

Economic Development Committee EDC-01-01 (p4)

Date: 17 January 2001

Venue: Committee Room 1 National Assembly for Wales

Title: IMPROVING ECONOMIC DATA FOR WALES

Purpose

1. The purpose of this paper is to provide the Committee with an update on paper EDC-16-00 (p7), Improving Economic Data for Wales, which is at annex 1.

Background

2. Paper EDC-16-00 (p7), 'Improving Economic Data for Wales' (annex 1), provided the Committee with an overview of the measures that had already been put in place, or were being considered, to improve the availability of data to inform economic development and labour market policy in Wales, and monitor its impact. The Committee did not have an opportunity to discuss the paper at its November meeting and the item has therefore been rescheduled for the meeting on 17 January. This covering paper provides an update on progress since November.

Enhanced Labour Force Survey

3. There have been ongoing discussions with the ONS over the detail of the enhanced survey. It has also been agreed that the enhanced survey will include questions on Welsh identity, ethnicity and the Welsh language, as will the LFS in England and Scotland.

ONS Scoping Study

4. A number of meetings have taken place, or have been arranged, with the ONS to explore in more detail the recommendations in the ONS Report. Progress for each recommendation is detailed in italics:-

Short-term improvements which may be achieved in the next 2-3 years

- a boost to the Welsh sample in the 2001 Annual Business Inquiry – *met with the ONS and they have agreed to supply details of the current Welsh sample to help assess the value, and most effective structure, of a potential boost. ONS will also assess the improvements in sampling error that would result from a boost. The additional compliance burden, particularly on small businesses, that would result from a boost needs to be part of the decision making process;*
- productivity estimates for production industries, using information from the re-introduced quarterly Index of Production for Wales - *these will be purchased. The cost will be £1k annually;*
- new estimates of Wales' contribution to exports from the UK for some industries, using

information from the monthly production inquiry – *not a priority given the recent data received from Customs and Excise;*

- a feasibility study into the compilation of a quarterly Index of Distribution for Wales – *details of costs, benefits and timing have been received from the ONS. ;*
- enhancement of the Welsh sample in ONS' monthly and quarterly turnover inquiries to enable quarterly current price service sector turnover data to be produced for service industries in Wales – *met with the ONS who confirmed this is one of the components (20 per cent) of an Index of Services. ONS will produce analyses of Welsh data from existing inquiries but a decision on whether or not the Welsh sample in these inquiries should be enhanced will be considered in the context of a feasibility study for an Index of Services for Wales;*
- development of a quarterly retail sales index (RSI) for Wales – *met with the ONS. They confirmed that the retail component of an Index of Distribution would be a reasonable proxy for a RSI. This could be explored in more detail in the feasibility study for an Index of Distribution;*
- new information from a survey of retailing turnover in Wales in 1997-98 will be available in Spring 2001 – *no progress;*
- development of a top-up sample for the Annual Register-improving Inquiry (ARI) of the Inter Departmental Business Register (IDBR) – *met with the ONS. They will develop a package of quarterly analyses for Wales from the IDBR and other sources e.g. Dun and Bradstreet database. They will also consider the implications for Wales and Welsh data of the Quality Assurance Review of the IDBR and will investigate further the value of a Welsh enhancement to the ARI;*

Longer-term improvements

- development of an Index of Services for Wales. ONS is currently developing a constant price monthly Index of Services for the UK as a complement to the Index of Production - *meeting to be arranged with the ONS;*
- further discussion with ONS to consider the feasibility, timescale and cost of developing a quarterly GDP for Wales – *meeting planned with the ONS, late January;*
- that the National Assembly develops a long-term strategy for economic statistics, using the more detailed information in the scoping study and commission ONS to pursue the feasibility of specific developments – *ongoing.*

Link with National Economic Development Strategy

5. Whilst the Strategy is still at an early stage of development a number of the measures cited above will help inform the Strategy and monitor its impact by assessing progress against quantifiable targets. For example :-

- the enhanced Labour Force Survey will provide more reliable information on economic activity, employment, unemployment, qualifications and equality of opportunity at a Wales and sub-Wales level;
- the Index of Production provides regular information on the activity of this sector in Wales compared with other parts of the UK. Development of indices for the distribution and service sectors would provide similar information for these sectors;
- an enhanced ABI would improve the information on the structure of industry in Wales and would also improve the basic information which would feed into GDP and other measures.

Link with EDC's Review of Business Support and Development Services

6. EDC-19-00(p6), 'Review of Business Support and Development Services', refers to the need for the National Assembly to 'establish mechanisms to improve the evidence base for policy making'. The developments and proposals outlined in this paper would contribute to that process, and would inform the work of the proposed Economic Policy Board and Economic Research, Monitoring and Evaluation Unit.

Financial Implications

7. The Assembly budget provides sums of £871,000 in 2001-2002, £650,000 in 2002-2003 and £650,000 in 2003-2004 to fund the enhanced Labour Force Survey. In addition, the Finance Minister has agreed to provide £210,000 in the current financial year from uncommitted carry forward of resources from earlier years.

Compliance

8. The initiatives to improve economic statistics are covered by sections 40 and 85 of the Government of Wales Act exercised in conjunction with other delegated statutory functions. There are no issues of regularity or propriety.

Action

9. That the Committee notes the continued progress on improving economic statistics, and comment on plans.

Annex 1

Economic Development Committee EDC-16-00 (p7)

Date: 1 November 2000

Venue: Committee Room 2 National Assembly for Wales

Title: IMPROVING ECONOMIC DATA FOR WALES

Purpose

1. The purpose of this paper is to provide the Committee with a report on progress towards improving economic statistics for Wales.

Summary

2. Some work to improve economic statistics is already underway or planned :-

- the reintroduction of the Index of Production and Construction;
- the Labour Force Survey boost;
- the economic publications.

A report from the Office for National Statistics (ONS) identifies a list of further options for enhancing economic statistics. Many of the enhancements would have a long lead time where it would be a number of years before improved economic estimates were produced. The Cabinet will be assessing the options to determine which would provide the most useful information to the Assembly at the best value for money, and would welcome the views of the Committee.

Background

3. This Committee has requested that better information is made available to inform economic development and labour market policy, and monitor its impact. This need was also recognised in 'Better Wales', with the specific objective to fill any important gaps in the information needed to inform policy and set robust targets. A sound information base is also key to the commitment that was given in the recently launched Partnership Agreement, 'Putting Wales First', to implementing an evidence-based programme.

Broad Intentions

4. Improved information on the Welsh economy will be achieved through a process of continuous development, but at all stages a factor will be the requirement that any additional burden on businesses is fully justified and kept to a minimum. The ONS is responsible for producing economic statistics across the UK, and some improvements will fall out of their plans for UK economic statistics e.g. improved timeliness of annual GDP estimates; other requirements will be specific to Wales and will have a direct cost to the Assembly. Some will result in the production of new statistics to fill identified gaps, but the majority will simply improve the reliability of the information that already exists. A number of developments are already in hand, including the scoping study into improvements in economic statistics that the ONS has been commissioned to undertake on behalf of the Assembly – this work has been referred to in previous Committee meetings. This paper provides an update on progress to date, and outlines future plans.

Index of Production and Construction

5. On 6 July 2000, figures were released for the Welsh Index of Production and Construction covering the period up to the first quarter of 2000. Publication of these figures followed a gap of almost two years during which a review of the methodology was carried out. ONS were asked to compile the Index and they developed a methodology based on the one used for short term employment estimates and applied this to the same basic data sources used for the UK Index. Figures for the second quarter of 2000 were published on 5 October 2000. The annual cost for the production of this index, which is met from existing budgets, is around £55,000. Further methodology enhancements are currently being discussed with ONS; these would incur additional costs.

Enhanced Labour Force Survey

6. A decision has already been taken to boost the Labour Force Survey (LFS) in Wales. This represents a significant investment of resources. The LFS, which is a pan-European survey producing data on the labour force, is undertaken by the ONS. The Welsh sample boost will begin from March 2001 and will lead to a much improved annual database covering the period March 2001 to February 2002. The results are expected to be available in summer 2002. The boost will provide more accurate estimates of a number of measures e.g. economic activity rates, ILO unemployment rates, numbers of self employed, equality of opportunity in the labour market, achievement against lifelong learning targets; and will allow for a greater range of analysis at the unitary authority level. It will also give greater confidence in the reliability of the results from the survey and that changes to the results year on year are in fact measures of actual change rather than sampling errors.

Publications

7. As well as the regular Statistical Briefs of economic statistics that are already produced, quarterly evaluation reports are planned. These will include analysis of economic statistics and other relevant information. In addition the National Assembly's Statistics Plan includes a commitment to produce a new publication covering a wide range of economic and labour market statistics.

ONS Scoping Study

8. Earlier this year the ONS was commissioned to produce a report outlining existing economic data compiled by the ONS for Wales, and setting out options for improving the availability, quality and timeliness of the Welsh data. The final report was delivered on 11 October. Drawing on the extensive analysis of the existing economic measures, ONS has identified and costed a number of potential improvements, in addition to the ones that are already in hand, that would be most beneficial to the Assembly in the short and medium term. They have also flagged up more longer term developments.

Short-term improvements which may be achieved in the next 2-3 years

- a boost to the Welsh sample in the 2001 Annual Business Inquiry. This would improve the information on the structure of industry in Wales, enabling a better understanding of economic

changes;

- productivity estimates for production industries, using information from the re-introduced quarterly Index of Production for Wales;
- new estimates of Wales' contribution to exports from the UK for some industries, using information from the monthly production inquiry. Expanding the data collection to include other industries, such as steel, could also be considered but would incur additional costs (currently we are using similar data recently received from Customs and Excise);
- a feasibility study into the compilation of a quarterly Index of Distribution for Wales;
- enhancement of the Welsh sample in ONS' monthly and quarterly turnover inquiries to enable quarterly current price service sector turnover data to be produced for service industries in Wales. This could be an interim measure while the Index of Distribution and Index of Services are being considered (see below);
- development of a quarterly retail sales index for Wales. This would provide an indicator of retail activity in Wales and some comparison with the rest of the UK;
- new information from a survey of retailing turnover in Wales in 1997-98 will be available in Spring 2001. The Assembly should be able to commission specific analyses from the Department for the Environment, Transport and the Regions;
- development of a top-up sample for the Annual Register-improving inquiry of the Inter Departmental Business Register (IDBR). The IDBR is a register of businesses operating in the UK which provides the framework from which samples of businesses are drawn for ONS statistical inquiries and to which survey results are grossed. Improvements in the information held for Wales on this register will therefore lead to improvements in the quality of the economic statistics for Wales.

The overall cost of these improvements is estimated to be around £300,000 in the first year and around £250,000 in subsequent years.

Longer-term improvements

- development of an Index of Services for Wales. ONS is currently developing a constant price monthly Index of Services for the UK as a complement to the Index of Production. A Welsh Index would provide an indicator of service sector activity in Wales and allow comparison of relative growth with the rest of the UK. It would also provide most of the data required for compiling a quarterly Gross Domestic Product (GDP) series for Wales. The timescale for the development of the UK Index is possibly 2-3 years.
- further discussion with ONS to consider the feasibility, timescale and cost of developing a quarterly GDP for Wales;
- that the National Assembly develops a long-term strategy for economic statistics, using the more detailed information in the scoping study and commission ONS to pursue the feasibility of specific developments

No costs are provided for these potential developments.

ONS Plans to improve Regional (Sub-UK) Statistics

9. In recognition of the increased information needs of the devolved administrations and English regions, the ONS has set up a number of initiatives that are aimed at improving the availability and timeliness of sub-UK economic and statistics. For example, a plan to achieve a return to the normal timetable for production of annual GDP figures; investigation of synthetic estimation techniques for small area regional accounts; establishment of a committee to co-ordinate the sub-UK requirements and a scoping study of all sub-UK economic statistics which is due to report in March 2001.

Financial Implications

10. The draft budget proposals which were published on 19 October provide funding to boost the Labour Force Survey. The draft budget provides sums of £830,000 in 2001-2002, £650,000 in 2002-2003 and £650,000 in 2003-2004. In addition, the Finance Secretary has agreed to provide £210,000 in the current financial year from uncommitted carry forward of resources from earlier years.

Compliance

11. The initiatives to improve economic statistics are covered by section 40 of the Government of Wales Act exercised in conjunction with other delegated statutory functions. There are no issues of regularity or propriety.

Action

12. That the Committee note the progress that has been made to date on improving economic statistics and comment on future plans. Regular progress reports will be submitted to the Committee.

19 October 2000