasing importance for an organisation like the OECD. We used to be entirely macro and national oriented but I think over the past year things have shifted in our work to an interest in subnational level which includes statistical arrangements. I will be looking out for your report with great interest, as I think will other countries who are looking at these issues.