

Assessment of compliance with the Code of Practice for Official Statistics

Statistics on Welsh Businesses, Exports and Earnings

(produced by the Welsh Government)

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About the UK Statistics Authority

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the *Statistics and Registration Service Act 2007*.

The Authority's overall objective is to promote and safeguard the production and publication of official statistics that serve the public good. It is also required to promote and safeguard the quality and comprehensiveness of official statistics, and good practice in relation to official statistics.

The Statistics Authority has two main functions:

1. oversight of the Office for National Statistics (ONS) – the executive office of the Authority;
2. independent scrutiny (monitoring and assessment) of all official statistics produced in the UK.

Contact us

Tel: 0845 604 1857

Email: authority.enquiries@statistics.gsi.gov.uk

Website: www.statisticsauthority.gov.uk

UK Statistics Authority
1 Drummond Gate
London
SW1V 2QQ

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ASSESSMENT AND DESIGNATION

The *Statistics and Registration Service Act 2007* gives the UK Statistics Authority a statutory power to assess sets of statistics against the *Code of Practice for Official Statistics*. Assessment will determine whether it is appropriate for the statistics to be designated as National Statistics.

Designation as National Statistics means that the statistics comply with the *Code of Practice*. The *Code* is wide-ranging. Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

Designation as National Statistics should not be interpreted to mean that the statistics are always correct. For example, whilst the *Code* requires statistics to be produced to a level of accuracy that meets users' needs, it also recognises that errors can occur – in which case it requires them to be corrected and publicised.

Assessment reports will not normally comment further on a set of statistics, for example on their validity as social or economic measures. However, reports may point to such questions if the Authority believes that further research would be desirable.

Assessment reports typically provide an overview of any noteworthy features of the methods used to produce the statistics, and will highlight substantial concerns about quality.

Assessment reports also describe aspects of the ways in which the producer addresses the 'sound methods and assured quality' principle of the *Code*, but do not themselves constitute a review of the methods used to produce the statistics. However the *Code* requires producers to "seek to achieve continuous improvement in statistical processes by, for example, undertaking regular reviews".

The Authority may grant designation on condition that the producer body takes steps, within a stated timeframe, to fully meet the *Code's* requirements. This is to avoid public confusion and does not reduce the obligation to comply with the *Code*.

The Authority grants designation on the basis of three main sources of information:

- i. factual evidence and assurances by senior statisticians in the producer body;
- ii. the views of users who we contact, or who contact us, and;
- iii. our own review activity.

Should further information come to light subsequently which changes the Authority's analysis, it may withdraw the Assessment report and revise it as necessary.

It is a statutory requirement on the producer body to ensure that it continues to produce the set of statistics designated as National Statistics in compliance with the *Code of Practice*.

Contents

Section 1: Summary of findings

Section 2: Subject of the assessment

Section 3: Assessment findings

Annex 1: Suggestions for improvement

Annex 2: Compliance with Standards for Statistical Releases

Annex 3: Summary of the assessment process and user views

1 Summary of findings

1.1 Introduction

1.1.1 This is one of a series of reports¹ prepared under the provisions of the *Statistics and Registration Service Act 2007*². The Act requires all statistics currently designated as National Statistics to be assessed against the *Code of Practice for Official Statistics*³. The report covers the sets of statistics reported in the following outputs and produced by the Welsh Government:

- *Annual Survey of Hours and Earnings*⁴ (ASHE);
- *Business Demography: Enterprise Births and Deaths*⁵ (Business Demography);
- *Size Analysis of Welsh Businesses*⁶ (Size Analysis); and
- *Welsh Exports*⁷.

1.1.2 The Act also allows Ministers to request an assessment of other official statistics in order for them to gain National Statistics status. The inclusion of the statistics in the following releases⁸ is in response to such a request:

- *Regional Economic and Labour Market Profile (RELM) – Mid Wales*;
- *RELM – North Wales*;
- *RELM – South East Wales*; and
- *RELM – South West Wales*.

1.1.3 *RELM* releases are compendium publications. Assessments of compendium publications against the *Code of Practice* relate to the processes involved in preparing the publication, rather than in producing the statistics that are included. Those sets of statistics will normally be subject to separate assessment. Designation of a compendium publication as National Statistics therefore means that the producer body has, for example: identified and met user needs in terms of the content of the publication; considered the appropriateness of each series for inclusion; and written appropriate commentary.

1.1.4 This report is shorter than normal. In particular, section 3 adopts an ‘exception reporting’ approach – it includes text only to support the Requirements made to strengthen compliance with the *Code* and Suggestions made to improve confidence in the production, management and dissemination of these statistics. This abbreviated style of report reflects the Head of Assessment’s consideration of aspects of risk and materiality⁹. The Assessment team

¹ <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

² http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf

³ <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>

⁴ <http://wales.gov.uk/topics/statistics/headlines/economy2011/110113/?lang=en>

⁵ <http://wales.gov.uk/topics/statistics/headlines/economy2010/101201/?lang=en>

⁶ <http://wales.gov.uk/topics/statistics/headlines/economy2010/101027/?lang=en>

⁷ <http://wales.gov.uk/topics/statistics/headlines/economy2011/110609/?lang=en>

⁸ <http://wales.gov.uk/topics/statistics/headlines/economy2011/?lang=en>

⁹ <http://www.statisticsauthority.gov.uk/assessment/assessment/guidance-about-assessment/criteria-for-deciding-upon-the-format-of-an-assessment-report.pdf>

nonetheless assessed compliance with all parts of the *Code of Practice* and has commented on all those in respect of which some remedial action is recommended.

- 1.1.5 This report was prepared by the Authority's Assessment team, and approved by the Board of the Statistics Authority on the advice of the Head of Assessment.

1.2 Decision concerning designation as National Statistics

- 1.2.1 The Statistics Authority judges that the statistics covered by this report are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest, subject to any points for action in this report. The Statistics Authority confirms that the statistics detailed in paragraph 1.1.1 can be designated as National Statistics, and has determined that the statistics detailed in paragraph 1.1.2 can be designated as new National Statistics products, subject to Welsh Government implementing the enhancements listed in section 1.5 and reporting them to the Authority by April 2012.

1.3 Summary of strengths and weaknesses

- 1.3.1 The Welsh Government has recently improved its user engagement and uses a six-monthly newsletter, an annual user event and three-yearly user consultations – the most recent in 2009 – to engage with users and determine users' needs of statistics on Welsh businesses, exports and earnings.
- 1.3.2 The Welsh Government provides some information about the quality and reliability of the statistics either within the releases or in accompanying documents, such as user guides. However, there is scope to provide more detailed information to assist users.

1.4 Detailed recommendations

- 1.4.1 The Assessment team identified some areas where it felt that Welsh Government could strengthen its compliance with the *Code*. Those which the Assessment team considers essential to enable designation as National Statistics are listed in section 1.5. Other suggestions, which would improve the statistics and the service provided to users but which are not formally required for their designation, are listed at annex 1.

1.5 Requirements for designation as National Statistics

Requirement 1	Document more fully the users and uses made of these statistics (para 3.1).
Requirement 2	Improve the signposting to information about methods and provide information about the coherence of Welsh businesses, exports and earnings statistics with those published for the rest of the UK (para 3.2).

- Requirement 3** Provide more information about the main sources of bias and other errors associated with statistics contained in *ASHE* (para 3.3).
- Requirement 4** Publish information about the quality of the statistics, including the difference between National statistics and non-National Statistics in *RELM* releases; and explain the strengths and limitations of the statistics on Welsh businesses, exports and earnings in relation to their use (para 3.4).
- Requirement 5** Improve the commentary in the releases so that it aids user interpretation of the statistics, by including more explanation of the trends in the statistics, and an explanation of why these statistics are important and to whom (para 3.6).
- Requirement 6** Publish a timetable of releases for 12 months ahead (para 3.7).

2 Subject of the assessment

- 2.1 The Welsh Government publishes statistics on a range of aspects of the economy in Wales, often re-using existing published statistics and drawing out the main messages from them. This report covers releases that bring together statistics describing Welsh businesses, exports and earnings including analysis of the number and size of businesses, the value of Welsh exports and statistics on household income and the earnings of employees. Statistics on the Welsh Labour Market and Short-term Economic Output Indicators are the subject of separate Assessment reports – numbers 33 and 82, respectively¹⁰.
- 2.2 *Annual Survey of Hours and Earnings (ASHE)* presents statistics on hourly, weekly and annual earnings of employees, classified by sex, work pattern, industry and occupation. The earnings information presented relates to gross pay before tax, National Insurance or other deductions, and excludes payments in kind. Statistics are presented for Wales and the UK for context – broken down using the Nomenclature of Units for Territorial Statistics¹¹ (NUTS), a hierarchical spatial classification that breaks the European Union's territory into comparable regions. The statistics are available for Wales and areas within Wales. In the most recent *ASHE*, detailed provisional results for the latest year and final results for previous years are published, along with a high-level time series presented from 1997 to 2010. The statistics are presented on both a workplace and residence basis¹². The statistics are published annually.
- 2.3 *Business Demography: Enterprise Births and Deaths (Business Demography)* presents information about businesses that are registered for either VAT purposes or as an employer operating a PAYE (Pay As You Earn) payroll scheme. It includes the number of businesses opening and closing, three-year and five-year survival rates for businesses, and the impact of these changes on the business population. The statistics are presented for the whole of Wales, some smaller areas within Wales, and the UK for context. The release focuses on the change between the two most recent years but also includes time series data from 2002. The statistics are published annually.
- 2.4 *Size Analysis of Welsh Businesses (Size Analysis)* presents statistics on businesses located in Wales, including turnover, employment, ownership and counts of businesses. The statistics are published annually. They are based on information from the Inter-Departmental Business Register¹³ (IDBR) for businesses that are registered for VAT or PAYE, whilst estimates for unregistered businesses are calculated using a combination of the IDBR, the

¹⁰ <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

¹¹ <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/european/index.html>

¹² Workplace basis allocates all hours and earnings information to the location of the employer, based on the employer's postcode. Residence basis allocates hours and earnings information to the employee's home address, based on postcode information

¹³ <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/unpublished-data/business-data/idbr/index.html>

Annual Population Survey¹⁴ and the Survey of Personal Income¹⁵.
Supplementary tables are available from the StatsWales website¹⁶.

- 2.5 *Welsh Exports* presents quarterly and rolling annual estimates of the value of goods exported from Wales. The statistics are presented by product type and by the destination of the exported goods. Statistics by destination are available for the UK and are presented for NUTS1 regions (English regions, Wales, Scotland and Northern Ireland) to allow comparisons of the total export value between areas. *Welsh Exports* presents provisional estimates for each quarter of the latest year, final estimates for the previous year, and time series data from 1999. The statistics are published quarterly.
- 2.6 *Regional Economic and Labour Market Profiles (RELM)* are compendium publications that provide comprehensive information about the economy and labour market including monthly, quarterly and annual statistics on: employment; unemployment (and the number of people claiming unemployment benefits); number of vacancies; economic inactivity; weekly earnings; Gross Value Added (GVA) and Gross Disposable Household Income (GDHI). Four releases are published monthly, each focusing on one of the four economic regions of Wales; comparator data for the UK and the whole of Wales are published in each release. With the exception of vacancies, all of the statistics presented in *RELM* are published elsewhere as National Statistics.
- 2.7 These statistics are put to a range of uses:
- The Welsh Government uses the statistics to monitor and develop policies for the Welsh economy and to monitor the impact of EU structural funds on areas within Wales.
 - The Low Pay Commission¹⁷ uses *ASHE* to monitor the effect of the national minimum wage, and to set its level.
 - Careers Wales uses the labour market data to inform the careers advice it provides.
- 2.8 The Welsh Government told us that the production of these statistics costs around £60,000 per year, which consists of data collection, analysis and publication of the statistics.

¹⁴ <http://www.ons.gov.uk/ons/publications/all-releases.html?definition=tcm%3A77-22453>

¹⁵ http://www.hmrc.gov.uk/stats/income_distribution/menu-by-year.htm

¹⁶ <http://www.statswales.wales.gov.uk/ReportFolders/reportFolders.aspx>

¹⁷ The Low Pay Commission advises the Government on the implementation of the National Minimum Wage. <http://www.lowpay.gov.uk/>

3 Assessment findings

- 3.1 The Welsh Government told us that it engages with users of these statistics: by responding to ad hoc user queries; through a new Economic and Labour Market user group, which it proposes will meet annually; and a six-month newsletter¹⁸ to update users about the publications along with recent and planned developments. In addition, the Welsh Government carries out a formal user consultation about these statistics every three years; the last consultation held in 2009. The Welsh Government published the results¹⁹ of this consultation and users' responses about the use made of these statistics were included in this report. However, this documentation provides only broad categories of users and uses – it does not present any specific examples of the use made. The Welsh Government also includes information about users and uses in the individual releases, but this also lacks detail. As part of the designation as National Statistics, the Welsh Government should document more fully the users and uses made of these statistics²⁰ (Requirement 1). We suggest Welsh Government refer to the types of use put forward in the Statistics Authority's Monitoring Brief, *The Use Made of Official Statistics*²¹ when documenting use.
- 3.2 The Welsh Government has published a summary²² of the sources used to produce the statistics included in the releases covered by this Assessment. However, neither this summary, nor the releases themselves, clearly direct users to where information about the methods used can be found. The exception to this is *Size Analysis*, which is accompanied by a methods document²³. This document clearly explains how the number of unregistered businesses is estimated but does not fully explain all aspects of the methods used or comment on its coherence with similar statistics published for the rest of the UK. As part of the designation as National Statistics, the Welsh Government should improve the signposting to information about methods and provide information about the coherence of Welsh businesses, exports and earnings statistics with those published for the rest of the UK²⁴ (Requirement 2).
- 3.3 ASHE collects earnings data for employees in PAYE schemes relating to a given reference date, usually in April each year. It also collects data about bonuses (paid in the week of the reference date) and overtime payments. The *ASHE* release explores some of the limitations of the ASHE statistics but more information is required – for example, it is not clear whether bias is introduced through the exclusion of bonus payments, or whether this is accounted for within estimates produced from ASHE. The *ASHE* release also excludes information about earnings derived from business ownership, such as dividends, and income from self-employment which is required to provide a comprehensive picture of earnings. As part of the designation as National

¹⁸ <http://wales.gov.uk/topics/statistics/theme/economy/newsletter/?lang=en>

¹⁹ <http://wales.gov.uk/consultations/statistics/09economicstats/?lang=en>

²⁰ In relation to Principle 1, Practice 2 of the *Code of Practice*

²¹ <http://www.statisticsauthority.gov.uk/assessment/monitoring/monitoring-briefs/monitoring-brief-6-2010---the-use-made-of-official-statistics.pdf>

²² <http://wales.gov.uk/docs/statistics/2011/110511economysourcesen.pdf>

²³ http://www.statswales.wales.gov.uk/ReportFolders/reportFolders.aspx?IF_ActivePath=P%2C3%2C15%2C25

²⁴ In relation to Principle 4, Practice 1 of the *Code of Practice*

Statistics, Welsh Government should provide more information about the main sources of bias and other errors associated with statistics contained in *ASHE*²⁵ (Requirement 3). In meeting this Requirement, we suggest that Welsh Government assess the impact of excluding bonuses from weekly pay estimates, and include, or provide links to, information on income and hours worked by business owners and the self-employed.

- 3.4 The Welsh Government provides some information about quality for all of the statistics on Welsh businesses, exports and earnings but this is not presented clearly and does not relate to the use made of the statistics. For example, the *RELM* releases do not state that the vacancy statistics cover only 40% of the vacancies in the economy (although this information can be found in the associated sources document) and no information is given to explain how representative the statistics are of all vacancies. In addition, the *RELM* releases include a combination of National Statistics and non-National Statistics, but the distinction between the quality of National Statistics and non-National Statistics is not clear. As part of the designation as National Statistics, Welsh Government should publish information about the quality of the statistics, including the difference between National Statistics and non-National Statistics in the *RELM* releases; and explain the strengths and limitations of the statistics on Welsh businesses, exports and earnings in relation to their use²⁶ (Requirement 4).
- 3.5 The use of the coefficient of variation in *ASHE* may be confusing for users who are more accustomed to using confidence intervals. In meeting Requirement 3, we suggest that Welsh Government include an explanation of coefficient of variation and its relationship with confidence intervals in *ASHE*.
- 3.6 The releases on Welsh businesses, exports and earnings statistics are well presented. The commentary describes trends in the statistics but does not explain these trends, nor does it provide context around the statistics to explain why the statistics are important. As part of the designation as National Statistics, Welsh Government should improve the commentary in the releases so that it aids user interpretation of the statistics, by including more explanation of the trends in the statistics, and an explanation of why these statistics are important and to whom²⁷ (Requirement 5). We suggest that in meeting this requirement the Welsh Government should consider the points detailed in annex 2.
- 3.7 The Welsh Government publishes a timetable²⁸ for releases on its website which can be organised by month or theme, but this timetable currently covers only a 10-month period. As part of the designation as National Statistics, Welsh Government should publish a timetable of releases for twelve months ahead²⁹ (Requirement 6).

²⁵ In relation to Principle 4, Practice 2 of the *Code of Practice*

²⁶ In relation to Principle 8, Practice 1 of the *Code of Practice*

²⁷ In relation to Principle 8, Practice 2 of the *Code of Practice*

²⁸ <http://wales.gov.uk/topics/statistics/duel/?lang=en>

²⁹ In relation to Protocol 2, Practice 2 of the *Code of Practice*

Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to the Welsh Government's statistics on businesses, exports and earnings, in the interest of the public good. These are not formally required for designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

- | | |
|---------------------|---|
| Suggestion 1 | Refer to the types of use put forward in the Statistics Authority's Monitoring Brief, <i>The Use Made of Official Statistics</i> when documenting use (para 3.1). |
| Suggestion 2 | Assess the impact of excluding bonuses from weekly pay estimates, and include, or provide links to, information on income and hours worked by business owners and the self-employed (para 3.3). |
| Suggestion 3 | Include an explanation of coefficient of variation and its relationship with confidence intervals in <i>ASHE</i> (para 3.5). |
| Suggestion 4 | Consider the points detailed in annex 2, in seeking to improve the statistical releases (para 3.6). |

Annex 2: Compliance with Standards for Statistical Releases

- A2.1 In October 2010, the Statistics Authority issued a statement on *Standards for Statistical Releases*³⁰. Whilst this is not part of the *Code of Practice for Official Statistics*, the Authority regards it as advice that will promote both understanding and compliance with the *Code*. In relation to the statistical releases associated with Welsh economics and earnings statistics, this annex comments on compliance with the statement on standards.
- A2.2 In implementing any Requirements of this report (at paragraph 1.5) which relate to the content of statistical releases, we encourage the producer body to apply the standards as fully as possible.

Appropriate identification of the statistics being released

- A2.3 *ASHE* shares its title with the survey used to produce it. This could be confusing for users of the statistics. All release titles include the period to which the statistics relate but do not always include the geographical coverage of the statistics, for example *Business Demography*. The releases make clear which of the statistics are new, although *ASHE* does not make it clear that the latest statistics are provisional.
- A2.4 The releases include information about the date of the next publication but a statement on the frequency of release is absent from some, for example *Welsh Exports*. All releases use appropriate headings and logos for a National Statistics product. The releases clearly identify the producer organisation, and include the name and contact details of the responsible statistician. All releases include a contents page detailing what is included in the release.

Include commentary that is helpful to the non-expert and presents the main messages in plain English

- A2.5 The releases contain factual summaries of the main messages. With the exception of the *RELM* releases, the summaries detail rises and falls in the various statistical series. The releases use a series of bullet points to describe the trends observed in the statistics but do not include explanatory statements, or information to provide context to the figures. The language used in releases is mostly straightforward, but some technical terms are not explained adequately.

³⁰ <http://www.statisticsauthority.gov.uk/news/standards-for-statistical-releases.html>

Use language that is impartial, objective and professionally sound

A2.6 The text used in the releases is impartial and evidence based. The descriptions of proportions, changes and trends in the releases are appropriate. The releases do not provide enough information about the quality of the statistics.

Include information about the context and likely uses

A2.7 The releases include a statement on the policy and operational context of the statistics. Users would benefit from more comprehensive information within the commentary and better presentation of information about the reliability of the statistics, for example, by including more information about the quality and reliability of estimates in *ASHE*. The releases include links to the results of the 2009 user consultation which details the uses to which people are likely to put the statistics, but does not give examples of the actual users or uses made.

Include, or link to, appropriate metadata

A2.8 Each release includes information about sources, methods, definitions and reliability. Some releases include links to ONS's website which do not work. Some of the releases do not include links to other documentation that could be useful to users – for example, *ASHE* could include links to ONS's Annual Survey of Hours and Earnings Summary Quality Report³¹ and other information on methods and reliability to assist user interpretation of the statistics.

A2.9 Releases include comparisons to the UK; *ASHE*, *Welsh Exports* and *Business Demography* also include comparisons with constituent UK countries and NUTS1 areas of England. *ASHE* indicates that the most recent statistics are provisional. It would aid users' interpretation of the statistics if data were marked as provisional in the charts and tables within the release.

³¹ <http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/business-statistics/summary-quality-report-for-annual-survey-of-hours-and-earnings--ashe-.pdf>

Annex 3: Summary of assessment process and users' views

A3.1 This assessment was conducted from April to October 2011.

A3.2 The Assessment team – Gary Wainman and Kat Pegler – agreed the scope of and timetable for this assessment with representatives of the Welsh Government in April. The Written Evidence for Assessment was provided on 27 May. The Assessment team subsequently met the Welsh Government during July to review compliance with the *Code of Practice*, taking account of the written evidence provided and other relevant sources of evidence.

Summary of users contacted, and issues raised

A3.3 Part of the assessment process involves our consideration of the views of users. We approach some known and potential users of the set of statistics, and we invite comments via an open note on the Authority's website. This process is not a statistical survey, but it enables us to gain some insights about the extent to which the statistics meet users' needs and the extent to which users feel that the producers of those statistics engage with them. We are aware that responses from users may not be representative of wider views, and we take account of this in the way that we prepare assessment reports.

A3.4 The Assessment team received 4 responses from the user consultation. The respondents were grouped as follows:

Central government	1
Devolved Administration	1
Media	1
Voluntary organisation	1

A3.5 One of the users found it difficult to access the statistics and would like data available in more accessible formats and better links between releases and supplementary data; one user would like more detailed breakdowns by gender; and one user commented that they are not always aware of release dates. All of the users were complimentary about their engagement with the producer team and its ability to respond promptly to queries.

Key documents/links provided

Written Evidence for Assessment document

