



# Report on the Review of Public Sector Employment

March 2011

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## 1. Executive Summary

On 6 August 2010 Sir Michael Scholar responded to written correspondence from Francis Maude MP on the topic of 'Management Information'<sup>1</sup>.

As part of this correspondence Sir Michael Scholar stated that 'the wider scope of the new management information on public sector employment (PSE) suggests that the coverage of the official statistics should be reviewed...the Board of the Authority has therefore invited ONS to review the desirability and affordability of producing a wider range of statistical data on the topic'.

ONS would like to thank all government departments and external contributors that took part in the review (a full list of contributors are detailed as part of Annexe B).

### *Findings*

- It is clear that there is an expressed need from users for the collection and publication of estimates of public sector employment (PSE) on a quarterly basis. The review confirms that the survey and associated outputs remain fit for purpose.
- There is a role for ONS in informing users of other official sources of PSE where complementary information exists. ONS will review the background notes of the quarterly statistical bulletin and ensure that complementary external sources are fully referenced.
- ONS will publish, as part of the Quarter 4 2010 PSE statistical bulletin, a table detailing rates of PSE as a proportion of total employment. ONS will incorporate this table as part of the statistical bulletin and will continue to publish it from Quarter 4 2010 onwards.
- ONS will seek to improve user understanding of the classification of financial institutions to the public sector. ONS will, as part of the Quarter 3 2010 statistical bulletin onwards, include a time-series (seasonally and non-seasonally adjusted) for the public sector excluding the major financial institutions<sup>2</sup> that were reclassified to the public sector.
- In the medium term ONS will seek to publish estimates of individual Non Departmental Public Bodies (NDPBs) on the ONS website on the same day as the release of the quarterly statistical bulletin. In order for ONS to be able to do this, consent will need to be granted by each of the NDPBs surveyed by ONS for the size of their employment to be published, due to the fact that data collected by ONS are subject to the governance of the Statistics of Trade Act 1947. Consent forms will be sent to each NDPB surveyed by ONS as part of the quarterly data collections in 2011.

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<sup>1</sup> <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-francis-maude-mp-to-sir-michael-scholar-190710.pdf>

<sup>2</sup> On 19 February 2009, ONS announced the classification of Royal Bank of Scotland Group and Lloyds Banking Group as public corporations from 13 October 2008.

- ONS will continue to seasonally adjust, where appropriate, its estimates of PSE on a quarterly basis. The 2010/11 Seasonal Adjustment Review (SAR) has indicated that the Civil Service time series are no longer seasonal in nature. ONS will act on the recommendations of the SAR which suggest that the Civil Service time series should no longer be seasonally adjusted from Quarter 4 2010 onwards. If, in the future, the Civil Service time series show seasonal variation, ONS will act accordingly.
- Apart from Cabinet Office and Department for Work and Pensions (the latter expressing reservations about whether collecting information on contingent labour is a feasible option) there is little support to justify increasing the scope of the data collection to include non-payrolled staff, frequently referred to as contingent labour or ‘contractors’. Furthermore the majority of external data suppliers are not able readily to supply such information, pointing out that the collection of quarterly estimates in their current form are already very time consuming. These findings support ONS’s position with respect to collecting information on contingent labour. Specifically, that to do so would jeopardise the quality of the existing outputs since there is not a clear definition, which limits the feasibility of constructing good quality statistics, it would further risk double counting employees in workforce jobs statistics and would place an excessive burden on respondents. Consequently, ONS does not intend to extend the scope of its public sector employment surveys to include contingent labour.
- ONS notes the Cabinet Office’s recommendation, as part of their response to the review, that “in the interests of transparency, Cabinet Office and other government organisations must be free to produce and publish their own management information in order to drive efficiencies across the public sector”. Subsequent to the initial exchange of correspondence between the Cabinet Office minister and the Statistics Authority on this matter the latter issued a statement on “[Management information and research data as official statistics](http://www.statisticsauthority.gov.uk/news/statement---management-information-and-research-data-as-official-statistics)<sup>3</sup>”, which recognised that “the decision on whether to publish data as official statistics remains a matter for the producer body”. ONS welcomes the Cabinet Office’s commitment that “Differences with official statistics will be clearly explained”.
- ONS notes that Cabinet Office will continue to collect and publish, on a regular basis, their own management information on relevant non-payroll staff and encourages Cabinet Office to ensure, as much as possible, that this information is not used to contradict or undermine the official estimates of PSE that are produced on a quarterly basis.
- ONS will investigate the feasibility of producing a full industry split for PSE akin to the data published on Workforce Jobs.

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<sup>3</sup> <http://www.statisticsauthority.gov.uk/news/statement---management-information-and-research-data-as-official-statistics--27-september-2010.pdf>

## Review of Public Sector Employment estimates

### 2. Purpose of the review

On 6 August 2010 Sir Michael Scholar responded to written correspondence from Francis Maude MP on the topic of 'Management Information'<sup>4</sup>.

As part of this correspondence Sir Michael Scholar stated that 'the wider scope of the new management information on public sector employment (PSE) suggests that the coverage of the official statistics should be reviewed...the Board of the Authority has therefore invited ONS to review the desirability and affordability of producing a wider range of statistical data on the topic'.

### 3. Background

Correspondence between the UK Statistics Authority and Francis Maude MP first took place on 28 June 2010<sup>5</sup>, in response to a Press Release on PSE statistics by Cabinet Office on 18 June 2010; 'Government gets a grip on numbers of non-payroll staff'<sup>6</sup>. Cabinet Office, as part of the Press Release, drew attention to a range of employment statistics that it had collected directly from public sector organisations. As part of this exercise, Ministerial and non-Ministerial departments, their executive agencies and Non-Departmental Public Bodies (NDPBs) were asked to provide headcount estimates for all their payroll and contingent staff, including agency workers, interim managers, specialist contractors and consultants. At the same time, Cabinet Office were keen to stress that, 'there are however a number of significant issues with the quality, robustness and coverage of this information which must be considered in viewing these figures'.

Over the past decade the Office for National Statistics (ONS) has led a cross-departmental programme that sought to improve the quality of public sector employment estimates. This work stemmed from an increased demand for high quality estimates of employment in the public sector. Several government reviews had clearly identified the need for improvements within this arena as a policy imperative, including the Atkinson Review of Measurement of Government Output<sup>7</sup>, the Allsop Review of Statistics for Economic Policymaking<sup>8</sup> and the ONS' Employment and Jobs Review<sup>9</sup>.

In response, ONS made significant improvements to the coverage, timeliness and accuracy of PSE estimates. In March 2005 improved estimates were published. For example, for the first time quarterly estimates of PSE were made available on a headcount and full-time equivalent basis. Also, standard definitions for sources of public sector employment were agreed and a new Quarterly Public Sector Employment Survey (QPSES) was established. In July 2005, ONS published the first, of what is now a regular quarterly release, 'Public Sector Employment statistical

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<sup>4</sup> <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-francis-maude-mp-to-sir-michael-scholar-190710.pdf>

<sup>5</sup> <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-sir-michael-scholar-to-rt-hon-francis-maude-mp-28062010.pdf>

<sup>6</sup> [http://www.cabinetoffice.gov.uk/newsroom/news\\_releases/2010/100618-non-payroll.aspx](http://www.cabinetoffice.gov.uk/newsroom/news_releases/2010/100618-non-payroll.aspx)

<sup>7</sup> [http://www.statistics.gov.uk/about/data/methodology/specific/PublicSector/Atkinson/downloads/Atkinson\\_Report\\_Full.pdf](http://www.statistics.gov.uk/about/data/methodology/specific/PublicSector/Atkinson/downloads/Atkinson_Report_Full.pdf)

<sup>8</sup> [http://www.hm-treasury.gov.uk/press\\_32\\_04.htm](http://www.hm-treasury.gov.uk/press_32_04.htm)

<sup>9</sup> <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=11948>

bulletin'<sup>10</sup> and provided quarterly estimates 3 months after the period to which they referred, compared with a year or more prior to this point in time. ONS estimates of PSE count all public sector employees. Non-payroll staff are covered and included as part of private sector employment estimates, as collected by the Short Term Employment Surveys (STES) also conducted by ONS.

Developments have continued. As part of the Quarter 3 2009 Public Sector Employment statistical bulletin<sup>11</sup> ONS published estimates of regional PSE based on returns from public sector organisations rather than using the Labour Force Survey (LFS) as a proxy. This change marked a substantial improvement to the range and quality of the survey's outputs (it was the first time that regional estimates had been included as part of the quarterly statistical bulletin) and met increased user needs for estimates of this type. As a further extension of this work, ONS published, on 6 September 2010, an article entitled 'Regional analysis of public sector employment 2010', which for the first time presented regional estimates of PSE by sector classification and broad industry. A full list of ONS publications made within the past 12 months, with respect to PSE are detailed at Annexe A.

PSE statistics produced by the Office for National Statistics were last reviewed as part of a Triennial Review (2008), which was published on the ONS website<sup>12</sup>. The review confirmed that the surveys remained fit for purpose.

#### **4. Review of PSE**

As part of this review into the current estimates of PSE a number of primary stakeholders and data suppliers were contacted (Annexe B) to gather their views on the content and coverage of the existing PSE estimates and whether there is a desire, from them, for a wider range of statistical data on the topic

Each of the responses provided to ONS will now be taken in turn and commented upon.

#### **5. Data suppliers**

When considering the scope and feasibility for a wider range of statistical data on PSE to be produced on a regular basis by the ONS it is important that the views of data suppliers are taken into account. If data suppliers are unable to provide ONS with additional data, then the scope of the outputs are difficult to change.

PSE statistics are derived from a range of sources. The primary source is the QPSES. The QPSES comprises three separate data collections; the home Civil Service, Local Governments in England and Wales and Great Britain public corporations and Non-Departmental Public Bodies (NDPBs). These surveys are run and controlled by ONS. The surveys aim to achieve a complete census of their relevant sectors. The variables collected from each contributor are the number of permanent and temporary/casual employees in full and part-time jobs by gender. Information is required on both a headcount and full-time equivalent basis and data are requested in line with agreed standard definitions.

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<sup>10</sup> <http://www.statistics.gov.uk/pdfdir/pse0910.pdf>

<sup>11</sup> <http://www.statistics.gov.uk/pdfdir/pse1209.pdf>

<sup>12</sup> [http://www.statistics.gov.uk/downloads/theme\\_other/QPSESReview\\_FINAL.pdf](http://www.statistics.gov.uk/downloads/theme_other/QPSESReview_FINAL.pdf)

So that estimates of total PSE can be made it is necessary for further information to be gathered from external sources. The following information is collected from respondents on a quarterly basis.

**Table 1 External Sources for PSE estimates**

Employment	Geographic coverage	Source
<b>Central government</b>		
HM Forces	UK	Ministry of Defence: Defence Analytical Services Agency (DASA)
National Health Service	England Wales Scotland Northern Ireland	Information Centre for health and social care Welsh Assembly Government Scottish Government Department for Enterprise, Trade and Investment Northern Ireland (DETINI)
Other central government	Great Britain  NI	Home Office (National Probation Service and Police Service Strength) DETINI
<b>Local government</b>		
Local authorities	Scotland Northern Ireland	Joint Staffing Watch: Scottish Government DETINI
Police (including civilians)	England and Wales Scotland Northern Ireland	Home Office Joint Staffing Watch: Scottish Government DETINI
<b>Public corporations</b>	Northern Ireland	DETINI

*5.1 Department of Enterprise, Trade and Investment Northern Ireland (DETINI)*  
DETINI provide estimates of employment for Northern Ireland. This means that ONS does not send any survey forms to Northern Ireland respondents, thus reducing respondent burden for all parties concerned.

An official from DETINI responded to the review on 13 September 2010:

**Box 1 Selected comments from DETINI**

*As you may know, the quarterly NI Public sector estimates that we provide you with, come from the NI Quarterly Employment Survey (QES) which is also used to provide estimates of employee jobs for NI as a whole (we also provide these to the UK Workforce jobs team in ONS).*

*All the public sector data we currently collect includes payroll staff only and any agency workers, consultants etc. are included within the private sector elsewhere within our QES survey.*

*If the intention was to start including non payroll staff (agency workers, consultants etc) within public sector organisations then I would have a number of concerns as outlined below.*

*i) There are likely to be considerable problems for us collecting this data, in some organisations we already encounter problems in getting the pay rolled staff, the information/databases required for responses to include contingent staff may simply not be available.*

*ii) Because the NIQES covers both the public and private sector (unlike the PSE and STES being separate in ONS), there is the very real prospect of double counting occurring in our NI estimates, e.g. if agency workers/consultants /contractors are included by both their employer in its quarterly return but then also included in the public sector organisations return.*

*iii) Burden on respondents, this will increase, its likely that the information needed to include non-payroll staff won't be available from a single point of contact within the organisation (if its available at all).*



*iv) The QES survey database and form management is currently outsourced and we are unlikely to have the budget to pay for the necessary form design and database changes should the coverage be extended.*

One of the concerns that ONS has with collecting additional information on non-payrolled staff is the feasibility of data collection. ONS needs to ensure that data collected throughout the UK are gathered on a consistent basis and that it will still be possible to produce UK-wide estimates of PSE. The response from DETINI indicates that it would not be feasible to start collecting information on non-payrolled staff in Northern Ireland.

## 5.2 *HM Forces*

The Defence Analytical Services Agency (DASA), Ministry Of Defence (MOD), produces defence workforce statistics which are disaggregated into the HM Forces (Services) and civilian workforce. These statistics are published in various publications, including the Tri-Services Publication (TSP) as well as the annual UK Defence Statistics. These statistics are available on a regional basis, as well as for the UK defence workforce as a whole.

ONS use the DASA defence workforce figures in its estimates of PSE. Civilian workforce figures feed into the Civil Service as these are employees of the Ministry of Defence. ONS also uses the HM Forces (Services) returns. UK Regular Forces, Full-Time Reserve Service personnel, Mobilised Reservists, the Ghurkhas and the Home Service Battalions of the Royal Irish Regiment are all included in ONS PSE estimates.

ONS also now requests, on a quarterly basis, regional estimates of PSE for each of the armed services.

### **Box 2 Selected comments from DASA**

*The main interest of the MOD in the existing publications is as a contributor. We have a well established process for producing the statistics for the ONS from the monthly extracts from the MOD's management information systems that also underlie our own publications of MOD civilian personnel statistics. This process does not present us with any particular difficulties, although we would welcome more streamlined data collection processes.*

*As for outputs, we use your outputs only occasionally since our own data supplies most of what we need. However, there is an increasing interest in very detailed geographical analyses from our own data as various stakeholders examine the actual or potential impact of policy changes, and I would expect that there might be a similar interest in the geographical distribution of public sector employment more generally. It might be useful if these data could be made available, if, indeed they are collected in that level of detail.*

ONS is currently in the process of investigating different modes of data collection for business surveys. The implementation of internet data collection, which ONS hopes to instigate in the near future, should mean that the data collection process becomes more streamlined and efficient for all parties concerned.

ONS is aware of the user need for as detailed geographical analyses of the public sector as possible. Due to the way in which the official time series are collected it will only ever be possible to produce regional estimates of employment from this source. However, other sources of data have been made publicly available by ONS to plug this gap in knowledge. The Business Register Employment Survey (BRES), formerly known as the Annual Business Inquiry (ABI), now produces splits between public and

private sector employee jobs at local authority level and above<sup>13</sup>. Furthermore, Annual Population Survey (APS) estimates for public and private sector employment are available on the Nomis<sup>14</sup> website for a range of local areas. Since APS is a household survey, employment is geographically classified on a residence basis, i.e. public sector employment is counted in the area where the employee lives.

Guidance notes and an accompanying article will shortly be published by ONS indicating which sources of public sector employment should be used for which purposes.

### 5.3 *Home Office*

The Home Office provides ONS with statistics of the Police Service Strength in England and Wales which give numbers employed within the Police Service broken down by occupation group: for example, Police Officers, Police Community Support Officers, civilian staff and Traffic Wardens.

The official from Home Office, contacted as part of the review, did not respond.

### 5.4 *National Health Service*

The Information Centre for health and social care (IC) provide quarterly estimates of NHS England employment by gender on a headcount and FTE basis each quarter. Recently the burden placed by ONS on the IC has increased as ONS now request regional estimates of NHS employment, by headcount, each quarter. It is known that these estimates take a considerable amount of time to produce and are completed by a small team.

An official from the IC responded to the review on 14 September 2010:

#### **Box 3 Selected comments from IC**

*There is no desire from us for a wider range of quarterly stats. We are already producing an increased range of quarterly or monthly NHS statistics.*

ONS will ensure that users are aware of the increased range of quarterly and monthly statistics produced by the IC. Further notes, to this effect, will be added to the statistical bulletin. ONS suggests it is important that the timeliness of NHS deliveries is not compromised by further increasing the burden on the IC.

### 5.5 *Scottish Government*

Scottish Government is both a supplier (Scottish Government surveys all Local Authorities in Scotland on a quarterly basis) and user of UK estimates of PSE (ONS provides Scottish Government with an estimate of Civil Service employment (by department) and employment in public bodies on a quarterly basis to assist with the formulation of their quarterly publication). Headline PSE statistics are further used by Scottish Government to provide context for the Scotland PSE estimates which are published on the same day.

An official from Scottish Government responded to the review on 1 October 2010:

<sup>13</sup> <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15390&Pos=&ColRank=1&Rank=272>

<sup>14</sup> <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=635&Pos=&ColRank=1&Rank=256>

#### **Box 4 Selected comments from Scottish Government**

*In terms of coverage, we can appreciate the desire from the Cabinet Office to publish information on contingent staff and payroll costs. Given the current climate, this information would be of interest to many users and policy colleagues keen to understand the total size and cost of the public sector. However we also recognise the challenges in terms of collecting this information and the additional burden it would place on responders. Our HR department are currently working with colleagues in Finance Directorate to develop a robust methodology for calculating payroll staff costs - as different methods have been used in the past across the office. Further work is also needed before we can provide robust estimates of contingent staff and their payroll costs. So in the short term we would not recommend including such estimates in a National Statistics publication. Overall we are satisfied with the content of the current National Statistics publication as it broadly allows comparisons to be made with the Scottish Government's publication on PSE.*

*Wider consultation would be needed with NDPBs and other parts of the public sector to assess whether they could supply data on contingent staff and payroll costs. If publication of contingent staff and payroll costs is feasible, we would welcome ONS to coordinate the publication of such analysis to ensure robust methodology and consistent definitions are used by public bodies when providing data. Also to ensure requests are handled in a timely manner to allow sufficient time for analysis and quality assurance, without the need to rush as was the case with the Cabinet Office request. Given the burden, it might be worth considering collecting on an annual basis rather than quarterly. Although if the size of the public sector changes considerably over the next year, there may be significant demand for quarterly estimates. Overall we would recommend any analysis of contingent staff and payroll costs be published separate from the National Statistics publication given potential differences / issues with coverage.*

*Other general comments:*

*- Table 6 presents regional public sector employment levels. We would recommend also presenting estimates of public sector employment as proportion of total employment to allow for meaningful comparisons across regions to take into account varying population sizes.*

*- It would also be helpful to include estimates of total public sector employment excluding the public sector financial institutions (level and rate). This would allow more consistent comparisons over the longer term as the inclusion of the banks created a large step change in the series. We currently publish this within the SG PSE publication and it is used extensively by users who consider this figure to provide better estimate of 'true' size of public sector.*

ONS takes on board the comments from Scottish Government with regards to contingent labour. It is clear, from this response, that this is a topic of interest, however there are real concerns over the quality of information that could be collected from across the public sector and how meaningful this information would be.

With respect to Table 6, ONS has received a number of similar requests for an additional table detailing rates of PSE as a proportion of total employment to be produced and published on a quarterly basis. ONS will work to include a table of this nature, on a quarterly basis, as part of the PSE statistical bulletin from Q4 2010 onwards.

ONS will also produce a time-series that does not include the public sector financial institutions from Q3 2010 onwards (this has now been implemented). It is important to note that ONS, since the classification decision was first published, published a not-seasonally adjusted estimate of employment for public sector financial institutions as part of the background notes to the PSE statistical bulletin, which could be subtracted from the not-seasonally adjusted estimate of total PSE to produce a time-series similar to that produced as part of the SG statistical release.

## 6. Stakeholders

Quarterly PSE estimates and data are used across government and feed into a number of wider publications and outputs. Some government departments use the total figures to facilitate policy making whereas others use specific components of the data collection. The main users are as follows:

### 6.1 Cabinet Office

Cabinet Office makes use of the official estimates of PSE in a number of ways. In the first instance, the statistics are used for high level briefings for the Cabinet Secretary and the Minister for the Cabinet Office on the changing size of the Civil Service. Second, they feed into wider policy development, as well as informing analysis underpinning Civil Service reform. Third, as recognised by the Cabinet Office, these statistics are vital for providing comparative information on the size of other major sectors of the economy.

An official from Cabinet Office responded to the review on 29 October 2010 (the full response from Cabinet Office is attached at Annexe C). As Annexe C highlights, the response from Cabinet Office was very detailed. The salient points will be discussed as part of this report, however a number of additional and specific points will be addressed with Cabinet Office as part of ONS's regular dialogue with them:

#### Box 5 Selected comments from Cabinet Office

Five key recommendations were made by Cabinet Officer as part of their response to the review:

1. *ONS publish separately, employment levels for executive Non-Departmental Public Bodies as part of QPSES.*
2. *ONS review the use of the seasonal adjustment techniques used on the Civil Service time-series.*
3. *In the medium term, ONS consider releasing organisational level employment data for the whole public sector.*
4. *Over the longer term, ONS explore extending QPSES to include contingent labour (non-payroll staff).*
5. *In the interests of transparency, Cabinet Office and other government organisations must be free to produce and publish their own management information in order to drive efficiencies across the public sector. Differences with official statistics will be clearly explained.*

Taking each of the above points in turn; ONS understands the increased need for more detailed estimates of non-departmental public bodies to be produced on a quarterly basis. However, for ONS to publish estimates of individual NDPBs, consent will need to be granted by each of the NDPBs surveyed by ONS, due to the fact that data collected by ONS are subject to the governance of the Statistics of Trade Act 1947. Based on the experience of gaining consent from all Local Authorities surveyed by ONS for their employment totals to be published as part of the Local Government Association website<sup>15</sup>, it should be acknowledged that this can take in the order of 12 months. Over the next year ONS will endeavour to work with NDPBs to gain consent for their employment totals to be published at an individual level as part of the quarterly PSE statistical release.

<sup>15</sup> <http://www.lga.gov.uk/lga/core/page.do?pageId=1955843>

Seasonal adjustment is the process of identifying and removing the seasonal components from a series to leave the underlying trend and irregular components. Each year a ‘Seasonal Adjustment Review’ is undertaken by ONS’s Methodology Directorate (MD). The 2010/11 review shows that the Civil Service time series, to which Cabinet Office refer, are no longer showing any seasonal factors that require adjustment. As such, in line with the recommendations made by ONS’s MD, these series will revert to not being seasonally adjusted from Q4 2010. It should be noted, for all time-series, ONS provide seasonally and non-seasonally adjusted estimates. The non-seasonal time-series for Civil Service employment have always been referenced as part of the statistical bulletin and made publicly available via the ONS website.

As outlined above, the 2010/11 Seasonal Adjustment review has indicated that the Civil Service time series are no longer seasonal in nature. ONS will act on the recommendations of the review which recommends that the Civil Service time series should no longer be seasonally adjusted. If, in the future, the Civil Service time series show seasonal variation, ONS will act accordingly.

At present there is not an expressed need from a range of users for more detailed estimates of PSE to be produced on a quarterly basis (organisational level employment data for the whole public sector – as outlined above as part of the Cabinet Office response). During the consultation period with NDPBs to obtain their consent to publish employment estimates, ONS will also consider what breakdowns might be available for each public sector organisation. Extending the full analysis (gender, work pattern and status in employment) beyond the civil service and NDPBs would increase the burden on contributors. Its feasibility, cost and value will therefore be assessed as part of the next review of PSE.

ONS recognises the value of gathering information on contingent staff and payroll costs, as suggested by the Cabinet Office. This information would be of interest to many users. However, the responses to this review and ONS’s concerns with regards to the quality and integrity of its key labour market outputs have indicated that the collection and publication of this information is not feasible. For ONS to publish estimates of contingent labour for the public sector as a whole all external contributors to the survey would need to be able to provide ONS with robust, consistently collected data on a quarterly basis. This review of PSE has shown that such a request would impose a considerable burden on external contributors, the majority of which expressed doubts about their ability to provide the required information<sup>16</sup>.

It is also important to recognise that, by definition, persons employed as ‘contingent labour’ are not considered to be part of the public sector. This is at odds with the remit of ONS in producing quarterly estimates of PSE which have been robustly designed to measure the number of employees in the UK public sector. At all times ONS needs to protect the integrity of its key labour market outputs and thus collecting data on contingent labour is not considered to be part of the remit of the ONS statistical output ‘Public Sector Employment’. However, ONS acknowledges that it does have a

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<sup>16</sup> For example, because some organisations let contracts for a specific piece of work they are only able to identify the value of the contact, not how many individuals may be employed at various times throughout that contract’s lifetime.

key role to play in the broader context of exploring the whole labour market. As such, should Cabinet Office choose to pursue the collection of data on contingent labour, ONS would be willing to play an active role in defining the terms and concepts involved as well as a suitable vehicle for data collection.

With regards both to transparency and the ability of Cabinet Office and other government organisations to produce and publish their own management information in order to drive efficiencies across the public sector; ONS feels that this is a wider issue beyond the scope of this review. However, it is important that government departments and organisations, if they produce information relating to the public sector, acknowledge the ONS time series as the official sources for estimates of employment in this domain and seek to explain clearly any discrepancies that may exist between their published estimates and the ONS series.

As part of their wider response Cabinet Office draw attention to the timeliness of the Annual Civil Service Employment Survey (ACSES), published by ONS under the title of Civil Service Statistics. Civil Service Statistics transferred to the ONS from Cabinet Office in 2006. At that time the survey did not have complete coverage of the Civil Service for all key reporting variables (some departments completed 'Departmental Returns' which contained high-level summary information) and took 15 months to complete from the point of data collection to publication. Between 2007 and 2010 ONS has worked to improve the coverage and timeliness of Civil Service Statistics. In 2010 Civil Service Statistics was published, not only with complete coverage of the Civil Service, but with just an 8 month time-lag from the point of data collection (this marks a 7 month improvement in timeliness since the survey was transferred to ONS in 2006). Further improvements are anticipated.

### *6.2 Department for Communities and Local Government*

The Local Government Finance team at Communities and Local Government (CLG) require local authority employment to validate pay bill and workforce statistics collected by Local Government Analysis and Research (LGAR).

The officials from Communities and Local Government, contacted as part of the review, did not respond.

### *6.3 Department for Work and Pensions*

Department for Work and Pensions use the quarterly estimates of PSE to monitor national and regional trends in the Labour Market.

An official from Department for Work and Pensions responded to the review on 30 September 2010:

#### **Box 6 Selected comments from DWP**

*We're broadly happy with the range and frequency of the data that is currently published. If anything the detail, especially in terms of public sector employment, goes beyond what we would use for monitoring national and local trends in the labour market (though obviously other users needs will be different). There might be an issue about where, if at all, there is a consistent picture presented on the trends in public and private sector employment. Apart from the national figures in the Labour Market Statistics statistical bulletin, the focus tends to be on the public sector; for example more detailed breakdowns by type of job/geography etc. There is a need for someone to bring it all together - perhaps through an article in the Economic and Labour Market Review - so people can see how trends in total employment over time have reflected the underlying trends in the private and public sectors.*

*In terms of the definition of public sector employment, we would favour retaining the existing, national accounts based, official figures. We haven't got a problem with the existing public sector figures being supplemented by additional breakdowns covering those who are not on the payroll but who nevertheless spend part of their time providing services to govt as consultants/contractors, assuming there is a reliable way of measuring it.*

*There are, however, issues with how this is combined with information on private sector jobs (particularly as the private sector is not measured directly in the official figures but is effectively a residual) to avoid a situation where, despite the official definition, users add the two together to reach the conclusion that the public sector is actually larger. Many service providers will be diversified, with clients both within and outside the public sector, so will not be dependent on the public sector for their existence. Some may well have people who are working for both government and private sector clients at the same time.*

*We put a high priority on time series data. Although there is public/private sector information back a long way, the published national series is only available on a consistent basis from 1999. We'd prefer it if it was available back further than this, but would certainly be concerned if there was a move to create a different definition of the public sector and, due to data limitations, this led to a situation where the time series became further truncated and/or going forward we lost the ability to continue to measure the split on the current basis.*

ONS have progressed with work to assist with understanding of public and private sector employment trends. In 2010, for example, ONS produced an article 'The Changing Face of Public Sector Employment 1999-2009'<sup>17</sup> which drew attention to trends in PSE over a ten year period. ONS will give further consideration to the prospect of producing articles in the future to plug these perceived 'gaps' in understanding as outlined by DWP.

As the response from DWP clearly indicates collecting information on non-payroll staff is fraught with difficulties: '*many firms will be diversified, with clients both within and outside government, so will not in any sense be dependent on the state for their existence, and may well have people who are working for both government and private sector clients at the same time*'.

#### 6.4 HM Treasury

HM Treasury use the quarterly PSE statistics to answer parliamentary questions on PSE. The PSE statistics are used as a means of reconciliation between ONS published data on workforce numbers that are collected by the Office for Government Commerce (OGC) to monitor progress against the 2004 Efficiency Review targets on workforce reductions.

An HM Treasury official responded to the review on 6 October 2010:

#### **Box 7 Selected comments from HM Treasury**

*In general the public sector employment data produced by the ONS meets colleague's needs across a range of HMT activity. The improvements produced over the past year, especially on the regional side, have been much appreciated.*

*There are a number of areas in which colleagues have suggested there could be developments - these are listed below. Unfortunately, it has been difficult to gauge the potential burden on respondents or, indeed, the practicality, of such additional detail.*

<sup>17</sup> <http://www.statistics.gov.uk/CCI/article.asp?ID=2466&Pos=&ColRank=1&Rank=224>

*Some colleagues were keen to see additional detail below the headline industrial classifications. This extended to different groups of employees (for example: teachers v other support staff in education; doctors / dentists v agenda for change in health care). Colleagues in the civil service branch suggested that it would be particularly useful to collect and publish data on tenure. There was recognition across both of these two areas that data could be costly to collect and quality may well be an issue, especially with regard to tenure.*

ONS are working on providing a full industry breakdown of PSE, akin to the ONS Workforce Jobs publication, and are hopeful of doing so in the near future.

Estimates of employment in education are published at a detailed level by the Department for Education. The School Workforce Census is a statutory collection of individual level data on teachers and support staff from local authorities, local authority-maintained schools and academies. The first full Census took place in autumn 2010.

With regards to data on doctors and dentists, on an annual basis, the NHS conduct and publish a Workforce Census. This publication includes estimates of employment in the NHS for both doctors and dentists, but excludes General Practitioners, GP practice staff and high street dentists. Furthermore, it is important to note that these groups would also be out-of-scope of the quarterly PSE statistics as they are considered to be part of the private sector based on UK National Accounts' definitions<sup>18</sup>.

Collecting data on tenure for the Civil Service, as part of the quarterly survey, is not a feasible proposal. One of the main strengths of the estimates of quarterly PSE is that they are produced 11 weeks after the period to which they refer. Collecting data on tenure would mean that a return would have to be made for each individual civil servant. This would, in practice, place too heavy a burden on Civil Service departments and agencies. Tenure is already collected as part of the Annual Civil Service Employment Survey (published as Civil Service Statistics) and as such ONS would not want to duplicate the efforts of this data collection.

#### *6.5 Local Government Analysis & Research (LGAR)*

With the permission of the Local Authorities, LGAR publish the Local Authority employment data for England from the quarterly survey in place of conducting their own annual survey<sup>19</sup>.

The official from LGAR contacted as part of the review, did not respond.

#### *6.6 Richard Parry (University of Edinburgh)*

Richard Parry is a Reader in Social Policy at University of Edinburgh. His work falls into the interconnected areas of public policy, public administration and public sector

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<sup>18</sup> The public sector comprises central government, local government and public corporations as defined for the UK National Accounts. ONS produces the United Kingdom's National Accounts. The National Accounts are an internationally comparable accounting framework that describes the activities in a national economy. The relevant international manuals are the System of National Accounts 1993(SNA93) and the European System of Accounts 1995 (ESA95). As part of the process of producing the National Accounts, ONS decides on the classification of institutions and transactions within the economy. This well-established process is set out in Annexe A of the National Statistics Protocol on Statistical Integration and Classification

<sup>19</sup> <http://www.lga.gov.uk/lga/core/page.do?pageId=1955843>



resource allocation, especially in Scotland and the UK. Earlier research projects included ones on public employment, central-local relations in Scotland, comparative European social policy and privatisation in social policy. Richard has been a user of ONS PSE statistics for many years and is a current participant in an EU Network of Excellence on Reconciling Work and Welfare (Recwowe) that is funding comparative work on employment in the public sector.

Richard Parry responded to the review on 15 September 2010 (full comments are attached at Annexe D):

### **Box 8 Selected comments from Richard Parry**

*In this context, the generally good state of UK public employment statistics is creditworthy... ONS have developed direct relationships with major public employers to gain accurate and up-to-date data.*

*The publication pattern of the data – basically a quarterly ONS press release supplemented by irregular articles in Economic and Labour Market Review, the most recent of these being David Matthews, ‘The changing face of public sector employment 1999-2009’, Economic and Labour Market Review July 2010 - has persisted for many years and seems a little unsystematic for such important data.*

*The UK did not take part in the OECD’s exercise on Comparison of Employment in the Public Domain (CEPD), saying that ‘there is no consensus among users about the purpose for such a wide measure [of ‘public sector related employment’]. Also it is difficult to define a wider concept of the public sector in a way that would successfully support any new data collection. The boundary is not clear cut and it is likely that accurate statistics of the number of people working for, but not directly employed by, the public sector would be difficult to obtain’ (Livesey, D., Machin, A., Mullard, B. and Welling, A., ‘Public sector employment 2006: seasonally adjusted series and recent trends’, Labour Market Trends December 2006, p437). This exercise did offer an internationally-sanctioned basis for measuring corporate and indirect public employment and offered a way forward to higher-quality internationally comparable data. Understandably there are reservations of providing an estimate of ‘jobs supported by the public sector’ though purchases and contracts. But I do not think that this should preclude detailed and systematic data work on categories that are anomalously excluded from the statistics in order to see how far the ‘million worker gap’ [the difference between official ONS estimates of PSE and estimates of PSE derived from the Labour Force Survey] can be explained.*

*With public sector employment aggregates of greater political salience than ever, it is important that classification issues should not provide an incentive to hide staff away on contracts and in charitable legal forms – as has been the case in previous headcount targeting exercises, especially in the civil service. Full ONS involvement in discussion of conceptual and measurement issues here is of clear public value, as well as making statisticians less vulnerable to controversies such as that caused by the Government’s Workforce Scoping Exercise of June 2010.*

*While applauding the recent efforts of the ONS’s statisticians to improve the quality of public employment data and understanding more about its distribution, I think that the next stage should be a more systematic attempt to delineate employment in organisations effectively controlled by the public sector. This should involve supplementary data estimates to set alongside those for organisations classified to the public sector in the national accounts. The present range of quarterly data is strong, but I think there is also a place for a substantial annual publication on the model of Public Sector Employment Trends 2005 – an employment analogue of the Treasury’s annual Public Expenditure Statistical Analyses – that would make data more accessible to users and also relate them to conceptual and definitional work, including that done internationally.*

It has not been possible in recent years, due to resource restrictions, to produce an article with the same level of detail as ‘Public Sector Employment Trends 2005’<sup>20</sup>. In the past year ONS has published two articles (‘The changing face of Public Sector

<sup>20</sup> <http://www.statistics.gov.uk/cci/article.asp?id=1293>

Employment 1999-2009' and 'Regional analysis of Public Sector Employment 2010<sup>21</sup>'). ONS's intention, through these articles, is to improve basic user understanding of PSE, unfortunately it is likely that the publication of these articles will remain uncertain in the future.

ONS are now working more closely with OECD (Organisation for Economic Co-operation and Development) and are part of a working group that is seeking to harmonise PSE across Europe based on National Accounts definitions. Discussions, at present, indicate that the UK and thus ONS, are at the forefront of statistical production and outputs relating to the public sector in Europe.

When measuring a concept such as PSE, ONS believes it is important that a conceptual framework exists. At present, ONS estimates of what is included as part of the public sector are determined (and constrained) by the UK National Accounts. 'Control' is a difficult concept to measure, however it is taken account of as part of Sector Classification decisions made by ONS National Accounts.

#### 6.7 Welsh Assembly Government (WAG)

WAG primarily make use the of the regional PSE statistics that are now published on a quarterly basis by the ONS. WAG plan to introduce the regional statistics as part of their monthly 'key economic statistics' release from November 2010.

An official from WAG responded to the survey on 24 September 2010:

#### **Box 9 Selected comments from WAG**

*I think that the frequency of publication is sufficient; however I would like to see the quarterly regional data extended to cover:*

- 1. % of total employment (which would also include publishing private sector estimates)*
- 2. The regular quarterly publication of the sectoral and industrial splits with a full industrial split like the UK estimates*
- 3. Seasonal adjustment of the data (or at least the headline PSE levels by region)*
- 4. Consideration given to anything that could be published at a sub-regional level.*

Like Scottish Government, WAG also proposes that ONS publish rates of PSE on a quarterly basis. As detailed in the response to Scottish Government, ONS will make an addition to the quarterly statistical bulletin from Q4 2010 onwards.

ONS is in the process of developing a more detailed regional and industrial breakdown of PSE and is hopeful of being able to publish this information, on a quarterly basis, in the near future.

Seasonal adjustment of regional PSE will be considered when ONS has a long enough time series to review the use of this statistical treatment. Regional estimates of PSE have been produced from Q1 2008 onwards. To meaningfully adjust data for seasonal trends at least 12 quarters of data are required. As such, regional estimates of PSE will be assessed for seasonal adjustment for the first time in 2011.

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<sup>21</sup> <http://www.statistics.gov.uk/CCI/article.asp?ID=2568>

## **7. Summary of findings**

### *7.1 Fit for purpose*

All parties consulted as part of the review confirmed that ONS's estimates of PSE were a valuable source of information. It is evident that there is an expressed need from users for the continued collection and publication of estimates of PSE on a quarterly basis. As such, the review confirms that the survey and associated outputs remain fit for purpose. The implication from the majority of users is that they would like to see the range of statistics on the public sector produced by ONS to be increased rather than scaled back.

### *7.2 Sources of information*

As the collection and publication of Management Information (MI) improves across the public sector there is a role for ONS in ensuring that users of the official estimates of PSE are aware of sources that are complementary but may offer a more detailed breakdown than the published ONS data. ONS will review the background notes of the quarterly statistical bulletin and ensure that complementary external sources are properly referenced.

### *7.3 Regional estimates of PSE*

There was praise for the work that ONS had completed in the last year to provide regional estimates of PSE for the first time, solely based on returns from public sector organisations, by sector classification and industry. However, there is a clear need for ONS to extend the reach of the regional PSE data that are published on a quarterly basis. Both Scottish Government and the Welsh Assembly Government drew attention to the desire for rates of PSE to be published alongside the official regional employment estimates. ONS will endeavour to make this change to the quarterly statistical bulletin for Q4 2010.

### *7.4 Classification of financial institutions to the public sector*

On 19 February 2009, ONS announced the classification of Royal Bank of Scotland Group and Lloyds Banking Group as public corporations from 13 October 2008. Since Q1 2009, ONS has published, as part of the PSE statistical bulletin, a time series included within the background notes of the document detailing the size of the financial service sector in the public sector. As part of this review of PSE, users have indicated that there is a need to improve user understanding in this area. ONS will, as part of the Q3 2010 statistical bulletin onwards, include a time-series for the public sector excluding the major financial institutions that were recently classified to the public sector.

### *7.5 Estimates of NDPBs*

Based on the comments from Cabinet Office, ONS will seek to publish estimates of individual NDPBs on the ONS website on the same day as the release of the quarterly statistical bulletin. These estimates will be for Executive NDPBs only and subject to ONS's current exemption that NDPBs with employment of less than 20 will be excluded from the survey collection. In order for ONS to be able to do this, consent will need to be granted by each of the NDPBs surveyed by ONS for the size of their employment to be published, due to the fact that data collected by ONS are subject to the governance of the Statistics of Trade Act 1947. Consent forms will be sent to each NDPB, surveyed by ONS as part of the quarterly data collections in 2011.

### 7.6 *Seasonal adjustment*

The topic of seasonal adjustment was raised by Cabinet Office as an area of concern with regards to ONS's current outputs for PSE, particularly the Civil Service. ONS will continue to seasonally adjust, where appropriate, its estimates of PSE on a quarterly basis. The 2010/11 Seasonal Adjustment Review (SAR) has indicated that the Civil Service time series are no longer seasonal in nature. ONS will act on the recommendations of the SAR which suggest that the Civil Service time series should no longer be seasonally adjusted. If, in the future, the Civil Service time series show seasonal variation, ONS will act accordingly.

### 7.7 *Contingent labour*

Apart from Cabinet Office and Department for Work and Pensions (the latter expressing reservations about whether collecting information on contingent labour is a feasible option) there is little support to justify increasing the scope of the data collection to include non-payrolled staff. Furthermore the majority of external data suppliers are not able to readily supply such information, pointing out that the collection of quarterly estimates in their current form are already very time consuming. These findings support ONS's position with respect to collecting information on contingent labour. Specifically, that to do so would jeopardise the quality of the existing outputs since there is not a clear definition, which limits the feasibility of constructing good quality statistics, it would further risk double counting employees in workforce jobs statistics and would place an excessive burden on respondents. Consequently, ONS does not intend to extend the scope of its public sector employment surveys to include contingent labour.

### 7.8 *Production and publication of management information*

ONS notes the Cabinet Office's recommendation that "in the interests of transparency, Cabinet Office and other government organisations must be free to produce and publish their own management information in order to drive efficiencies across the public sector." Subsequent to the initial exchange of correspondence between the Cabinet Office minister and the Statistics Authority on this matter the latter issued a statement on "[Management information and research data as official statistics](#)<sup>22</sup>", which recognised that "the decision on whether to publish data as official statistics remains a matter for the producer body". ONS welcomes the Cabinet Office's commitment that "Differences with official statistics will be clearly explained".

ONS notes that Cabinet Office will continue to collect and publish, on a regular basis, their own management information on relevant non-payroll staff, however ONS encourages Cabinet Office to ensure, as much as possible, that this information is not used to contradict or undermine the official estimates of PSE that are produced on a quarterly basis.

### 7.9 *Full industry breakdown of PSE*

Both HM Treasury and Welsh Assembly Government (WAG) expressed an interest in full industry splits being produced for estimates of PSE in the near future. It is possible that ONS will be able to provide a more detailed industry breakdown of PSE

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<sup>22</sup> <http://www.statisticsauthority.gov.uk/news/statement---management-information-and-research-data-as-official-statistics--27-september-2010.pdf>

moving forward, however at this stage ONS cannot commit to producing these detailed statistics by a specific deadline. ONS will continue to communicate over this issue and will need to identify with users what level of industry breakdown best meets their needs.

## **8. Future Reviews**

The Prime Minister's instruction on the Control of Statistical Surveys requires regular surveys to businesses and local authorities to be reviewed at least once every three years. The aim of these procedures is to avoid unnecessary surveys, to ensure that control is exercised in the most cost effective way and that authorised surveys are conducted in such a way as to obtain the information needed while imposing the minimum burden on respondents.

Moreover, the Code of Practice for Official Statistics has a number of practices which require producers to review surveys and the burden they place on respondents:

Principle 4 practice 5 - 'Seek to achieve continuous improvement in statistical processes by, for example, undertaking regular reviews or releasing statistical work in progress such as experimental statistics.'

Principle 6 practice 1 - 'Report annually the estimated costs (for example, on businesses, service providers, or the public) of responding to statistical surveys and strive to develop methods that will reduce the costs to individual organisations or people.'

ONS estimates of PSE will be subject to Triennial Review in 2012.

## **Annexe A**

### **Publications from ONS over the past 12 months**

***Public Sector Employment statistical bulletin (quarterly):***

<http://www.statistics.gov.uk/pdfdir/pse0610.pdf>

***Civil Service Employment (quarterly):***

[http://www.statistics.gov.uk/downloads/theme\\_labour/Table6AllDepts.xls](http://www.statistics.gov.uk/downloads/theme_labour/Table6AllDepts.xls)

***Civil Service Statistics (annual):***

<http://www.statistics.gov.uk/pdfdir/cs0110.pdf>

**Regional Analysis of Public Sector Employment (2010):**

<http://www.statistics.gov.uk/CCI/article.asp?ID=2568>

**Regional Public Sector Employment (quarterly):**

[http://www.statistics.gov.uk/downloads/theme\\_labour/Regional\\_PSE\\_Final\\_web.xls](http://www.statistics.gov.uk/downloads/theme_labour/Regional_PSE_Final_web.xls)

**The changing face of public sector employment 1999-2009:**

<http://www.statistics.gov.uk/CCI/article.asp?ID=2466>

**Civil Service Statistics: A focus on gross annual earnings:**

<http://www.statistics.gov.uk/CCI/article.asp?ID=2407&Pos=1&ColRank=1&Rank=2>  
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**Mapping the Civil Service:**

[http://www.statistics.gov.uk/downloads/theme\\_labour/MappingCivilService.pdf](http://www.statistics.gov.uk/downloads/theme_labour/MappingCivilService.pdf)

## Annexe B

### Review of Public Sector Employment Statistics – contributor’s invitation

#### Stakeholders and data suppliers contacted as part of the review

Department / Organisation	Comments requested by	Comments received	Type of responder
Cabinet Office	1 October 2010	29 October 2010	Stakeholder
Defence Analytical Services and Advice (DASA)	20 December 2010	20 December 2010	Data supplier
Department for Communities and Local Government	15 October 2010	No comments received	Stakeholder
Department of Enterprise, Trade and Investment Northern Ireland (DETINI)	1 October 2010	13 September 2010	Data supplier
Department for Work and Pensions	1 October 2010	30 September 2010	Stakeholder
HM Treasury	1 October 2010	6 October 2010	Stakeholder
Home Office	1 October 2010	No comments received	Data supplier
Information Centre for health and social care (IC)	1 October 2010	14 September 2010	Data supplier
Local Government Association	15 October 2010	No comments received	Stakeholder
Richard Parry (University of Edinburgh)	15 October 2010	15 October 2010	Stakeholder and academic expert
Scottish Government	1 October 2010	1 October 2010	Data supplier and stakeholder
Welsh Assembly Government	1 October 2010	24 September 2010	Stakeholder

On 6 August 2010 Sir Michael Scholar responded to written correspondence from Francis Maude MP on the topic of 'Management Information'.

A copy of the letter can be found at the following hyperlink: <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-sir-michael-scholar-to-rt-hon-francis-maude-mp-06082010.pdf>

As part of this correspondence Sir Michael Scholar stated that *'the wider scope of the new management information on public sector employment suggests that the coverage of the official statistics should be reviewed...the Board of the Authority has therefore invited ONS to review the desirability and affordability of producing a wider range of statistical data on the topic'*.

### ***Background***

Correspondence between the UK Statistics Authority and Francis Maude MP first took place on 28 June 2010, in response to a Press Release on public sector employment statistics by Cabinet Office on 18 June 2010; 'Government gets a grip on numbers of non-payroll staff'. As part of this Press Release Cabinet Office drew attention to a range of employment statistics that they had collected directly from public sector organisations. As part of this exercise, Ministerial and non-Ministerial departments, their executive agencies and Non-Departmental Public Bodies (NDPBs) were asked to provide headcount estimates for all their payroll and contingent staff, including agency workers, interim managers, specialist contractors and consultants. At the same time, Cabinet Office were keen to stress that, 'there are however a number of significant issues with the quality, robustness and coverage of this information which must be considered in viewing these figures'.

Public Sector Employment statistics produced by the Office for National Statistics were last reviewed as part of a Triennial Review (2008) which was published on the ONS website. ONS estimates of public sector employment currently count all public sector employees. Non-payroll staff are covered and included as part of private sector employment estimates, as collected by the Short Term Employment Surveys (STES) also conducted by ONS.

### ***Action required***

As a known user/contributor of (to) official estimates of public sector employment produced by the Office for National Statistics, we would like to invite you to provide any comments that you may have, in writing, about the range of data that we currently produce and whether there is a desire, from you, for a wider range of statistics to be published on a quarterly basis.

When suggesting improvements to coverage, users should, where possible, take account of both respondent burden and the practicality of collecting data on a regular frequency.

To assist you in your response, we would like to draw your attention to the full range of statistics that we have produced over the last 12 months on the public sector in the UK. In particular, over the past 12 months, we have worked to improve the quality of regional estimation of public sector employment and for the first time have been able to produce regional estimates of public sector employment by industry and sector classification.

>>> Public Sector Employment statistical bulletin (quarterly):  
<http://www.statistics.gov.uk/pdffdir/pse0610.pdf>

>>> Civil Service Employment (quarterly):  
[http://www.statistics.gov.uk/downloads/theme\\_labour/Table6AllDepts.xls](http://www.statistics.gov.uk/downloads/theme_labour/Table6AllDepts.xls)

>>> Civil Service Statistics (annual):  
<http://www.statistics.gov.uk/pdffdir/cs0110.pdf>

>>> Regional Analysis of Public Sector Employment (2010):  
<http://www.statistics.gov.uk/CCI/article.asp?ID=2568>



>>> Regional Public Sector Employment (quarterly):  
[http://www.statistics.gov.uk/downloads/theme\\_labour/Regional\\_PSE\\_Final\\_web.xls](http://www.statistics.gov.uk/downloads/theme_labour/Regional_PSE_Final_web.xls)

>>> The changing face of public sector employment 1999-2009:  
<http://www.statistics.gov.uk/CCI/article.asp?ID=2466>

>>> Civil Service Statistics: A focus on gross annual earnings:  
<http://www.statistics.gov.uk/CCI/article.asp?ID=2407&Pos=1&ColRank=1&Rank=24>

>>> Mapping the Civil Service:  
[http://www.statistics.gov.uk/downloads/theme\\_labour/MappingCivilService.pdf](http://www.statistics.gov.uk/downloads/theme_labour/MappingCivilService.pdf)

***Timing***

We are inviting responses to this consultation by **Friday 1 October 2010** (01/10/2010).

You can respond to our consultation in one of two ways:

**By e-mail:**

Please email: [David.matthews@ONS.gov.uk](mailto:David.matthews@ONS.gov.uk)

**By post:**

David Matthews  
Room: 1.264  
Office for National Statistics,  
Cardiff Road,  
Newport,  
NP10 8XG

## Annexe C

### Cabinet Office response to ONS review of Public Sector Employment Statistics

#### Our key recommendations

- **ONS publish separately, employment levels for executive Non-Departmental Public Bodies as part of QPSES.**
- **ONS review the use of the seasonal adjustment techniques used on the Civil Service time-series.**
- **In the medium term, ONS consider releasing organisational level employment data for the whole public sector.**
- **Over the longer term, ONS explore extending QPSES to include contingent labour (non-payroll staff).**
- **In the interests of transparency, Cabinet Office and other government organisations must be free to produce and publish their own management information in order to drive efficiencies across the public sector. Differences with official statistics will be clearly explained.**

#### Background

1. The Cabinet Office welcomes the opportunity to comment on the scope and coverage of these important National Statistics.
2. These statistics are used for high level briefing for the Cabinet Secretary and the Minister for the Cabinet Office on the changing size of the Civil Service. In addition, they feed into wider policy development, as well as informing analysis underpinning Civil Service reform. These statistics are also vital in that they provide comparative information on the size of other major sectors of the economy. They provide an official independent view of the size of the public sector workforce.
3. In providing a response to this review, we have focussed on three main areas.
  - Our existing concerns with the current statistics produced on Civil Service employment levels;
  - The extent to which these data give a figure for the total resources (workforce) supporting government, and;
  - The publication of management information to drive efficiencies in the public sector as part of the government's transparency agenda.

#### Existing issues and concerns

4. This section outlines some on-going issues that we have with regard to these statistics.

## *Seasonal adjustment*

5. We made our concerns clear regarding the application of seasonal adjustment to the headline series, when feeding back as users of these statistics, to the UK Statistics Authority as part of their assessment of ONS's Labour Market Statistics that took place towards the end of 2009. This assessment included the quarterly public sector employment statistics (QPSES). Our concerns expressed then, remain:
  - Appropriateness
    - Our view is that it is not appropriate to seasonally adjust employment figures for a single organisation. This is a census survey that receives a 100% response rate from respondents (Civil Service departments and agencies). There is no estimation involved and the application of seasonal adjustment to the headline series appears to add a layer of complexity that, in our opinion, adds nothing to aid interpretation of the statistics.
  - Clarity
    - Seasonal adjustment can be confusing for the general consumer of these statistics. For example, a table is produced that gives a detailed departmental breakdown (not-seasonally adjusted), whereas the annual time series that is presented as the headline number, is seasonally adjusted. This leads, on occasions, to totals for the same series being different. In all, there are four different measures given for Civil Service employment. Given that these data can attract wide-spread media coverage, our firm view is that above all, clarity is key. We do not believe that adjusting for seasonal effects adds clarity to this series.
  - Consistency
    - The erratic nature of the adjustment would seem at the very least, to confuse the general user. For example, last quarter (Q2 2010), the seasonally adjusted series showed a decrease of 7,000 on an FTE basis, and 5,000 on a headcount but both the non-seasonally adjusted series showed a 7,000 reduction. In addition, there was a recent quarter that showed on one measure employment had increased, another showed no change, whilst the remaining two measures both showed reductions in employment levels. Any attempt to provide a clear and reliable trend in employment seems difficult at best.
  - Re-structuring
    - The picture is further complicated with the substantial re-structuring of the public sector, including the Civil Service, that is likely to occur over the next few years. We cannot see how any reliable seasonal component could be assumed when this is taking place.

6. **In light of these concerns, we ask ONS to consider the appropriateness of retaining the application of seasonal adjustment for the Civil Service time-series.**

Understanding the total resources used to support the work of Government

7. The government places great importance on transparency and access to data, in order to drive efficiencies in public services. We would therefore, in principle, support the publication of data that is already routinely collected, especially where this can be achieved at little or no extra cost to the taxpayer.
8. **We would therefore support the extension of these statistics to include:**
  - **A disaggregation by individual executive NDPB,**
  - **A table showing the number of employees in executive NDPBs, summarised by sponsoring government department/agency,**
  - **Breakdowns of employment in NDPBs by gender, employment type, and working pattern,**
  - **A back-dated time-series of NDPB employment levels to as earlier date as is practical and reliable,**
  - **A split of NDPB employment on both an FTE and headcount basis, and that,**
  - **A reference to any under-coverage and/or that suitable imputation or estimation techniques are employed.**

Further details are provided below.

*Extending coverage to include executive NDPBs*

9. ONS currently collect through QPSES, employment numbers for NDPBs as part of the wider public sector, but these figures are not published separately. We would support publication of this data in relation to executive NDPBs (as only executive NDPBs, in general, employ staff). We note, however, that as only organisations with 20 or more staff are surveyed, there will be some smaller executive NDPBs missing from the ONS statistics.
10. We would welcome a disaggregation at the organisational level (each NDPB), accompanied by a summary table that showed numbers working in NDPBs in each main government department, with additional breakdowns to be made available by gender, working pattern, and employment type i.e. permanent of temporary.
11. We accept, however, that there may be a number of issues to overcome. For example;
  - Disaggregation
    - We understand that individual disaggregation requires the agreement of each separate organisation. We imagine that this is a

formality and we would support this as necessary in order to secure agreement.

- The disaggregation at a Civil Service departmental and agency level is extremely valuable, and we would wish to be able to have the same level of detail for NDPBs.
- Under coverage
  - Since only those organisations with 20 or more employees will be captured, some executive NDPBs will be missing from the statistics. Advisory and tribunal NDPBs and Independent Monitoring Boards should not be included within scope.
  - It is not clear whether Crown NDPBs (which employ civil servants) and those NDPBs which are classified by ONS as public corporations for National Accounts purposes would be included in the NDPB lists. If these are excluded, then the employment data would be incomplete and misleading. If they are included, how do we avoid the risk of double-counting?
  - Cabinet Office interest is in UK NDPBs. Will coverage include NDPBs (and equivalents) sponsored by the Devolved Administrations? If so, how will this information be distinguished?
- Accuracy/scope
  - The Cabinet Office currently publishes each year 'Public Bodies'. This provides detailed information on employment levels in NDPBs, together with associated costs. There is a clearly a danger with having duplicate information in the public domain. If ONS start to publish comprehensive statistics on staff employed by executive NDPBs, Cabinet Office will look to review their own annual Public Bodies publication.
  - We would also have concerns as to how comprehensive any published statistics from QPSES will be, especially with the current re-structuring taking place of the public bodies sector and the speed at which these changes may occur. How will ONS assure that all relevant NDPBs are included ?
  - It is vital that if employment levels were to be produced and disaggregated by individual NDPB, that these were as accurate as possible and reflected those bodies in existence as at the respective reference date.
  - It will be important that the danger of double-counting individuals is minimised, given the likely movement of individuals between sectors and across organisations. We would like to be re-assured that a process could be set up to ensure all relevant organisations are included in the relevant quarter, with changes noted as appropriate, and that double-counting was unlikely to occur.
- Other
  - If data for QPSES are collected from across the broad range of public sector organisations, we suggest the medium term aim should be to disaggregate at an organisational level and published separately as an accessible data set e.g. MS Excel.

- There may be both practical and resource implications in this, but we can see clear benefits in understanding the changes in employment numbers for each organisation.
- Time-series
  - We would welcome a consistent time-series of NDPB employment levels, back-filled to as earlier date as possible. This would provide a valuable benchmark to gauge the changing employment levels in this sector.

12. If these issues can be overcome without compromising the quality of the resulting statistics and without incurring significant additional burdens or costs, then we see clear benefits in extending coverage as described above.

*Extending coverage to include contingent labour (non-payroll staff)*

13. One of our important aims at present is to fully understand the total resources (staff) used to support the work of government.

14. Presently, comprehensive and accurate statistics are provided each quarter for the number of payroll staff in the Civil Service.

15. In the interests of transparency, however, it is also important that we are able to give a sense of the size of the contingent workforce (non-payroll staff) that is also used throughout government organisations. These contingent labour e.g. agency staff, interim managers, specialist contractors, and consultants, play a key role in providing short-term flexible temporary cover across government, but at present are missing from QPSES. Having routine and timely access to comprehensive headcount information is something that we would strongly support.

16. We recognise that ONS could, in principle, collect data on these individuals through QPSES [accepting that, as private sector employees, they are captured elsewhere through ONS's Short Term Employer Surveys].

**17. Therefore, looking to the longer term, ONS should explore extending coverage of these statistics to include contingent labour, taking appropriate account of any cost implications.**

18. We accept that there may be some difficulties with establishing the total number of non-payroll employees. For example;

- Definitions
  - Our experience has shown that whilst there are some widely used definitions of the various categories of contingent labour, there is still some uncertainty that these are interpreted in a consistent way across all organisations.

- Coverage
  - There are some individuals who may not fit clearly into one of the categories of contingent labour. For example, those paid via invoice and other fee-paid staff. Any new collection would have to ensure that all relevant employees were captured.
- Disaggregation
  - Ideally, we would wish to be able to understand the composition of the contingent labour workforce in the same way as that available for payroll staff i.e. gender split, FTE/Headcount, and working pattern. Our experience has shown that further work may need to be undertaken to enable robust disaggregation at this level of detail.
- Cost
  - Extending coverage to include contingent labour may incur additional costs, especially if this would have to apply across the whole of the public sector. Any extension of these statistics should rightly, therefore, balance the costs of extending coverage against the benefits and advantages that comprehensive coverage would bring.

19. Despite these issues, we see long term benefits in having one source of comprehensive headcount information.

20. Whilst ONS explore extending these statistics to include contingent labour, the Cabinet Office will continue to collect and publish on a regular basis their own management information on relevant non-payroll staff.

### Other issues

#### *Management information and official statistics*

21. It is important that government organisations and the Cabinet Office in particular, are free to produce and publish their own internal management information in the interests of transparency and accountability.

22. Where, on occasion, publication of internal MI clashes with officially produced statistics published by ONS, the presumption is that ONS statistics will still be considered to represent the official independent position – the National Statistic. But this should not detract from the on-going work at the centre of government to drive through efficiencies, and where this requires the publication of management information, the Cabinet Office will reserve the right to do so. Where we do publish our own management information, however, and where possible confusion between this and official statistics could arise, we will of course work with the Head of Profession for Statistics in the Cabinet Office to provide clear and unambiguous statements highlighting any differences between the respective data sets.

*Annual Civil Service Employment Survey (ACSES)*

23. Data from this much broader annual collection have proved a vital tool in taking forward a number of key government policies. Having up-to-date robust data is essential in this respect.
24. Whilst there have been improvements to this collection, we believe there is still more to do e.g. timeliness of publication. We would welcome the opportunity to discuss how best to make further improvements going forward.
25. Once again, thank you for given us the opportunity to comment on these statistics. We are of course happy to add further detail to our response as necessary.
26. We look forward to hearing the outcome of the review in due course.



## Annexe D

### Comments by Richard Parry, University of Edinburgh, on review of official statistics

1. As a user of the statistics for many years and a current participant in an EU Network of Excellence on Reconciling Work and Welfare (Recwowe) that is funding comparative work on this variable, I am glad to have the chance to comment on the review now taking place.

2. Generally speaking, public employment statistics are undervalued in comparison with those of public expenditure. Although sharing a common origin in the systems of classification of national accounts, they suffer from the fact that labour is a less clearly denominated resource than money and that a headcount of employment can be a misleading variable for the purposes of public sector management.

3. To gain a sense of the importance of public employment data, we need only list some of the issues where employment issues are attracting current political debate:

- counts of civil servants, NHS and local government staff which provide the evidence base for cuts targets
- regional variations in public employment as the most-often cited indicator of the size of the public sector (including interest in making estimates down to local authority level to assess the vulnerability of particular areas to public expenditure cuts down to city level)
- resource inputs into health and education and their effect on output and productivity
- gender, age ethnic minority and working hours balances within the workforce
- pay and pension levels and arrangements.

4. In this context, the generally good state of UK public employment statistics is creditworthy. Important recent innovations include the merger of distinct data sources on local government and the civil service into the quarterly official count, work on the accurate calculation of full-time equivalents, and much better regional breakdowns. ONS have developed direct relationships with major public employers to gain accurate and up-to-date data.

5. The publication pattern of the data – basically a quarterly ONS press release supplemented by irregular articles in *Economic and Labour Market Review*, the most recent of these being David Matthews, ‘The changing face of public sector employment 1999-2009’, *Economic and Labour Market Review* July 2010 - has persisted for many years and seems a little unsystematic for such important data. There has been nothing quite as comprehensive as Hicks, S., Walling, A., Heap, D. and Livesey, D., *Public Sector Employment Trends 2005* (ONS October 2005). This 81-page report had long time series and discussed conceptual issues about the coverage of the data. If replicated annually it would be a valuable resource for users

of the data and would be a framework for debate about its coverage that at times has threatened to become politically controversial.

6. The biggest conceptual difficulty facing UK labour market statistics at the moment is their alignment with national accounts classifications. This raises two difficulties:

a) when major employers who operate in a context of preponderant public funding and policy control are not counted as public sector organisations, they are omitted – notably general practitioners and their staff and higher and further education establishments. Whereas national accounts statisticians are now vigilant at reclassifying public limited companies under effective government control, even when the majority of the shares are not owned, they have not explored the position of publicly-dependent charities or third sector organization where a similar test of control would suggest a quasi-public sector positioning

b) where staff are working for the public sector under a contract with a non-public sector employer they are not counted in the public sector total and are seen as private sector employees.

7. This is at the root of the long-standing discrepancy – of about one million workers - between employees who tell the Labour Force Survey that they are working for the public sector and those who are measured by the ONS employer count. It seems to me that ONS should try to work towards refined data on this point rather than relying on national accounts classifications that do not always make sense. For instance, it is very likely that there is less direct public control of the financial institutions reclassified to the public sector since 2008 than of higher and further education.

8. With public sector employment aggregates of greater political salience than ever, it is important that classification issues should not provide an incentive to hide staff away on contracts and in charitable legal forms – as has been the case in previous headcount targeting exercises, especially in the civil service. Full ONS involvement in discussion of conceptual and measurement issues here is of clear public value, as well as making statisticians less vulnerable to controversies such as that caused by the Government's Workforce Scoping Exercise of June 2010.

9. The UK did not take part in the OECD's exercise on Comparison of Employment in the Public Domain (CEPD), saying that 'there is no consensus among users about the purpose for such a wide measure [of 'public sector related employment']'. Also it is difficult to define a wider concept of the public sector in a way that would successfully support any new data collection. The boundary is not clear cut and it is likely that accurate statistics of the number of people working for, but not directly employed by, the public sector would be difficult to obtain' (Livesey, D., Machin, A., Millard, B. and Welling, A., 'Public sector employment 2006: seasonally adjusted series and recent trends', *Labour Market Trends* December 2006, p437). This exercise did offer an internationally-sanctioned basis for measuring corporate and indirect public employment and offered a way forward to higher-quality internationally comparable data. Understandably there are reservations of providing an estimate of 'jobs supported by the public sector' through purchases and contracts. But I do not think that this should preclude detailed and systematic data work on categories that are anomalously excluded from the statistics (see 6a above) in order to see how far the 'million worker gap' can be explained. International academic studies of public

employment (most recently Hans-Ulrich Derlein and B. Guy Peters eds, *The State at Work*, Edward Elgar 2008) have needed to come up with their own synthetic definitions of public employment or public service because of the anomalies that result from proceeding from country-specific legal categories, and I think it is important that national statisticians follow OECD's lead in exploring these issues. ONS statisticians should continue to take a full part in OECD initiatives.

## **Conclusion**

10. While applauding the recent efforts of the ONS's statisticians to improve the quality of public employment data and understanding more about its distribution, I think that the next stage should be a more systematic attempt to delineate employment in organisations effectively controlled by the public sector. This should involve supplementary data estimates to set alongside those for organisations classified to the public sector in the national accounts. The present range of quarterly data is strong, but I think there is also a place for a substantial annual publication on the model of *Public Sector Employment Trends 2005* – an employment analogue of the Treasury's annual *Public Expenditure Statistical Analyses* – that would make data more accessible to users and also relate them to conceptual and definitional work, including that done internationally.