

STATISTICS MATTER, BUT USERS DON'T by Ian Maclean

The Chancellor of the Exchequer opened his reign in 1997 by declaring the Bank of England independent. Now in his 9th year he further enhances his legacy with the announcement of the intention to legislate to make the Office for National Statistics independent. A sign perhaps that he is clearing unfinished business (independence was promised in the 1997 Labour Party manifesto) in the run-up to leaving the Treasury?

The key elements in the consultation document issued in March are

- the ONS to become a non-ministerial department, directly accountable to Parliament, with a special funding arrangement.
- the setting up of a powerful governing Board with a non-executive chair and a majority of non-executive members including leading experts in statistics and from academia, business and public service. The Statistics Commission will be wound up and its role subsumed into that of the Board.
- the National Statistician will be a

member of this Board, as CEO of the ONS, but there are several changes. The title is now that of Chief Statistician and Chief Statistical Advisor to the Government. The post of Registrar General is hived off, but responsibility for the census of population retained.

- official statistics are now split into three categories
 - national statistics referring only to the elite statistics that have been assessed by the Board as meeting the requirements of the code of practice
 - the remaining output of the ONS
 - departmental statistics to stay under the control of the Minister.

So how do we as users view this document as a basis for legislation? Apart from ring-fencing departmental statistics and the loss of the emotionally-charged title – National Statistician – does it form the basis for satisfactory legislation? The short answer is 'yes' but with qualifications on the lack of understanding of the needs of users glaringly exposed by the narrow definition of National Statistics. Integrity and

reliability are important but it is not direct political interference that is the problem. Relevance and availability are the real issues and that is much wider than setting a quality mark. Could the appropriate 21st century definition be?

- the statistics needed "for encouraging and informing debate; and allowing people to judge whether the government is delivering on its promises. High quality statistics are also a key resource for business, academia and the wider community. **With increasing emphasis on evidence-based policy making and effective performance management**, statistics have a greater importance than ever before, and ever-increasing scrutiny is placed on them."

Not my definition, but a paragraph lifted from the Consultation Document [1.3]. So having set the stage and elevated the role of statistics in the democratic process, why does the rest of the report continue to review National Statistics simply as a quality mark instead of standing back and asking that most basic of questions: "what market should official statistics serve?". Fighting yesterday's battles is a phrase that inevitably comes to mind. The treatment of unemployment figures under the Thatcher government was the trigger for the demand for legislation, but that was

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EDITORIAL

INDEPENDENCE FOR STATS: CHIEF OF CHIEFS CHASING FUND OF FUNDS?

Publication of HM Treasury's consultation document on 'Independence for statistics'¹ has stimulated statistics users to gather their thoughts and reactions for submission by 14 June. Along the way, major meetings have been organised by: the Statistics Commission in conjunction with the Royal Statistical Society and the Financial Times in London (17 May); the Royal Statistical Society in Cardiff (22 May), in Edinburgh (30 May) and in London (31 May). The RSS Statistics Users Forum, on which BSUG is represented, is gathering comments preparatory to making a submission. The Treasury Sub-Committee is also entering the fray by seeking written evidence by 19 May with a view to taking oral evidence in late May and early June. Ian Maclean's broadside salvo appears on this page.

This is a historic document and there are

many points of detail to consider. **BSUG News** picks just a few to flag up. Is it desirable to change the National Statistician's title to Chief Statistician, a name by which branch heads in the GSS have traditionally been known? Many are now called Director, which sounds even more elevated? It is proposed that funding is to be outside the normal Spending Review process, but will still be subject to "periodic review, with subsequent increases determined by formula". No explanation is given for the difference. The proposal to introduce an independent board to be given high-level objectives enshrined in the legislation, but left to decide for itself how to deliver these statutory objectives, still leaves a relatively-unchanged arrangement in determining what are National Statistics, and there needs to be a clearer distinction between its executive and scrutiny functions.

The availability of total UK statistics and their importance, which has to an extent been undermined following devolution, needs to be resuscitated. A Statistics Commission Briefing Paper² sets the scene for some of the implications of such work and quotes examples. Finally, in the light of recent Statistics Commission/ONS surveys on public perceptions of trust in official statistics, which found they could do with improvement, it is difficult to find any specific reference to what it is proposed should be done to address this. And then there are the users to consider.

¹ *Independence for Statistics: a consultation document*, March 2006, can be found at www.hm-treasury.gov.uk

² *The Interdependence of Statistical Work in Government*, March 2006. www.statscom.org.uk

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over 20 years ago. The requirement now is to consider the development of National Statistics as a service designed to meet the needs so eloquently set out in paragraph 1.3. It is all about participation in the democratic process.

En Route to the Promised Land or By their fruits ...

So having set out the 'aims', how does the implementation side of the consultation document unfold? We are already part of the way there. Under the heading 'Reforms so Far' [1.6], reference is made to "The introduction of the concept of National Statistics, aimed at providing an accurate and, up-to-date, comprehensive and meaningful description of the UK economy and society.", but it doesn't say for whom and as the rest of the Document indicates, the user outside government does not intrude very far. The discussion is restricted to the need for legislation to protect the professional independence of official statisticians and develop public trust in statistics. Both admirable concepts, but is the legislation to be really that limited in scope? The answer as we review the rest of the Document is a resounding 'yes'.

Key objectives of reform [paragraph 1.9]: six points are listed but the only reference to users is that 'the system should have the flexibility to respond to changing needs, without harming the trust of users'.

Progress since the Ministerial Directive in 2000 [Section 2]: reviews wide-ranging developments but has no references to Users. No mention of the failure of both the National Statistician and the Statistics Commission to set up effective mechanisms for identifying and evaluating user needs, as instructed in the Directive.

Key principles [4.3]: Quality, integrity, clear definition of roles and responsibilities, transparency, efficiency. Again all excellent points, but no reference to Users.

The National Statistics system [4.20] defines National Statistics only from the production side. No mention of the requirement to meet user needs.

Decentralised statistics collection presents a potential conflict of interest as departmental statistics represent over 70% of the total and include some of the most politically-sensitive sectors, health, education, crime. Paragraph 4.28 confirms that the ONS has access to the departments for National Statistics. That access should be declared 'open' in the legislation and its implementation considered by the Board as one of its key responsibilities.

Power Boarding

The attempt to operate with an external guardian – the Statistics Commission – was not a success. The National Statistician resented what was seen as a confrontational rather than a co-operative relationship and the Commission lacked teeth. The positioning of the Board inside the statistical system resolves this problem but at the expense of weakening the perceived independence of that system. An exchange, provided certain safeguards are in place, worth making for greater operational effectiveness, and a unified assault on public mistrust in Statistics per se, a much wider and deeper problem than just re-branding selected official statistics as trustworthy. On their own, statistics are just numbers; they need sympathetic presentation to facilitate their use by the public in democratic debate. The ONS has regarded itself as a quarry to which you bring your own spade and

shovel. The Board is in a strong position to start a product development programme to bring 'statistics into focus' (the title of an EU series), converting a valuable raw material into essential aids for decisions. The Norwegian initiative 'statistics for a general election' shows the way forward.

Provided certain safeguards are in place. If they are not we will have the worst of both worlds.

The problem of the invisible user still remains. The Board High Level Objectives – paragraph 4.17 – repeat the production bias and introduce a disturbing concept: meeting user needs is mentioned, but in Freudian tones they are described as 'key users' i.e. the Bank of England.

Recommendation: replace 'key' by 'agreed'.

Under the Board structure there is an assessment function [4.33] which will assess National Statistics and the output of the ONS against the code through a unit that, although located in the ONS, will report directly to the Board.

Another recommendation: Add a user-needs identification and evaluation function to the Board structure. If it is not in place in the legislation it will be a long hard struggle to get it there.

'Hail Caesar' is the thought that crosses the mind when reading the brief for the chair, more a Lord King or a Tiny Rowlands than a figurehead and arguably a full-time rather than a part-time job. It is a crucial appointment, the top job in National Statistics and a very powerful national figure. The selection process for the chair – we are told in several places will be by 'open and fair competition' – but paragraph 4.34 on the 'Independent Selection Process is confusing. The first part confirms this view, but the second part states baldly that "the Government proposes that the Chair should be appointed by the Crown on the advice

News from DCLG

DEPARTMENT FOR COMMUNITIES
AND LOCAL GOVERNMENT –
FORMERLY ODPM

Retail statistics – latest

Town centre statistics: Current work on boundaries for town centre activities (retail and employment data) for 1998-2003 will provide revisions for 2000 and 2002 as well as data for additional years. Publication date is expected to be 19 June. For existing information see <http://www.iggi.gov.uk/towncent>

Commercial and industrial property statistics for 2005 – count, floorspace, rateable value (RV) and RV per m² were released on 23 February. These

are available at Local Authority level via the NeSS website under 'Physical Environment'. The derivation of the data is described at <http://www.odpm.gov.uk/index.asp?id=1163767>

Commercial and industrial property statistics for 1974-85 describing the development of the series with data for this period and comparisons with more recent figures can be accessed at <http://www.odpm.gov.uk/index.asp?id=1164419>

Development of commercial and industrial vacancy statistics: technical report presents findings of a project to identify vacant commercial and industrial (including retail) property. This is the first step towards producing definitive statistics on commercial and industrial vacancy for England and Wales.

NEWS FROM DTI

Virtual closure at Trade & Investment Information Centre

Feasibility work by the DTI Trade and Investment Information Centre on providing a 'Virtual Information Service' (reported in *BSUG NEWS 31*), has concluded that, taking into account feedback from customers, publishers and colleagues and allocation of DTI Trade and Investment's future service priorities, there was an insufficiently strong business case to operate a chargeable service.

of Ministers. The Government expects that Ministers will appoint the other non-executive members of the Board. This apparent contradiction presumably arises from a subtle distinction between appointment and selection, but the omens from the first appointment/selection process for the Statistics Commission are not good – over 1000 applications leading after Treasury sifting [what an expressive term] to a single interview session with nine candidates for seven places.

The force be with you

Jokes about ‘fog in the channel, Europe cut off’ apart, the UK is in the slow stream when we discuss the role of official statistics in advancing democratic debate.

The UK is one of only a handful of developed countries without a Statistics Law and many have been busy revising their laws to bring them into line with current democratic ideals. I particularly like the motto of ISTAT, the Italian Statistical Office, ‘Statisticum republicae fundamentum’. [Statistics are the foundation of the state]. One paragraph from the 1994 UN Principles is worth repeating:

‘official statistics that meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honour the citizens’ entitlement to public information.’

The UN Declaration has to date inspired some 20 countries to pass or upgrade their statistics law. In 2005 the UN Economic Commission for Europe organised a work session on Statistical Dissemination and Communication with the underlying themes of availability, relevance and ‘Making Data Meaningful’, the title of one of the sessions’.

The European Union through its various channels has been actively advancing the

role of official statistics. The integrity of official statistics was guaranteed as long ago as 1997 by Clause 285 of the Amsterdam Treaty.

A report on the proposal for an EU Citizens Charter in October 2002, listed the key issues for discussion as:

- the feeling that more must be done to encourage the EU citizen or voter to engage in the democratic process at all levels.
- the acceptance that, if citizens are to be in a position to judge the performance of those they elect, they have a right to access reliable and up-to-date statistics that make this possible.
- The concept of an **Information Society** for all, based on access to statistics held by public sector bodies.

Then early in 2006 a White Paper on an EU Communication Policy stressed the need for institutions and governments to pay more attention to consulting the public and feeding their views into the policy-making processes. The White Paper is a complement to the Commission’s Plan D – Democracy, Dialogue and Debate. The DGINS Conference, Copenhagen, May 2005, also discussed the challenge of communicating statistics.

A proposal for an upgraded EU Statistics Advisory Council has been prepared for ratification by the European Parliament:

“The Statistics Advisory Committee shall deliver opinions and present reports on user requirements in the production and dissemination of Community Statistics to the European Parliament, the Council and the Commission and the Commission shall report to the Committee on a yearly basis on how it has taken account of the Committee’s opinions”.

So the EU statistics law will explicitly recognise the need to service users outside

Government. Are we going to be left behind again? There are two main options:

A Statistics Advisory Council separate from the Board but reporting to it, or build on paragraph 4.31 which states that the Board Chair is responsible for “determining the structure of its committees”. If the former, **the Advisory body should be recognised and authorised by the legislation.** If the latter, **the legislation should include a clause that one of these committees should be responsible for identifying and evaluating user needs.**

Legislation has been a long time coming. Let us now strive to ensure that the ‘Law’ fully honours the citizens’ right to relevant and reliable official statistics. ■

NEWS FROM ONS

Improved access to labour market statistics

Although the Labour Market Statistics User Group normally covers matters relevant to its members, BSUG members might find it helpful to be made aware of some new reference sources being offered by ONS. 23 March saw the appearance of two new publications, **Labour Market Review 2006**, which brings together labour market statistics sources and analysis so as to give an overall picture of key social and economic aspects of recent years’ labour market trends; and **Guide to Labour Market Statistics**, an easily accessible source of information about all aspects of ONS’s labour market statistics. These are available online on the ONS website, www.statistics.gov.uk

NEWS FROM HM REVENUE & CUSTOMS

by Ian Belfield

Changes to Classification systems, including: The Harmonised System (HS), Combined Nomenclature (CN) and Standard International Trade Classification (SITC) – 2007

The Harmonised System (HS) is the 6-digit coding system owned by the World Customs Organisation (WCO), used globally to classify visible goods Imported and Exported between all trading nations.

The Combined Nomenclature (CN) is owned by the European Commission and is based entirely on the HS, only at a more detailed 8-digit level.

As well as being used for Tariff and Customs purposes, the CN is used throughout the Community to record trade statistics.

Owing to the size and complexity of the HS, the coding structure is usually amended/updated in 5-year cycles – the next being 2007.

This therefore impacts largely on the CN,

with many businesses having to use new codes and statistical users experiencing a major break in some of the detailed ‘time-series’.

The HMRC Statistics and Analysis of Trade Unit (SATU) are keen for CN users’ – for both operational and/or statistical purposes – to be made aware of changes at the earliest to aid their planning. The timetable, driven by the release of official EU documentation, but to publicise developments at the soonest opportunity, SATU will be using the HMRC www.uktradeinfo.com website to share information and provide links.

As a result of the HS 2007 changes, the United Nations (Statistical Division)-owned Standard International Trade Classification (SITC) has also undergone a (4th) revision

to enable comparability with the HS. The SITC was established prior to the HS, and is still used to compare International Trade Statistics; in fact SATU still publish SITC-level data in the Overseas Trade Statistics publications as well as at CN level on [uktradeinfo](http://uktradeinfo.com).

Finally, please note that other International Classifications Systems – used to classify Activity and Product – will also change in 2007, eg the International Standard Industrial Classification (ISIC) and Central Product Classification (CPC), and their European and National derivatives. SATU, however, is not responsible for disseminating information about these Classifications. (For further information on these, users should see the National Statistics website www.statistics.gov.uk)

NEWS FROM EUROSTAT

D-G CHANGEOVER

Günther Hanreich, who was appointed Director-General of Eurostat on 9 December 2004, died on 24 February 2006 at the age of 51.

His successor Hervé Carré, 60, French, an economist and econometrician, was appointed in May 2006. He has been with the European Commission since 1973; since May 2005 he has been Deputy Director-General for Economic and Financial Affairs.

NEWS FROM ONS

PROPOSALS TO CHANGE MACHINE TOOLS AND ENGINEERING RELEASE ARRANGEMENTS

An ONS consultation on a proposal to withdraw separate releases on machine tools, engineering turnover and orders on a current price not seasonally adjusted and constant price seasonally adjusted is currently under way. A finding from a recent Monthly Production Inquiry Triennial review is that the targeting of these releases might be out-of-date and of less interest than hitherto, with little need of constant price data. Consequently it is proposed that monthly turnover for all production industries collected under this Inquiry (SIC Section D: Manufacturing) at current price not seasonally adjusted should be published one week after the Index of Production First Release, a lag of approximately 5 weeks after the reference period.

At the same time the opportunity is being taken of improving the timeliness of publication of monthly turnover data for Services from two months to one month after the Index of Services First Release, which has a lag of approximately eight weeks after the reference period.

It is suggested that such information be re-named the Monthly Turnover Survey (Production) and (Services).

The full proposals, including a list of specific questions for consultees can be found on the ONS website, www.statistics.gov.uk. Responses to Denise Blackmore are requested by 23 June 2006.

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Productivity – a different perspective

Productivity was last addressed in **BSUG News 27**, January 2005 as well as making an appearance at last year's BSUG Conference, **BSUG News 29**, July 2005. A different way of looking at it is seen in a publication from the Sector Skills Development Agency¹, which examines international trends and provides league tables on productivity by sector, based on their skills characteristics. It may come as something of a surprise to discover that in terms of Total Factor Productivity, the UK's world-beating sectors are: agriculture, hunting, forestry and fishing, 2nd to Japan; food, drink and tobacco manufacture, 2nd to Canada; 1st in manufacture of furniture, jewellery, musical instruments, toys and miscellaneous products and recycling; and in transport, 2nd to the US. Lagging sectors include: wholesale, retail and car repairs, 14th out of 14; financial services, 14th out of 15; energy and chemicals, and manufacture of transport equipment, 11th out

of 16. It may additionally be worthwhile visiting an HMT study².

The report suggests that productivity is not necessarily a national problem but one of specific sectors. Yet, it may be worth additionally examining and comparing sector league tables side-by-side with profitability. Pursuing both objectives ought to produce favourable results, but do they? Agriculture at the top, financial services near the bottom – really?

¹ *Sectors matter: an international study of sector skills and productivity*, Sector Skills Development Agency, October 2005.
www.ssda.org.uk

² *The UK financial services sector, rising to the challenges and opportunities for globalisation*, March 2005.
www.hm-treasury.gov.uk

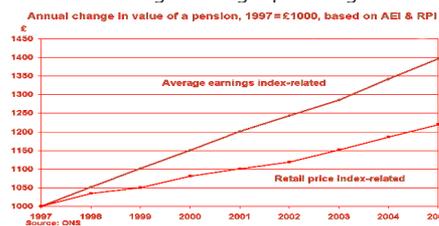
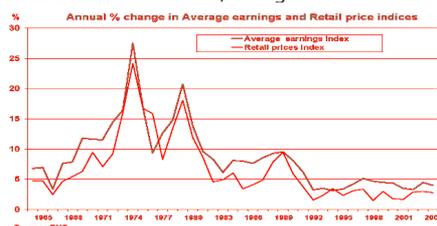
NEWS ON PENSIONS

MEANS TESTED – PICTURE WORTH A THOUSAND WORDS OR £s?

The Turner Reports on the future for State Pensions are voluminous and a treasure trove of statistics. They recommend that annual indexation should be linked to average earnings, and the Chancellor, who broke this link in favour of the slower-moving RPI, now seems to be withdrawing his resistance and may allow reinstatement of the link by 2012. While it may be assumed that the public are familiar with the actual significance of the difference and its effects, no figures are included

on this key point. **BSUG NEWS** is therefore offering some graphic illustrations of the relationship between the two indices over a period.

The first chart compares for AEI and RPI the annual percentage rates of change 1964-2005, the second illustrates the differences in value in each successive year of a 1997 £1000 amount. Although relatively few pensioners' life expectancy would cover long periods, the extent to which the two indices diverge is thought-provoking.



NEWS FROM THE STATISTICS COMMISSION

THE BURDEN OF EUROSTAT

If the decibels of complaints of UK suppliers of returns to official statistical inquiries have always seemed to have undue influence with the collectors, this has become enshrined as 'the burden'. However, it may not always be realised that a significant ultimate demander of data is Eurostat, even though, if the Luxembourg-based agency's requirements were to disappear, the UK's own needs might often remain in specific instances.

An informative review of the interrelationship of Eurostat and UK statistics producers, published by the Statistics Commission¹, accords considerable insight into the role of businesses in the process.

In referring to the compliance 'burden', the report comments "ONS surveys are constrained by an agreed compliance budget. There is no similar system at the European level. (BSUG News emphasis) ... ONS have proposed that the cost to businesses is added

to the list of considerations when EU legislation is proposed and that this should be routinely monitored (para.39)". Elsewhere, there is a brief description of the lengthy consultation process required for changing NACE details accompanied by the comment that "Users' appetites for lengthy and detailed consultations on statistical issues are limited."

It may be interesting to contrast this with an Administrative Burdens Reduction project initiated by the Cabinet Office Better Regulation Executive to run from September 2005 to March 2006, with work commissioned from PriceWaterhouseCooper, with a separate strand for HMRC dealing with taxation using the services of KPMG. Statistics don't seem to feature specifically which seems to confirm their burden is relatively lower.

¹ *Impact of EU Demands on the UK Statistical System*. Statistics Commission Report No.28, February 2006

SBE ANNUAL CONFERENCE

Wednesday 28 June 2006

GLOBAL TRENDS – LOCAL IMPACT

at the Institution of Civil Engineers, 1 Great George Street, London SW1 9am-1pm

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