

Economics at the ONS: Increasing Openness, Improving Capability

Delivering the Agenda

December 2015

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Increasing Openness, Improving Capability

Introduction

'Economics at the ONS: Increasing Openness, Improving Capability – Setting the Agenda' outlines the ONS's strategic intentions with regard to economic statistics and analysis. Fulfilling this strategy in full will take time. But this note outlines the immediate key steps we have already or are now taking to progress it.

Improving Capability

Internal skills

ONS intends to recruit increased numbers of economists by a multiple of the existing complement over the next few years. ONS is currently in the process of recruiting economic researchers for both its Newport and Titchfield offices, alongside Economic Advisers in Newport. We aim to have completed these exercises by January 2016, and anticipate further rounds of recruitment in the coming months and years.

Engagement and partnerships with outside experts

ONS will:

- Launch a competition in December 2015 for academics and other experts to fill ONS Fellowships. Fellows will work alongside the ONS teams in Newport and Titchfield to develop solutions to key issues across economic statistics. We aim to announce successful candidates in January or February 2016. Future recruitment waves will be run in the autumn of each year to bring in new Fellows each spring.
- Conclude the recruitment of a sector expert to support our existing team to deliver PFI classification decisions in terms of whether projects should be included on the Government's balance sheet, to be in place in the New Year.
- Host an engagement event with key stakeholders around the design of an Economic Statistics Centre of Excellence (ESCoE), in February 2016. ONS is keen to discuss ideas and anyone interested in participating should contact economicforum@ons.gsi.gov.uk
- In addition we are developing a wider programme of individual projects with sector-specific experts to address particular challenges, including:
 - Capturing management practices information – investigating the opportunity to undertake a data collection of the manufacturing sector, comparable to that being undertaken by Professor Nick Bloom of Stanford University and Professor John van Reenen of the Centre for Economic Policy at the London School of Economics with

the US Census Board in Spring 2016. The data can then be used to analyse the contribution of management practices to productivity, as part of the 'Productivity Conundrum' agenda. If successful this could lead to management practices questions forming part of the Annual Business Survey.

- Double-deflation methodology development work – quality assurance of ongoing work to identify the scale of the impact of double deflation through 'quick win' analysis. Professor Nick Oulton, based at the LSE and UCL, is a leading expert in this field and will be undertaking this work through the winter of 2015-16. ONS has been developing the methodology internally, and welcomes the opportunity to benefit from an external expert's perspective.
- Flow of Funds Data Audit – investigating opportunities to identify existing non-survey data, including administrative, regulatory and commercial data, which could enhance ONS work to match assets and liabilities across different sections of the UK economy, and hence better understand financial risk.

Improving the service to users

ONS has an obligation to assist and facilitate wider research and policy agendas by providing access to high quality, timely data, ensuring the data we have is exploited to its full potential for public good.

Recently we have taken steps to improve the timeliness of key estimates. In October ONS published experimental estimates of median household income and associated inequality measures for the 2014-15 financial year which were far timelier than anything previously available. This followed from the development of a new methodology and consultation with a range of users and other experts. This way of providing more timely information opens up the prospect of doing the same in other areas. ONS will look at these possibilities, particularly in relation to now-casting public sector productivity estimates in the new year.

Partnership working is a potentially powerful way to improve key statistics. For example, the ONS construction team have been working with Markit to compare the Construction Purchasing Manager Index (PMI) and data from the Monthly Business Survey. This work has allowed us to make comparisons at the full industry level for construction as well as the individual industries within this area. We have also been able to make comparisons by business size. Working with Markit has allowed us to better understand the methods used to compile the PMI and appreciate why the conceptual differences between this and ONS's output estimates may lead to different results.

We have continued to re-develop and publish longer historic time series. ONS now maintains and publishes:

- A core GDP dataset from 1948 annually and 1955 quarterly.
- Consumer expenditure (HHFCE) by product annually and quarterly back to 1985 and Gross Fixed Capital Formation (GFCF) by asset and industry annually back to 1987. Key methods

changes for ESA 95 reservations and ESA 2010 methods changes have been carried back into the historic data

- Consistent Sector Financial Accounts data back to 1987 for all sectors, including government and rest of the world sectors to 1948.
- Historic Gross National Income and other key Sector Financial Accounts series such as the saving ratio back to the start of these series.
- Gross Value Added by industry back to 1990.
- Other series at the request of users - such as the household gross operating surplus.

An article will be published in January 2016 giving more details of what historic data are available and how these datasets can be most easily accessed.

In addition, a joint article by ONS and the Bank of England will be published in December 2015 presenting estimates of UK financial and housing wealth as far back as the 1920s.

ONS has also embarked upon improving the usability of the Virtual Micro-Data Laboratory (VML). It has commissioned Felix Ritchie at the University of the West of England to improve the meta-data labelling of microdata databases held in VML, to be completed in the new year. This builds on from work earlier this year to rebuild the Annual Respondents Database for long-term use. We are also investigating how to simplify error-reporting by VML users to enable us to improve the accuracy of the data more quickly.

These are only initial steps in pursuing the strategic direction. But they will be progressively built upon and reinforced.

Improving engagement with users

The ONS has in recent years been working to transform its engagement and level of openness with users and experts through the use of:

- The Economic Review – created in 2011 as a platform for ONS to provide analysis and commentary on the UK economy, drawing out and pulling together the economic story from the individual statistical releases and other evidence about the economy, building on the analysis contained in other ONS publications.
- The ONS Economic Forum was instituted in April 2014 and has been held quarterly since. Commentators, journalists and other experts are invited to these half day sessions, normally held in London.
- Wider use of Economic Forum events – relating for example to developments in the balance of payments, measurement of economic wellbeing, and issues in the measurement of the manufacturing sector and in the measurement of e-commerce.

We are eager to build on these existing arrangements, and improve our capacity to engage with researcher and others, so we can identify key needs and prioritise these. So we will expand the existing Economic Forum events. For example, we will also hold events in the early part of 2016 in Cardiff, Edinburgh, Belfast and Manchester, to improve visibility and access to the wider UK community. We will also continue and expand the number of sessions devoted to particular subjects.

The following dates have been confirmed for Economic Forums. Please register your interest at economicforum@ons.gsi.gov.uk

- London at Brewer's Hall, Aldermanbury Square, London EC2V 7HR, 19 January 2016
- Cardiff at Park Plaza, Greyfriars Rd, Cardiff CF10 3AL, 26 January 2016
- Manchester at Hilton Hotel, 303 Deansgate, Manchester M3 4LQ, 3 February 2016

We plan to deliver a further Economic Forum in Edinburgh in the week commencing 22 February 2016, venue to be confirmed, and are looking to add Belfast to our venues in the spring round of Forums.

We have also commissioned research into the impact ONS publications have in the media, to identify where we have the greatest impact and where our publications need to improve to better meet our objectives to deliver insight.

Better meeting researchers' and decision makers' needs

Details of our current priorities in relation to the National Accounts can be found in the National Accounts Medium Term Work Plan, which we published on 27 November 2015.

In terms of our ongoing agenda and priorities for the wider research community, the Economic Statistics and Analysis Strategy (ESAS) will be published for consultation early in the New Year. This will deliver a single articulation of our research priorities, with early attention likely to include:

- Double deflation, where we are currently engaging Professor Nick Oulton to support conceptual development on the best methodologies to use in this area.
- Flow of funds, to enhance the financial accounts of the UK and provide a more comprehensive assessment of capital flows in the economy.
- Productivity, particularly the following four key strands to our prospective work programme:
 - Understanding the Causes of the Productivity Slowdown – creating a standardised framework for the analysis of the reasons for the slow-down in growth, and analysis at the UK micro-data and international levels to identify the key causal drivers of the UK's performance.
 - Improving Input Measurement – ensuring the input measures used in the denominator of the productivity equation have been correctly measured, particularly in relation to the inclusion of intangibles and 'missing capitals'. A key

step here will be incorporating the outputs from the Management Practices Survey described above.

- Improving Output Measurement – ensuring the output measures used in the numerator of the productivity equation have been correctly measured through incorporating the latest changes and improvements in the National Accounts, including public productivity measurement, as described below.
- Improving Public Productivity Measurement – to produce, from early 2016, timely quarterly public sector productivity metrics, using more direct measurement and up-to-date ‘now-casting’ techniques to enable policy formation, tracking and delivery. We are also working to update the output-based Atkinson approach in key sectors to reflect latest policy developments. To expand beyond those services which impact on GDP, work will also be undertaken to identify an appropriate framework for conceptualising the efficiency of transfers.

To improve our outputs around Productivity, we are looking from April 2016, to bring together quarterly public sector productivity with quarterly labour productivity, alongside other productivity statistics, into a single quarterly Productivity Bulletin.

Finally, many of the issues that ONS is facing are shared internationally, making collaboration with other countries natural and imperative. The ONS is eagerly exploring avenues towards international partnerships, particularly but not only around productivity.