

Economic Data Inquiry

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Introduction

This is a response to the Economy, Jobs and Fair Work Committee request for a contribution to its inquiry into the accuracy, utility, and clarity of Scottish economic statistics.

The following sections submit the views of the author on what data is required for effective delivery and scrutiny of policy. It also considers the necessary role of statistics in informing policy. The final section offers recommendations.

Note that this submission cannot be exhaustive as it rests entirely on the author's own experience in searching for appropriate data to answer questions concerning only a range of economic data. Further, it has been requested by the Committee that the submission should be no more than six A4 pages. The paper therefore provides only a brief account of the author's experience of working with data on the Scottish economy with regard to the state of statistical information in Scotland.

Effective Policy Making, Delivery, and Scrutiny of Policy

In general, economic statistics has several important roles to play: first, in giving an accurate description of the economic health of the country - a base fundamental to good policy making; second in monitoring what is happening as government policies are being implemented and as world economic circumstances are changing; and third, in evaluating the effects of government policies in order to provide information for future policy making.

The main body in Scotland with responsibility for economics and economic statistics is the Office of the Chief Economic Adviser. Its key aims¹ are given as:

- To provide high-quality analytical support for Ministers and colleagues across the Government on all aspects of the Scottish economy and public finances; and
- To produce robust economic statistics for the Scottish economy and to take forward a programme of ongoing development to improve the quality and breadth of coverage of economic data for Scotland.

General Statistics on the Scottish Economy

Overall, the quality of the statistics given in main publications such as Quarterly National Accounts, The State of the Economy, and Government Revenue and Expenditure Scotland depend on a range of statistics provided by Scottish Government departments and some UK departments including HM Treasury, ONS, and Customs and Excise. Over the years, considerable effort has been made by statisticians in Scotland to improve these statistics, and to seek better estimates from other government departments on expenditures stated by them to have been made

¹ <http://www.gov.scot/Topics/Economy/EconDept>

on behalf of Scotland. Improvements by the UK Office of National Statistics in the collection of data for the different parts of the UK have also been taking place.

Where there is a need for improvement in a number of the statistics given, this is already well recognised by the Scottish Civil Service statisticians. However, what action that does require to be taken to improve the situation depends on political will and not on the quality of the statistical service given the Economics division of the Scottish government civil service.

Important examples of work which would benefit Scotland include the need for Whole of Government Accounts (WGA). These bring together audited accounts of organisations across the public sector to give a comprehensive picture of the financial position of the public sector. They are regarded as of vital importance in transparency and accountability. In the UK, the accounts help Parliament give effective scrutiny of all aspects of public sector financial commitments. It is understood that Audit Scotland has all of the elements that could create such a set of accounts for Scotland but so far has not been given the green light. The Auditor General has drawn attention to this. Without such statistics, it is not possible, for example, to give an accurate picture of Scotland's future debt position.

Business Statistics

Business statistics are published by the Scottish Government, the Office for National Statistics (ONS) or Department for Business, Energy and Industrial Strategy (BEIS). Already there is in process a major exercise by ONS to count all businesses and not just the registered (those registered for VAT), and this should improve the statistics as at present the unregistered are estimated.

Problems remain with the timeliness of the data and with some of the concepts used in the man tables.

The latest volume on Scotland's Annual Business Statistics (SABS) was released in August 2017 and covers data sourced from the Annual Business Survey (ABS). The data is reliant on data obtained from analysis by ONS. The data allow detailed analysis of the structure and performance of businesses in Scotland over the period 2008 to 2015. The delay in data publication, forced upon by the Scottish unit by the dependence on UK information collection and collation makes this data rather old to inform Parliament of the current state of the economy.

Northern Ireland has carried out its own survey for many years and has its results out within 11 months.

But, of considerable importance are the following points:

- The information that is currently available on aspects of business creation, business support, (and by provider), and results of such in terms of effect on the Scottish economy such as in jobs etc., seems to be mainly produced by NDPBs such as Scottish Enterprise and the Hubs. It is, at present, impossible to check on the source, quality, and accuracy of this data. Requests for such can meet with no response, refusal, or a suggestion to apply under Freedom of Information. In other words, the ability to collect information, analyse it, and

provide comment, is severely hampered. The question has to be asked “What role, if any, can the Scottish Government economists and statisticians do about this, and if the answer is “nothing”, then why is the impression given that the Scottish Government is closely involved with these NDPBs?

- At present, it is extremely difficult to determine ownership of businesses in Scotland (and in fishing vessel ownership and quotas dealt with by Marine Scotland, it is also difficult). Can anything be done about this?
- On the matter of how well Hubs are performing (Hubs being part of the Scottish Futures Trust umbrella), in their Annual Reports Hubs publish the percentage of SME involvement. It is difficult to determine from the publications what the statistic actually means, and importantly, on what the statistic is based. Requests to date on this have not met with an answer. The clearest one was that the Hub was a small organisation and did not have the resources to respond to such a question,; in addition, Hubs were not covered by Freedom of Information and so did not need to answer. This means that an organisation created by the Scottish Government can produce statistics relevant to the SME position in different parts of Scotland without giving any basis for their statistic.

Agriculture: The importance of economic statistics covering food production cannot be overestimated. This might sound as an exaggeration, but a recent article in Significance² showed how the Minister of Food during the Second World War used statistics as an important part of the solution to feeding the country. The current problems facing Scotland and the rest of the UK could escalate. We too need relevant statistical data for agriculture and fisheries to ensure that the population can be fed in the worst of scenarios.

- a. The data currently collected and published gives no idea of its utility or relevance to the economy. The current Economic is an excel file with no commentary whatsoever. There is no indication of what Scotland needs and how current production matches this need.
- b. There is no information on land ownership; there is no commentary given on how agriculture is developing, nor even on the time series data. Statistics on the distribution of land ownership have been collated by non-government researchers. Scotland is among the most inequitable in Europe and increasingly land has been bought by foreign companies with little interest in agriculture or in the Scottish economy. Andy Wightman’s work has also considered the rise of worker exploitation, human rights abuses, and a disregard for the environment in agriculture in Scotland. No information is given in government statistics on these matters.
- c. “Following consultation it has been decided to reduce the frequency of ERSA publications from every year to **every three or five years**. Under this plan the

² Significance, Royal Statistical Society, June 2017

next ERSA will be published either in 2019 or 2021. In the intervening years we will produce just the tables, in spreadsheet form, online.”³

- d. No information is given on the monitoring and evaluation of the effect on the economy of agricultural and forestry policies and subsidies, yet this expenditure clearly will have an effect on the local communities as well as on the overall Scottish public expenditure figures.

Education, Training and Research and Development

Employment Prospects for Graduates:

To the email “ONS published an article on Graduates in the UK labour market, 2013. I would be grateful if you could tell me if there has been an update. “, the reply was “There has not been an update.” Although data is published by HESA, it is extremely difficult to obtain any information on the outcomes post higher education for different categories of graduates, (type of degree, broad subject, group studied,) by employment post degree: (level of work, whether in Scotland, full time/part time).

Modern Apprenticeships and Training

Detail is provided on the number of starts, leavers and achievements. Trying to find the meaning of “achievements” has proved too difficult to incorporate it in the present summary, although staff spoken to think it is likely to be a measure of whether the course was passed or not. There is no information given in the annual report of what success the achiever has had in finding a job to match the qualification achieved.

R&D

Our top universities pride themselves as being world class in research and development in some fields. There is a lack of statistics, and possible of data collection in pulling together the amount attributed to Scottish public expenditure on R&D within the higher education sector in Scotland and of key measures showing the return to the economy from that expenditure. It is recognised that devising such measures may be difficult, nevertheless, effort ought to be made.

With respect to R&D, I quote here US economist Ralph Gomory, economist, mathematician and head of R&D at IBM: *“It does not make sense to talk about innovation as if innovation was an end in itself. We could innovate until the cows come home and if we can't translate that innovation into something substantial that adds to the economic output of the United States, it does little for America. If our strategy is to generate new ideas that other countries acquire, either as the foundation of a new industry or to gain an advantage in an old one, we will have the expense and glory of being innovators, and they will have the resulting industries and the economic benefits.”* There is no centrally collected and analysed data on R&D spend in our higher education institutions and on its return to Scotland.

Fisheries:

The fishing industry is rarely regarded as a potentially really important part of the Scottish economy. Yet, it is an important asset that, partly due to UK negotiations for entry into the EEC, partly due to the EU rebate which hindered the take up of

³ <http://www.gov.scot/Topics/Statistics/Browse/Agriculture-Fisheries/agritopics/LandUseAll>

structural funds, the industry for Scottish employment and income has suffered a major decline. By 2015, the landings in Scotland by UK vessels of all types of fish were only 74 % of that in 1994, and landings of demersal fish (haddock, cod, etc.), where were only 37.4% of those in 1994.

The House of Commons produced a report on the UK fishing industry in November 2016. In terms of tonnage landed, Scotland is by far the most important part of the UK for fishing with 439.9 thousand tonnes landed here by UK boats in 2015 compared with 214.1 thousand tonnes landed in England.

It is clear that while quotas are allocated to Scottish vessels at UK level having already gone through the loop of being allocated to the UK at EU level, fishing boats can be bought and sold to non-Scottish owners, with the quotas going with the boat.

No information is published by the Scottish government on what the real state of affairs is, but there is considerable disquiet among fishermen and evidence of very large companies, particularly Spanish companies, “quota hopping”. In particular, there is the concern, also discussed with Greenpeace that very large trawlers working the North Sea in Scottish limits are transferring their catches to smaller boats for landing in Scottish waters to be quickly transferred out again – the trawling affecting the sea bed. No exercise to gather information and statistics on what is going on seems to have been carried out and therefore there are no statistics available.

Yet the implementation of fisheries regulations are devolved to the Scottish Parliament and Marine Scotland has been given the duty of implementing policy.

Public Procurement

Having created the Scottish Futures Trust (SFT) with the intention of improving the public procurement of schools, hospitals, prisons, etc; and at the same time avoiding the restrictions on capital spend demanded by the Treasury, the Scottish Government allowed the creation of 5 Hubs within the SFT umbrella. Each Hub has public sector members and a private sector member. Increasingly the Hubs are responsible for giving out contracts on all aspects of procurement regarding construction, and in some cases, service provision. The published annual reports of the Hubs give only aggregate data such as the percentage of SMEs. To give an example, Hub South East reports in its 2016 Annual Review that the “proportion of construction work packages awarded to Scottish SMEs was 85%. No further data on this point is given and requests for further detail have been refused. If all that is published or made available is aggregated information, as is produced by the five Hubs on their contribution to the SME sector, then anything can be lurking in the woodwork.

Tourism

The data used in the 'Tourism Employment in Scotland' paper is sourced from the ONS Business Register & Employment Survey (BRES). The Scottish Government have summarised this data in the Growth Sector Database using their preferred SIC definition of tourism.

There is a need for Visit Scotland to produce statistics covering more fundamental attractions and problems in cities, small villages, and islands. Without the collection of relevant data by Visit Scotland and its partners such as local authorities, its strategy lacks an even superficial study of what the tourist is faced with in Scotland, and this has become apparent in areas such as Skye this year

Trade

As reported in Exports Statistics Scotland, “In National Accounts terms, Scotland is a region of the UK and there is no legal requirement for companies to report financial information at a sub-UK level.” This is a fundamental difficulty in data collection.

Information on Scottish Exports is based on a Global Connections Survey of only 1,506 returns in a survey of what are regarded as the most important exporters. This is supplemented by estimates based on UK surveys. In some cases, the definitions used in the Scotland data are different from those used by the Office of National Statistics making it difficult to compare the different series.

An analysis of trade data in 2015⁴ reached the following conclusions:

- There has been a fundamental failure of the UK and Scottish government in the collection, collation, and analysis of trade statistics for Scotland.
- The government agencies funded to improve Scotland’s trade performance have had an easy passage to date. They have failed to collect and to provide solid data on how they have improved trade performance. And they have not been asked for it.
- Following the collapse in Scotland of sectors which were important to trade, such as textiles and electronics, there has been an almost total failure to examine the causes of their collapse and examine the role of trade policy in their collapse.

There is little evidence of any improvement in export information having been made by the relevant bodies to cover most of the points raised in the report.

The data provided in the January 2017 report on trade cover a period up to 2015. This is a far less timely report on trade than that produced in Northern Ireland.

Changes that could be made by the statisticians have been made: for example, information is now given in real as well as in nominal terms.

No information is given on imports to Scotland, yet both exports and imports are important to a knowledge of the Scottish economy. Resources are needed to determine the best way forward to deal with this situation.

There is no tie up in any of the statistical and economic publications between the export trade and other parts of the economy.

⁴ Growing the Scottish Economy: is Scotland well served on international trade and development?, Margaret Cuthbert, September 2015, Jimmy Reid Foundation

Conclusions:

A summary of the conclusions is as follows:

The breadth and quality of core economic data has improved, and access to it has also improved. In addition, the inclusion of comparisons of the economy of Scotland with the UK excluding London is very welcome and gives a far better idea of Scotland's relative performance through time and across sectors.

Despite the appalling and verging on ignorant comment by Richard Murphy in the Sunday Herald that "GERS data is what I technically describe as crap", GERS data continues to improve. The original quality of the data was comprehensively examined line by line in 1977 and thereafter statisticians in the Scottish Government have made considerable efforts with UK departments to work with them and obtain reliable estimates for Scotland. However, it is time to assess what the Scottish Parliament needs as its powers continue to grow. This is particularly the case as the fiscal settlement holds many ill-advised conditions that will now face Scotland.

The first problem is the publication of data by NDPBs and their offshoots where it is nigh on impossible to find out how the data given are derived. What checks are being made by the relevant central government departments on the quality of the data and its definitional fit with main government statistical data regarding the economy?

Second, there are departments within the Scottish government that produce statistics where it is difficult to understand what the statistics actually mean, where it is difficult to get a handle from the staff themselves on the meaning of the data, and it is therefore wide open for reporters and non-government researchers to get the wrong picture.

Third, there are departments and NDPBs which produce statistics that are equivalent to their turning a handle year after year, and where the statistics given shine no light on the performance of Scotland, particularly with relation to where the government says it wants to be going.

Fourth, and possibly due to policy groups within government, the frontline publications covering economic matters have tended to become glossies showing how well the government is doing.

And, finally, there is the personal experience that statistics collected, collated and analysed do not appear to be given due importance when the policy makers set to and devise their policies. It is difficult to find mention in the published policy documents of detail of how, in describing the creation of new policies and their implementation, the policy people have been using statistics to help define their policy, or how they are going to collect and publish statistics to monitor and evaluate their policies.

The role of both economics and statistics in the Scottish Government needs to be substantially extended. There is a need for a strong central statistics unit that is capable of fighting its corner for resources and relevant place in the decision making of policy, and the necessary schedule of monitoring and evaluation.

This summary is too brief to give detail, but the website www.jamcuthbert.co.uk provides a number of such examples.

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