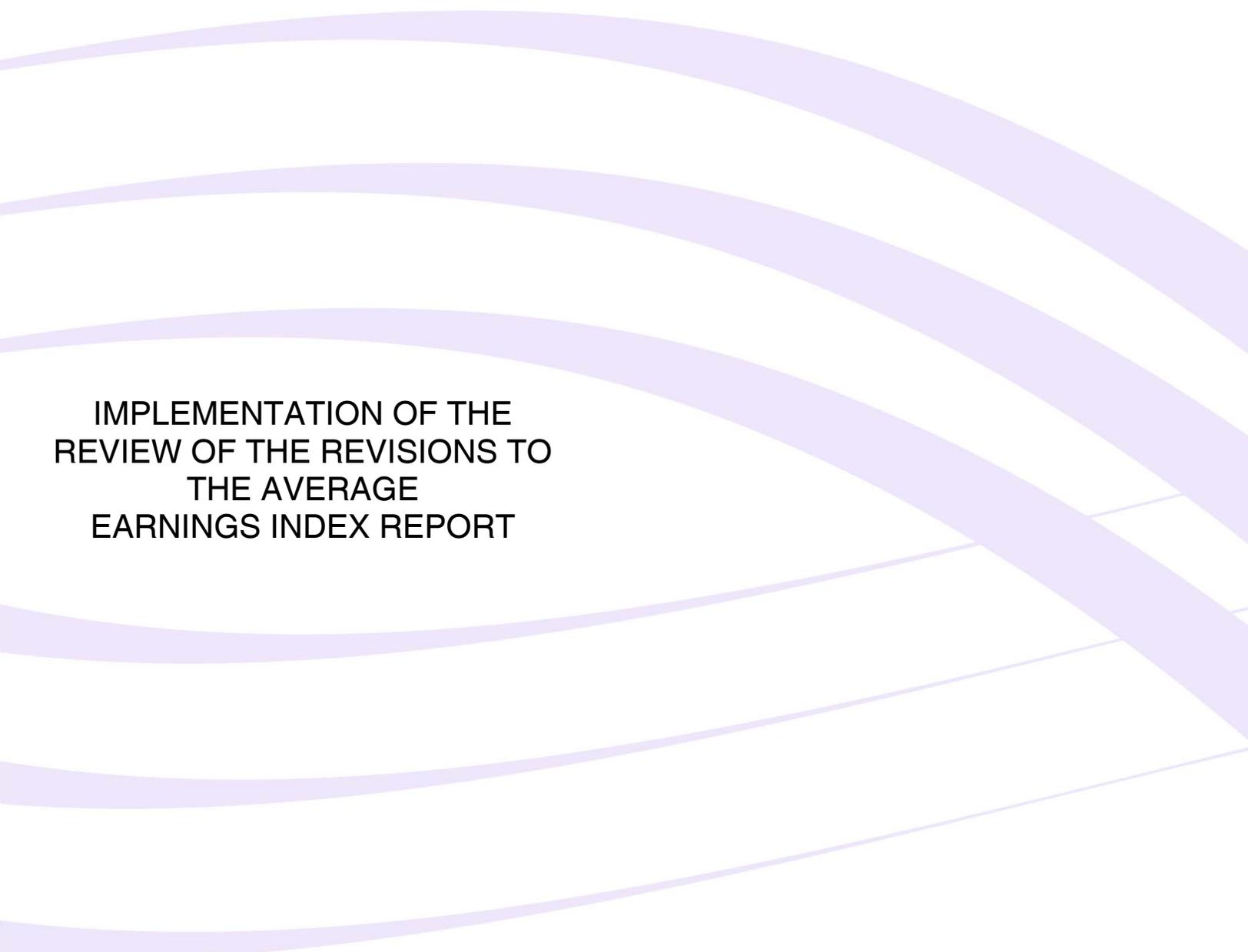


Statistics Commission



IMPLEMENTATION OF THE
REVIEW OF THE REVISIONS TO
THE AVERAGE
EARNINGS INDEX REPORT

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STATISTICS COMMISSION'S CONSIDERATION OF ONS'S PROGRESS REPORT

A report prepared by the Statistics Commission

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STATISTICS COMMISSION'S CONSIDERATION OF ONS'S PROGRESS REPORT

Summary

1. The Statistics Commission asked the ONS for a progress report on the implementation of the *Review of the Revisions to the Average Earnings Index*. It has taken some time to get a complete report. Most of the recommendations have been implemented satisfactorily but some have not. In particular:
 - we recognise that some of the longer term technical recommendations have proved more complex than originally envisaged, but we are concerned that we have not been able to obtain a clear timetable for completing this work;
 - we are surprised that some of the general and less technical recommendations have not been implemented fully. In particular, the gap between the public acceptance of recommendation 1 (recommendations referred to in the text are listed at the end of the main report) on pre-announcement of supernumerary releases and the very restricted way it has been implemented, is not acceptable.

In this report we make recommendations for action to address these and other specific points.

2. This *AEI Review* was important in its own right, but our consideration of the Office for National Statistics's progress report has raised issues which apply to National Statistics more generally. Clear and transparent release practice arrangements are vital for the integrity of National Statistics. The quality of National Statistics depends on the ability of their producers to follow through and implement the conclusions of methodological reviews.

Background

3. The Statistics Commission chose the implementation of the *Review of the Revisions to the Average Earnings Index* as one of the areas it wished to examine for two reasons:
 - the series itself is a high profile and important one to many users, including, for example, to the Monetary Policy Committee;
 - the events leading to this 1999 report were also important in influencing the shape of the new National Statistics arrangements, which were put in place the following year.
4. Many of the recommendations were concerned with the handling of statistical work more generally and relevant to National Statistics more widely. At the time the *Review* was presented to Parliament, the then Director of the Office for National Statistics, Dr Tim Holt, accepted, on behalf the ONS, all the recommendations of the *AEI Review*.
5. In December 2000 we asked the ONS to provide a report updating us on progress with implementing the *Review*, and we received this in March 2001.

This first progress report did not make the position clear. Following discussions between our secretariat and the ONS, a consolidated, revised progress report which addressed all recommendations was provided in early July and a further revised one in late July, along with some additional material about recommendations 1 and 12. The latest progress report and the additional material are attached to this report as Annex A and Annex B.

6. Since then we have prepared an initial version of this report, asked ONS to check it for factual accuracy, received additional information from them and made changes as a result. Differences of interpretation remain between us and the Office.
7. One point ONS made which we did not feel able to take on board, was that we should not draw general conclusions from our specific observations. We do not accept this. For example, whether or not some general arrangements for monitoring and reporting on implementation exist, the *AEI Review* slipped through the net. The adequacy of the arrangements must be seriously in doubt if they allow such an important review to be left out of them.

General

8. Most of the recommendations have been implemented satisfactorily. Some specific changes to the Average Earnings Index had already been put in place in time for publication of the *AEI Review*. A wider range of work has been undertaken since. The ONS has begun a series of methodological reviews of its outputs as part of the National Statistics Quality Review programme, extending the specific action of recommendation 14 more widely. However, progress in other areas has been slow and other recommendations do not appear to have been implemented fully. In some cases we have had difficulty establishing what the position is. Our concerns are discussed below.

Overall management of implementation

9. We appreciate the effort which both the ONS secretariat and the AEI team have put into preparing the progress report and into responding to our secretariat's questions. It has, however, taken too long to deal with this. It has left us with a very clear impression that, despite the high profile of the *AEI Review* and its key role in the development of National Statistics, there are no systematic arrangements for monitoring and reporting to senior management within the Office. Such arrangements are necessary to ensure that action continues to be taken forward to implement the recommendations fully and/or to identify clearly any, where for any reason, different action is now appropriate. There is a wider issue here in relation to the future implementation of National Statistics Quality Reviews which are now being undertaken. In-depth reviews are resource intensive, and often divert scarce specialist skills from other, more developmental, work. Such work, well directed, should be a good investment, especially if such reviews anticipate and so avoid problems like those identified in the *AEI Review*, but it is a waste if accepted conclusions are not implemented.
10. There will be times when external changes, or information which comes to light as part of the detailed planning of implementation, means that agreed recommendations cannot or should not be fully implemented, but it is important

that this implementation should be managed properly with any decisions to abandon recommendations being made explicitly and openly. The National Statistician should put in place clear arrangements to ensure proper monitoring and management of the implementation both of the remaining recommendations from this Review and of recommendations of National Statistics Quality Reviews.

Long term technical recommendations

11. A number of longer-term technical recommendations have not yet been completed. This is clearly disappointing given the original intention to complete most of this work by the end of 1999, but we understand some of the difficulties involved. In particular, the task of working out the standard errors of the AEI and its components has proved more complex than the authors of the *AEI Review* expected. Nevertheless, this work has put the ONS at the front of the international field and is likely to prove of wide value.
12. What is of greater concern is that there does not appear to be a clear date for completing all of them. The ONS should publish an updated timetable for full implementation of the *Review of the Revisions to the Average Earnings Index*.

Management and dissemination issues

13. The Commission is also concerned that some of the more process-related recommendations have not been implemented fully. The following are particular areas of concern.

Pre-announcement of supernumerary releases

14. The publication dates of high profile official statistics are normally announced in advance. If this is not done it makes it difficult to be confident that all users can genuinely have access to them at the same time. It was not done in the case of the 1998 revisions to the AEI. The *Review* recommended (recommendation 1) that it should always be done in future, recognising that, for supernumerary releases such as those correcting data, just 24 hours' notice might be appropriate.
15. ONS accepted this recommendation but has not implemented it fully. Its July 1999 internal guidance (described as draft but essentially interim), refers to the need to preannounce high profile data but makes an exception for supernumerary releases of the sort discussed in the *Review* where the data involved (and hence an announcement that a revision is forthcoming) "are market sensitive or have significant and urgent implications for Government policies".
16. We accept ONS's assurance that the repeated questioning needed for our secretariat to get a full explanation of this point did not reflect any widespread confusion in ONS, but rather the fact that policy in this area was subject to review given what was then thought to be the imminent release of the Code of Practice. It does however raise questions about the ease with which other stakeholders could have established the true position.
17. Users have a right to expect that the release of such data meets the highest standards of transparency. It is important that the National Statistician either

implements recommendation 1 in full or provides a clear and published explanation to users of why he thinks it should not be implemented.

Sign-off of statistical series

18. The part of recommendation 7 dealing with formal sign-off procedures has been implemented only for series which have changed following formally managed projects. ONS has interpreted the recommendation as applying only to such cases. We do not share its interpretation of the phrase “particularly where there is a substantial change or”. While this partial implementation would cover most series, like the Average Earnings Index, where major problems are likely, we believe that the intention and wording of the recommendation applies to all series including those published in routine releases.
19. We recognise that the level of sign-off for routine releases can be at a less senior professional level. We are told that although there is no general written guidance, the expectation that routine releases should be signed off at Divisional Director level would normally be communicated in individual performance agreements. As these are personally confidential, we do not have access to them. There is, in any case, value in having clearly and openly articulated general sign-off arrangements for all statistical outputs however low risk they may appear to be.
20. We recommend the ONS should extend transparent formal sign-off procedures to cover all outputs.

Consultation with the Treasury and the Bank of England

21. The July 1999 interim guidance referred to above also addresses recommendation 12 which relates to consultation with the Treasury and the Bank of England. It indicates that in cases where, to allow consultation, ONS has provided Ministers or the Bank of England with information earlier than normally allowed, this fact should be made public soon after the event and entered on a generally available register.
22. ONS tell us that there has been only one relevant case since 1999, relating to the Balance of Payments data published on 25 September 2001. A note about this was placed on the National Statistics website (at: www.statistics.gov.uk/themes/economy/articles/earlybop.asp) on 14 November, but there is still no public register and there had been no reference to this forthcoming note in the 25 September release itself. This made it difficult for anyone not already aware of the case in broad terms to find the note. We recognise that any arrangements made now may need to be amended or enhanced to implement the forthcoming protocol under the new National Statistics Code of Practice. This may point to a simple interim approach, even just a paper-based register, but it is no reason to continue the current lack of effective transparency.
23. The National Statistician should make arrangements to implement his predecessor’s 1999 guidance. In particular, he should put in place a public register of occasions on which the ONS has provided Ministers or the Bank of England with information earlier than normal in order to allow consultation.

Documentation

24. We were pleased to be told that recommendations 15 and 16 on documentation have been implemented but are concerned that it is was not possible until early October to meet our request, originally made on 3 April, for some examples of improved documentation. Clearly, it is important that ONS staff should have such documentation for their own internal use, but good documentation is also of value to enable interested outsiders to obtain full and clear algebraic accounts of the way in which data are constructed. This transparency can provide an important additional means of improving methodology and thus data quality. The difficulty in providing examples to us suggests that such information is not readily available to outsiders. It should be.
25. We recommend the National Statistician should set a clear timetable for the documentation of ONS's methods of data construction to the point where such documentation can be, and is, made available to outsiders over the internet.

Conclusions

26. Although good progress has been made in implementing many aspects of the *Review*, more remains to be done. There is a serious lack of transparency about handling unscheduled publication of revisions, and there do not appear to be any clear arrangements in place for ensuring that implementation of the *Review* as a whole is completed. In particular the National Statistician should:
 - put in place clear arrangements to ensure proper monitoring and management of both the implementation of the remaining recommendations from this *Review* and the implementation of recommendations of National Statistics Quality Reviews;
 - publish an updated timetable for full implementation of the remaining recommendations of the *Review*;
 - implement Recommendation 1 or provide a clear and published explanation for users of why he thinks it should not be implemented;
 - extend transparent formal sign-off procedures to cover all ONS outputs;
 - put in place a public register of occasions on which the ONS has provided Ministers or the Bank of England with information earlier than normal in order to allow consultation;
 - set a clear timetable for the documentation of ONS's methods of data construction to the point where such documentation can be, and is, made available to outsiders over the internet.

RECOMMENDATIONS REFERRED TO IN THE TEXT

- Recommendation 1: That in future all data releases, even supernumerary releases like that on 6 October, should be pre-announced, with at least 24 hours' notice. (*Section 3.b*)
- Recommendation 7: We recommend that ONS strengthens the project management of statistical change to ensure that adequate technical expertise is available at essential times and that the management of each programme is critically reviewed at each stage. The ONS Director and the relevant Group Director should have clear procedures for signing off a statistical series for publication, particularly when there is a substantial change in the way a statistical series is calculated, or when questions have been raised at any stage about the adequacy of preparations. (*Section 4.c*)
- Recommendation 12: We recommend that there should be a clear set of procedures that apply across the whole ONS which allow ONS consultation with, and provision of information to, the Treasury and Bank of England to deal with unexpected difficulties and developments. These procedures should include a provision to disclose publicly soon after the event if the ONS has provided Ministers or the Bank of England with information earlier than usual on changes to statistics, together with an explanation of why it was deemed necessary to provide such information in this way. (*Section 4.e*)
- Recommendation 14: The ONS should ensure that there are regular reviews of the main index numbers covering not only the survey sources but the index numbers and methodologies themselves. (*Section 6.b*)
- Recommendation 15: Where there is a methodological review relating to important statistical series like the AEI the conclusions should be recorded in full, with all the technical issues and decisions covered. (*Section 6.b*)
- Recommendation 16: When implementing agreed methodological changes, all development work should be fully written up and a historic series calculated *before* final decisions on publication are taken. (*Section 6.b*)

Annex A - [Turnbull King - Update on recommendations 1 - 37](#)

Annex B - [Further response on AEI progress](#)