Office for Statistics Regulation

UK Statistics Authority

Assessment of compliance with the Code of Practice for Statistics

UK Business Demography Statistics

(produced by the Office for National Statistics)

Assessment Report 351

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Office for Statistics Regulation

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Executive Summary

Judgement on National Statistics Status

ES.1 Statistics on business demography are vital for understanding the evolution of the business population. This is particularly so as the economy emerges from the impacts of the COVID-19 pandemic. The Office for National Statistics (ONS) has responded to the pandemic in an agile way developing faster indicators of business creations and closures. Longer term, the ONS's suite of business demography statistics need substantial development to put them at the forefront of economic statistics and so ensure that users' needs can be better met.

ES.2 We identified a range of actions that ONS needs to take to enhance the public value, quality and trustworthiness of the business demography statistics. Some are short-term improvements, and we welcome ONS's commitment to implement these when it publishes its next set of annual statistics, scheduled for November 2020. These need to be accompanied by a longer-term development programme to yield the full value of the data. Our findings and recommendations are described in chapters one to three of this report.

Key Findings

Public Value

ES.3 The ONS's business register – the Inter-Departmental Business Register (IDBR) – holds a wealth of data on the UK's business population. Some of these are used to produce business demography statistics. The remainder of the data, however, remains a largely untapped resource for adding real public value in providing insights on how businesses are born, grow, merge, split and die. By better exploiting these data, ONS can contribute to an improved understanding of entrepreneurialism and the relationship between business dynamics and employment growth. Doing so will support the work of economic policymakers examining crucial issues such as innovation, productivity, industrial strategy and regional economic performance.

ES.4 In response to the COVID-19 pandemic ONS, in conjunction with Companies House, introduced a weekly indicator of business births and deaths. These data support the work of policymakers designing support for UK business through the pandemic and subsequent economic recovery. In response to user need, ONS has also published the first of a quarterly series of experimental business demography statistics, which draw on data from Companies House and the Insolvency Service. These significant innovations present a platform for further development of business demography statistics.

ES.5 Our view is that ONS should aim for its business demography statistics to be considered key economic indicators. But they are not regarded as such at the moment, because they are not as good or as useful as they should be. The statistics should be able to reliably inform policymakers about the productive capacity of the economy. This perspective can be gained from the number of births and deaths of businesses capable of contributing significant economic and employment growth over the longer term. Their importance now is starker than ever, as policymakers seek to understand the impact of COVID-19 on economic output and employment and business births and deaths. Users told us that business

demography statistics go some way to helping them understand the picture of how businesses are born, grow and die. But crucially, there are uncertainties around aspects of these statistics which make it difficult to fully understand the UK's true business creation profile. Accessibility[1] of data on the IDBR and linking those data with other datasets including, for example, data covering productivity and innovation, delays the work of analysts.

ES.6 The statistics are used by a variety of users across the UK Government, the devolved administrations and the private and third sectors. There is, however, a clear opportunity for data on business demography to be used more effectively in business policy and evaluation, to improve policymakers' understanding of supply chains and the interactions of businesses at a local, regional and national level. ONS collaborates strongly with government partners, although there are opportunities to engage further with users in the devolved administrations, economic partnerships, academia and with business bodies such as the Confederation of British Industry (CBI), British Chambers of Commerce (BCC), Institute of Directors (IOD), and MakeUK, for example, to discuss the capability and use of these statistics in economic planning.

ES.7 Some of the improvements that are required rely on significant investment. It is clear that the redirection of funding away from the Statistical Business Register has hindered ONS's ambitions to enhance the contribution that the business register makes to economic statistics. It is also clear that providing appropriate insights from these data requires investment in the development of a new business register, to replace the IDBR.

Quality

ES.8 One of the main strengths of the business demography statistics is that they are consistent over time and are comparable across European countries. ONS follows internationally agreed definitions and methods when producing these statistics.

ES.9 ONS has done some work to help explain the impact of large numbers of businesses using the same address – for example that of an accountant – for registration. As part of this, ONS has produced alternative measures by applying an internationally recognised measurement of "employer demography" to the data. Despite this work, users told us that they want a more useful quantification of the impact of multiple registrations on local area business demography statistics. ONS should work with partners, such as HM Revenue and Customs (HMRC), to investigate ways to overcome the influence of multiple registrations in its statistics.

ES.10 One significant difficulty in producing these statistics is estimating the date that a business either started or ceased trading, rather than the date that it registered or de-registered. ONS needs to present data that closer reflect economic activity, rather than the clerical process of registering.

ES.11 ONS also needs to provide more information about the quality of data held on the IDBR to enable more-effective use of these statistics. ONS's documentation covers the ways that IDBR records are maintained. But ONS publishes little that quantifies aspects of quality such as the accuracy and timeliness of information about businesses' size or industrial classification.

[1] This relates to requests for access to IDBR data sanctioned by the ONS. Each request is considered on a case by case basis and access is guided by policy significance and the disclosure requirements of the Statistics of Trade Act 1947

Trustworthiness

ES.12 The benefits from the development of the proposed Statistical Business Register project include more-comprehensive coverage of the UK's business population which will allow users and policymakers to gain a clear view of how businesses are born, grow, merge, split and die. Work to develop ONS's business register should urgently be re-introduced to ensure that users' needs for business population statistics are met. ONS must review the decision to postpone planned investment into the development of the Statistical Business Register and ensure that adequate investment is available to develop this.

Next Steps

ES.13 We set out a range of requirements, described in Tables 1, 2 and 3 of this report. In order to maintain National Statistics designation, we require ONS to:

a. Demonstrate a positive direction of travel by making some short-term gains as follows:

   i) Requirement 1: begin to engage with users to understand in detail their limitations and restrictions around data access to, and linking of, IDBR data.

   ii) Requirement 5: publish its plans for publishing business demography statistics, taking into account the need to make its annual statistics more timely and its plans for developing the recently introduced quarterly experimental statistics

   iii) Requirement 7: publish at least a narrative account covering what ONS already knows about the range of key data quality issues highlighted in this report, building on the supporting quality information provided with the new quarterly experimental statistics

   iv) Requirement 8: publish its plans to restart and resource work to develop its business register.

   These steps should be taken by the publication of the next set of annual statistics, scheduled for publication in November 2020.

b. Publish a plan, which includes specific actions, deliverables and a timetable by the end of January 2021, that explains how it will address the improvements identified in this report, including plans for reviewing the funding of the Statistical Business Register.

ES.14 The UK Statistics Authority will take advice from OSR based on the evidence received at each stage and decide whether continued use of the National Statistics designation is merited.

Chapter 1: Public Value

Introduction

1.1 Value means that the statistics and other numerical information are accessible, remain relevant and benefit society; helping the public to understand important issues and answer key questions.

1.2 Value is a product of the interface between the statistics or other numerical information and those who use them as a basis for forming judgements.

Findings

Capability of Business Demography Statistics

1.3 In the IDBR, ONS has a rich source of data on the business population, and should aim to better exploit these data so that its business demography statistics can be considered key economic indicators. They are not regarded as such at the moment, because they are not as good or as useful as they should be. Business demography statistics should be able to reliably inform policymakers about the productive capacity of the economy arising from the births and deaths of businesses capable of contributing significant economic and employment growth over the longer term. Their importance now is starker than ever, as policymakers seek to understand the impact of COVID-19 on economic output and employment, and the impact on productivity and innovation. Users told us that business demography statistics go some way to helping them understand the picture of how businesses are born, grow and die. But crucially, there are uncertainties around aspects of these statistics which make it difficult to fully understand the UK's true business creation profile. Difficulties in accessing IDBR data and linking those data with other datasets including, for example, data covering productivity and innovation, delays the work of analysts.

Uses and Users

1.4 After the Global Financial Crisis of 2007-08, small business entrepreneurship was believed to be crucial to economic recovery and a healthy labour market. In more-recent years, that theme has evolved to include the importance of young businesses. Small business is regularly described as the 'engine of growth and employment'. Identifying and supporting new small businesses with ambitions to grow is crucial, as they become larger enterprises and create employment and economic value.

1.5 Using business demography statistics to identify businesses with growth ambitions, however, is difficult for users. Business demography statistics should assist users to understand business dynamism, thereby providing key insights into significant policy challenges such as the productivity puzzle. ONS's recent introduction of weekly and quarterly business demography indicators represent the first innovative step towards improving policymakers' understanding of these challenges. Working with its partners, ONS should build on these innovations to provide a compelling picture of UK business dynamics for users and policymakers.

1.6 As part of this work we asked a range of users, listed in Annex 1, how they used business demography statistics. We discovered three types of users. First, those

who use the data and statistics intensively to inform analysis of key economic policy issues, such as business creation, business churn[2], innovation and productivity. Specifically they told us that they use the statistics to:

- inform analytical work, including understanding the contribution of high growth businesses to the UK's productivity puzzle – a key component of the UK's industrial strategy
- understand the impact of movements of capital and labour between shrinking and growing businesses, to assist the speedy re-deployment of these factors of production
- provide information to policymakers on the longevity (survival) characteristics (ownership, employees, business activity, geography) of businesses
- provide a benchmark for academic analytical studies and link with other datasets to gain greater analytical insights into the wider performance of the economy, business churn, creation and deaths
- construct regional estimates of economic output to inform regional economic policy

1.7 The second type of user is those who use the statistics in the design of policies to support business, and are concerned by headline quality issues, such as multiple registrations at a single postcode[3]. They use the statistics to:

- undertake comparative studies of the best and worst performing business areas within regions to target business support policy interventions
- conduct analyses of priority sectors to foster greater output, employment and productivity in UK regions
- understand the competitiveness profile of UK Business, to assist with domestic and overseas trading opportunities

1.8 A third set of users use the statistics less intensively as a health barometer of economic activity at a local, regional and country level, and to brief policymakers and the media at both UK and lower levels on business dynamics.

1.9 The first two sets of users access the data and statistics through the UK Data Service Secure Lab (DSSL) and the statistical release respectively.

1.10 Despite these wide-ranging uses, users told us that current ONS business demography statistics go only some way to helping understand the picture of how businesses are born, grow and die. Crucially, there are uncertainties around aspects of these statistics that make it difficult to understand the UK's true business creation and survival profile. For instance, one key user told us:

"For the purpose of our analysis and the advice we provide, it would be helpful to be able to exclude from the data any volatility that is caused purely by administrative

[2] The sum of births and deaths of businesses as a proportion of the total number of businesses

[3] The occurrence of many business registrations at a single postcode, often reflecting registrations of the previously self-employed and managed service companies. Agents such as accountants, often use one or their own address to register these businesses.

changes, which is not related to the underlying economic drivers of companies births and deaths. Any effort in this direction would greatly benefit our analysis."

ONS's Engagement with Users

1.11 ONS engages with users via the Business Population and Demographics Statistics User Group (BPDS) and the Government Statistical Service's (GSS) Business Register Group.

1.12 ONS collaborates with the Department for Business, Energy and Industrial Strategy (BEIS) as the co-chair of the BPDS, which is comprised of the producers of key National Statistics[4]. The Group "provide[s] a forum for discussion of statistics and statistical research on the business population and demographics." The Group last met in August 2018, although was scheduled to meet again in June 2020, but this meeting was postponed as a result of COVID-19.

1.13 The Business Register Group "oversees the use and development of the IDBR". The Group is chaired by BEIS and its membership is made up of representatives from across government.

1.14 ONS collaborates strongly with UK Government partners, although the same level of engagement is not apparent with users from the devolved administrations, economic partnerships, academia and with business bodies such as the Confederation of British Industry (CBI), British Chambers of Commerce (BCC), Institute of Directors (IOD), and MakeUK.

1.15 There is a clear benefit for ONS to engage more closely with these bodies, to exchange views, data and intelligence on the UK's business population. Sharing information and knowledge on, for example, evolving business practices and local industrial structures will help ONS better understand the role that its business data can play in delivering the insights that users need. This exchange of knowledge will assist ONS and those working in business policy development in industry bodies to develop their understanding of the value and capability of business demography statistics.

1.16 Closer collaboration with users is of increased importance now, as the process of devolution continues beyond the devolved administrations to local economic partnerships, combined authorities and city regions. This continuation of devolution has increased the demand for national, regional and local business and economic data. OSR's evidence to the Treasury Select Committee's enquiry on Regional Imbalances in the UK economy, provides further information on the need to develop and improve business demography indicators, to address data gaps and to enhance economic estimates at lower level geographies.

Business ownership and identifying businesses with growth potential

1.17 By broadly taxing business owners less heavily than the self-employed, the UK's taxation structure provides a strong incentive for a range of the self-employed to become business owners. Since 2009 there has been a notable increase in the numbers of, for example, taxi drivers, plumbers and local shop owners, to IT

[4] This consists of the following publications: Business population estimates (BEIS), UK business; activity, size and location (ONS), Business demography (ONS), Businesses in Scotland (Scottish Government), Size analysis of businesses (Welsh Government) and Facts and Figures from the Inter Departmental Business Register (NISRA)

consultants, doctors and lawyers, having registered themselves as companies at Companies House.

1.18 Some of these new self-employed businesses go on to either register for Value Added Tax (VAT)or Pay-As-You-Earn (PAYE) purposes and are then counted as new “businesses” on the IDBR and included in business demography statistics. Many of these new self-employed businesses, however, do not go onto create additional employment and in effect remain single person enterprises.

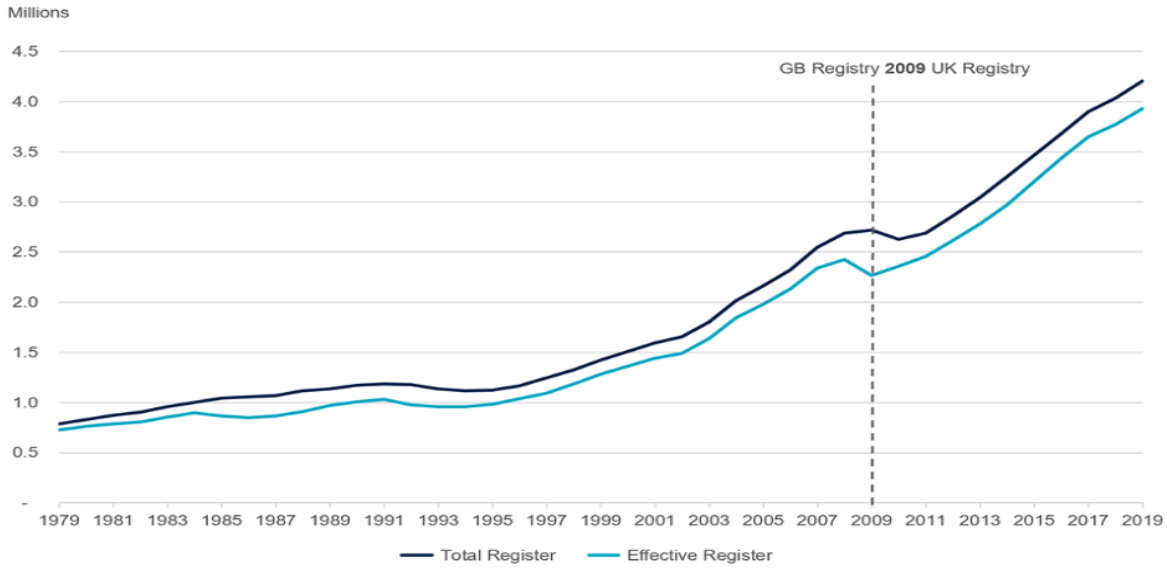
1.19 The VAT registration data taken from the IDBR to produce business demography statistics are not able to distinguish between businesses established for taxation purposes and innovative new entities that will go on to grow and employ others.

1.20 The ability to identify businesses with growth potential is further hampered by the number of shell[5] and dormant companies and companies set up for the purposes of crime. Of all the companies currently registered at Companies House, around one-fifth are dormant. The administrative lags of removing these companies from the Companies House register and the IDBR, provide a further source of distortion when attempting to identify businesses with growth potential. An additional challenge is presented by companies that are legal entities but have no physical presence in the economy such as Special Purpose Entities[6].

1.21 Being able to distinguish businesses with growth potential, within the rapid growth in UK business ownership (Figure 1) since 2009, would be of great benefit to policymakers seeking to foster economic and employment growth.

Figure 1. Rapid growth in UK business ownership since 2009

UK total[7] and effective company[8] registers



Source: Companies House – Companies register activities 2018, 2019 (Chart 2)

[5] A shell corporation is without active business operations or significant assets
[6] Special Purpose Entities – a subsidiary created by a parent company to isolate financial risk. Its legal status as a separate company makes its obligations secure even if the parent company goes bankrupt.
[7] The total register size – including those in the process of dissolution and liquidation
[8] Companies and corporate bodies are specific legal forms of business that are registered at Companies House

1.22 False signals regarding business dynamism, arising from overstating the new activity associated with apparently new self-employed businesses, is unhelpful for policymakers and paints an incoherent picture between business dynamics and economic output.

1.23 The Institute for Fiscal Studies' analytical work on business ownership, using the HMRC universe of business owners' administrative tax records dataset, fills a gap in users' knowledge on the structure of the UK's business population. ONS should look to take a stronger lead in delivering such insights as part of its business demography narrative. Currently, however, the statistics and narrative in the statistical release focus mainly on the distributional aspects of business demography. Greater emphasis on the evolution, growth and deaths of businesses is required.

Opportunities to enhance public understanding of the key issues facing business

1.24 Business demography statistics count the birth date of a business as the registration date on the IDBR. This registration, however, does not reflect the date the business started economic activity, but the date that it registered for taxation purposes, either for VAT or PAYE. And a business death is counted when ONS is:

a. notified through its administrative data sources (HMRC and Companies House), that a business has ceased to trade

b. similar notification is obtained via an ONS business survey

c. ONS concludes, based on zero turnover or zero employees being shown for a specified number of periods for a business, that it is no longer trading

1.25 In each circumstance the actual date of business death and the recorded date of death could differ significantly. For example, the date of a business's last tax return need not reflect the last day of business activity, as the business is wound down as a going concern.

1.26 In the USA, a start-up is defined as any enterprise less than one year old. The age of the enterprise is measured by assigning the birth date to records of the Quarterly Census of Employment and Wages using the data that the business reports positive employment for the first time.

1.27 The rate of enterprise births and deaths can be summed to create the rate of "enterprise-churn" due to business entry and exit. These statistics can inform policymakers about the extent to which entrepreneurial activity needs to be supported and the extent to which business requires continued support to assist through its most creative and productive growth phase. Allied indicators such as the labour churn-rate[9] and the "birth weight"[10] of businesses can tell policy makers about the re-allocation of labour from less-productive to more-productive

[9] This method, when applied to gross job gains and losses, shows the "reallocation rate" and represents the overall dynamism in the labour market

[10] Calculated as employment births divided by enterprise births for a given time period. The declining average enterprise birth weight corresponds with the rising level of productivity

businesses. This can provide vital intelligence on understanding, for example, the UK's productivity puzzle.

1.28 ONS should do more to assist users' understanding of how businesses are born, grow and die, and to understand how users use demography statistics and the nature of the decisions that are informed by them. ONS needs to provide appropriate analysis and comment on issues such as enterprise churn and the relationship between a high turnover of business births and deaths and high economic growth potential. Increased curiosity (asking questions such as "why does the UK have one of the highest churn rate amongst advanced economies?" and "what is the 'birth' weight of UK businesses and how does this relate to survival distributions?") will enable ONS to enhance public value and provide policymakers with further intelligence on business dynamics.

1.29 ONS did not publish a supporting economic narrative covering macroeconomic or industrial perspectives alongside the 2019 statistics. ONS, however, provided us with a draft economic extract, which it had intended publishing in the statistical bulletin. This extract, however, was withdrawn from publication due to purdah restrictions relating to the UK general election in December 2019. Whilst this input provided some good supporting context to the business demography statistics, there is a clear opportunity to develop this analysis to consider, for example:

a. Do the fortunes of new businesses move with, or are they sheltered from fluctuations in the economic cycle?

b. What is the industrial relationship between new businesses and the existing business stock (do new businesses strengthen and broaden the industrial activity of existing supply chains or represent the start of new ones)?

c. What impact does the change in taxation rules, for example, have on business creation?

Timeliness

1.30 ONS publishes business demography statistics each November, 11 months after the end of the reference year. The publication of timely statistics is vital to help policymakers meet challenges arising from a changing industrial structure. Annual statistics published 11 months following the end of the reference year offer little support to policymakers addressing the needs of a shrinking business stock during a recession, or an evolving industrial mix brought on by innovation and diversification. ONS must improve the timeliness of these statistics to meet these users' needs as discussed in the next section.

1.31 The need for more-timely and higher frequency data is currently at the forefront of the economic policy debate as highlighted by the Bank of England's Chief Economist's recent use of higher-frequency data to gauge the impact of COVID-19 on UK economic output[11]. This theme also arose from our user consultation. Users told us:

"We have become de-sensitized to the delays in the data and they just see that and accept it. We would of course prefer more timely data. Maybe more timely data would help us see recessions before they occur" – Economic Development Think Tank

[11] https://www.ft.com/content/366653da-fc7b-4f3d-bf2f-ef95dfc18041

“The main drawback is the time delay in publication, as the previous year’s data are usually only published in November the following year” – Government body

“Timely data is crucial, there is much value in doing real time (or close enough) analysis” – Academia

Case study: International Business Demography Statistics, France

The National Statistical Institute of France – INSEE– publishes monthly statistics on business start-ups, with a lead time of approximately six weeks between reference period and publication. These are closely followed by analysts. The births and deaths data are taken from the INSEE’s business database SIRENE. SIRENE has been built up using an approach to business data that encompasses:

a. day-to-day automatic and manual checking of new data
b. reviewing and confirming annually the industrial classification of 100,000 – and the operational status of a further 50,000 – businesses
c. cleaning of approximately 15,000 duplicate records each year.

The quality of business data held on SIRENE is subject to further review by statisticians, including those producing business demography statistics and users of SIRENE’s open source data.

This stringent approach to data quality underpins the strength of the monthly indicators, which are used as leading indicators in the macroeconomic and industrial policy debate and form part of the news agenda.

Case study: International Business Demography Statistics, United States of America

The US Census Bureau publishes quarterly statistics on business formation, comprised of business initiation and business creation. The statistics are published approximately two weeks after the end of the observed quarter. Business initiation represents the point where a business applies for an Employer Identification Number (EIN) and business creation represents the first payroll tax liability for an EIN.

Analysing these data provides business and economic policymakers with significant insights into entrepreneurial activity across industries and at a detailed state and regional level. Crucially, these statistics identify areas where business initiation does not translate into business creation. The Census Bureau offers projections on actual and projected business formation arising from business initiation data based on the record of first payroll tax liability. Business formation statistics, including projections, have been published quarterly since 2004, and weekly since 2006, providing policymakers with a good view on business creation across several economic cycles.

Critically, the focus of these statistics is on employer businesses, which as we have discussed, have a higher likelihood of growing to create further employment and economic value. This approach directly addresses the concerns discussed earlier on clarifying the relationship between business creation and economic output.

Innovation and response to COVID-19

1.32 We recognise the excellent start ONS has made to addressing the need for higher-frequency and more-timely demography data. In August 2020 ONS published a blog on understanding the full business impact of the coronavirus pandemic, in which two new company and business indicators were introduced, aimed at giving users an enhanced view of business dynamism.

1.33 At the same time, ONS released new Business demography, quarterly experimental statistics. These statistics describe the number of new business registrations and closures on the IDBR between April and June 2020. Covering nine broad industries, the statistics begin to describe changing industrial structure through the pandemic, noting the lowest levels of business creation (VAT registrations) in industries with the highest business closures. These statistics represent a significant first step in assisting policymakers' understanding of the shifting nature of business and economic activity, for instance as consumers have changed their channels of consumption in favor of online shopping.

1.34 As part of the quarterly experimental statistics, ONS also published analysis of lost turnover and labour. These data will help to clarify for policymakers the dislocation of factors of production through the pandemic. Comparing the changes in turnover and labour data with the business births and deaths begins to point towards understanding the effective redeployment of capital and labour as the economy emerges from the initial impacts of COVID-19. Linking these two sets of data with data from the ONS Business Impact of COVID-19 Survey starts to build a strong evidence base for the re-deployment of capital and labour between those industries in decline and those which have benefitted economically from the impact of the pandemic.

1.35 The new quarterly statistics provide useful comparisons between trends in UK and European insolvency data. They reveal that business closures and insolvencies declined across the UK and a number of European countries between April and June 2020. Providing this context is important for enabling cross-country comparisons of the impact of economic policies on the business population and the extent to which economic capacity has been maintained through the initial phase of the pandemic.

1.36 Also in August 2020, in conjunction with Companies House, ONS introduced a weekly demography indicator, which focusses on company formations and dissolutions. These experimental statistics were first published as part of the ONS Faster Indicators release. It is important to note that these data are not directly comparable with the quarterly data discussed, as they cover companies rather than all businesses, the distinction of which is explained in more detail in an ONS methods note.

1.37 The weekly data do, however, provide policymakers with additional information with which to compare with the quarterly indicator. For instance, the weekly indicator noted the increase in company formations in June 2020, suggesting an upturn in business creation following lockdown, which has yet to be picked up in the quarterly indicator.

1.38 These two new indicators represent a significant step forward in providing the intelligence policymakers require to build industrial strategies for the UK and the devolved administrations and to develop business support policies. They provide the opportunity to build a coherent evidence base that allows policymakers to trace businesses from their birth at Companies House, through their creative growth phase, into businesses offering employment opportunities. Through this, ONS has demonstrated the benefits of drawing together data from across different organisations and working collaboratively to deliver rapid and effective insights. ONS needs to continue this statistical innovation and use it to fully meet users' ongoing data requirements about the business population and how it changes.

Access to IDBR data for analysis

1.39 Several users, including the Industrial Strategy Council and those in academia, told us that difficulties accessing IDBR data, and linking those data with other datasets including, for example, data covering productivity and innovation, delays the work of analysts.

1.40 Users told us that:

- When merging data from the Business Structures Database (BSD)[12] with data from Companies House, the extent of matching is poor. This matching is hindered by the inability of the merge process to reconcile the company structures in Companies House data with the enterprise data held on the IDBR.
- Recent changes to the treatment of collective projects by the DSSL is having a direct impact on the ability to produce evidence to support submissions, for example, to the Comprehensive Spending Review. Until recently, a single approval for a project registered at the DSSL could cover an entire research

[12] An annual snapshot of the IDBR taken around April each year. Annual snapshots allow the construction of a longitudinal dataset to track changes in UK businesses.

programme. Now, each new project must be registered at the DSSL, resulting in delays to analytical work, of months in some cases.

- The complexities of matching the BSD with other ONS survey information, is hampered by the use of look up tables which are often inaccurate, or at best outdated. The newest look up tables available in the DSSL were created in 2016. Any ONS survey conducted after 2016 is therefore difficult to match with the BSD, thereby delaying the work of analysts.
- Difficulties reconciling published business demography statistics with data extracts provided to government users prior to publication impedes the use of the data extracts in analysis and policy work.

1.41 ONS needs to engage with these users to understand the nature of these access and data linking difficulties, with a view to improving accessibility. ONS should explore the possibilities for improving access to IDBR data by developing governance that builds trust with researchers, academics and other interested parties.

1.42 Improving access to IDBR data for users however is not a straightforward task. Before granting access to the data, ONS first must consider the confidentiality requirements of the Statistics of Trade Act 1947. Access to IDBR data can only be granted in writing to "competent authorities" to obtain "information necessary for the appreciation of economic trends and the provision of a statistical service for industry and for the discharge by government departments of their functions". As we have discussed the IDBR houses a wealth of untapped data, improved access to which would be of great benefit to the development, introduction and evaluation of business and economic policy. In the longer term we would support any efforts ONS makes to review the legislation to reflect current access requirements.

Shared arrangements for publishing statistics on the UK's Business Population

1.43 ONS first published Business Demography statistics in 2008, in response to a new European Commission Regulation requiring member states to produce statistics about business births, deaths and survival rates using common definitions and methodologies. The data describe business dynamics by industrial sector down to local authority district level and – using an agreed OECD definition[13] – for high-growth UK businesses.

1.44 ONS also publishes UK business: activity, size and location. These data provide a snapshot of UK business, by legal status, industry, region, employment and turnover size bands, taken from the IDBR each March.

1.45 These two publications are complemented by Business Population statistics published by BEIS. These include estimates of the total UK business population, crucially including an estimate of all unregistered UK businesses; which are not included in ONS' statistics. An account of the differences between these statistics, including coverage, data sources, timeliness, geography, legal status etc is covered in ONS's Quality and Methodology Information (QMI) and in a similar guide published by BEIS.

[13] OECD defines high-growth business as those with average growth in employment of greater than 20 per cent per year over a three-year period (businesses with at least 10 employees in the first year)

1.46 In 2016, the Bean review of economic statistics noted that “the data on businesses in the UK is incomplete and of relatively poor quality” and that ongoing analytical work at that time was “considering what could be done to link and reconcile different sources of information on businesses in one place, including proposals to establish common definitions, consistent core data and an appropriate list of variables”.

1.47 Regrettably this work did not result in business data being housed with one statistical producer, meaning that users have to source business data from two producers, and have to navigate documentation on the differences in definitions, methodologies and coverage, to build up a picture of UK business. One user told us:

“I think this is an area that needs to be tightened up. I find it difficult sometimes working between BRES (ONS’s Business Register and Employment Survey), BEIS, and other ONS published data…….Statistics on business numbers, linked industry employment, output and value added need to be placed on a more unified footing by SIC and across the regions.”

Table 1: Value – Findings and Requirements

Findings	Examples	Requirement
Accessing and linking business data from the ONS IDBR is difficult and hampers its ready use in analysis and policy.	• Attempts to merge balance sheet information from Companies House with BSD data resulted in a poor match between the datasets, because of mismatching of business structures. The resulting manual intervention to resolve the matching difficulties significantly delayed the work of analysts. • Changes and delays in the approval arrangements to the ESRC SDS are delaying the provision of data for research, some of which have affected bids under the Comprehensive Spending Review. • Access to IDBR data for researchers, academics and other interested parties is restricted by the Statistics of Trade Act, constraining the development, implementation and evaluation of policy.	1. To ensure that the full value of IDBR data can be yielded, ONS should: a. improve the capability of matching data from the IDBR with data from other data providers. b. work with the ESRC SDS and users to improve data access procedures, to ensure that users can get the data they need quickly, within the necessary restrictions on confidentiality. c. enable better linking of BSD data with SDS ONS survey data by, for example, providing accurate and timely look-up tables. In the longer term: 2. ONS should seek to review the legislation governing its business data to ensure an appropriate balance between confidentiality and accessibility.

Findings	Examples	Requirement
ONS's business demography statistics do not provide a robust and complete picture of the business population. ONS should exploit the untapped wealth of IDBR data to describe the lifecycle of how businesses are born, grow and die.	• ONS's annual business demography statistics present only the basic overview of data required by the EU. • ONS and BEIS each produce statistics that paint part of this picture on business demography and it is unclear what the ongoing rationale for this delineation of resources is. • The main body of the business demography statistical release focusses on the distributional aspects of business demography. There is little in the statistics or the narrative on the evolution, growth and deaths of businesses, i.e. business dynamics. • Through the course of the COVID-19 pandemic ONS has worked effectively with Companies House and others to develop new quarterly and weekly business demography indicators.	3. ONS should untap the power of its IDBR business data and that of its partners to present statistics that give users full insight into business dynamics including ways that businesses grow, merge, split and die. In doing so, ONS should work with BEIS, Companies House, HMRC and other partners as needed, and take into account the outcomes from its user engagement.

Findings	Examples	Requirement
ONS's user engagement is not wide or frequent enough for it to develop the understanding it needs in order to fully realise the value and capability of its business register data.	• ONS's engagement with users is mainly focussed amongst its government partners. This focus excludes business community's perspectives on the value, capability and development of the statistics. • Over recent years, ONS has met infrequently with its government partners, restricting its ability to reflect the pace of changing business practices and industrial diversification in its business demography statistics.	4. ONS must widen and increase the frequency of its user engagement to ensure that when implementing the other requirements in this report, they are deeply rooted in users' needs.
Business demography statistics are published 11 months after the end of the reference year.	• Lack of timeliness limits the ability of policymakers to respond in a timely and effective manner to, for example, changes in industrial structure. • In contrast, data published quarterly in the USA and monthly in France are considered leading economic indicators which inform the ongoing economic policy debate.	5. ONS should improve timeliness of its annual statistics to meet users' needs and continue to develop other faster indicators that give more-timely insights into changes in the business population that users need.

Chapter 2: Quality

Introduction

2.1 Quality means that the statistics and numerical information represent the best available estimate of what they aim to measure at a particular point in time and are not materially misleading.

2.2 Quality is analytical in nature and is a product of the professional judgements made in the specification, collection, aggregation, processing, analysis, and dissemination of data.

Findings

The Crucial Role of IDBR Business Data

2.3 The quality of business demography statistics is entirely dependent upon the quality of the IDBR business data used to produce them. Precise data and definitions covering the date of business initiation (birth), business death, industrial classification, structure and size is imperative to present a robust picture of business dynamism. This information is crucial for the design of entrepreneurial policy and for providing insights into the contribution of business creation to productivity performance.

2.4 Accurate industrial classification of business data allows policymakers the opportunity to track industrial diversification. This is important for understanding the development of industrial supply chains and identifying the most appropriate areas to target policy to support the development of the UK's industrial mix, to create robust, regional, national and international supply chains. Correctly identifying the industrial classification of new businesses and those that have died assists policymakers with the reallocation of capital and labour between industries which are shrinking in favour of those which are growing. And providing a robust picture of business structure at the local, regional and national level, helps policymakers with their work to promote and target polices to support indigenous industrial growth.

2.5 Developing ONS's recent innovations to incorporate, for example, a business's birth date at Companies House, combined with improved quality assured standard industrial classification data, will enable policymakers to understand the movements in the economy's output capacity as the economy moves through its cyclical fluctuations, or as it emerges from the impact of shocks, such as COVID-19.

2.6 Since 2008, ONS has published business demography data in accordance with a European Commission Regulation. The Regulation seeks to ensure that data are comparable across time and amongst European Member States.

2.7 Most business data on the IDBR are sourced from administrative (VAT and PAYE) tax data, supplemented with information from Companies House and Dunn and Bradstreet, and ONS's own business surveys. The IDBR does not cover all UK businesses and importantly omits unregistered businesses. BEIS produces estimates of such businesses in its Business Population statistics. Therefore, when ONS counts business "births" and "deaths", the data represent only those businesses that have been registered on the IDBR at any time in the reference calendar year.

2.8 Business demography statistics have been used by some users as an indicator of entrepreneurship and economic growth. Whilst there is a link between increasing numbers of VAT and PAYE registered businesses and economic growth, other factors are now clouding this relationship. As discussed in Chapter 1, a large surge in the number of business registrations from the self-employed seeking tax advantages is making it increasingly difficult for users to identify entrepreneurial businesses that have the potential to create employment and additional economic value.

2.9 OECD and Eurostat have also recognised this surge in business ownership amongst the self-employed and in response are planning to review their entrepreneurial indicators, which include business demography statistics. This review will aim to address the development of the digital economy, the date of "birth" of new businesses; and approaches to resolving issues of multiple business registrations at a single postcode[14]. When we spoke to the OECD and Eurostat as part of our stakeholder engagement, they were keen to ensure that ONS contributed to this review, irrespective of the ONS' future relationship with Eurostat.

2.10 The strengths, limitations and use of business demography statistics are discussed in more detail in the Eurostat-OECD Manual[15]. The detailed discussion on business births, deaths and the use of these statistics is not reflected in ONS guidance to users and we would encourage ONS to update its published information about quality to reflect the importance of the distinction between the date of registration on the IDBR and the birth date of new businesses. We will discuss these issues, along with other data quality issues in more detail in the following sections.

Data Sources

2.11 The information used to update the IDBR is obtained from four main administrative sources.

i) HMRC VAT – traders registered for VAT purposes with HMRC

ii) HMRC PAYE – employers operating a PAYE scheme, registered with HMRC

iii) Companies House – incorporated businesses registered at Companies House

iv) Department for Environment, Food and Rural Affairs (DEFRA) – farms

2.12 As well as the four main sources listed above, a commercial data provider, Dunn and Bradstreet, is used to supplement the IDBR with enterprise group information.

2.13 In addition, the ONS Business Register and Employment Survey (BRES) and other surveys supplement these administrative sources, identifying and maintaining the business structures necessary to produce detailed industry and small area statistics. BRES is the only source of local unit (site) information. The Department of Finance and Personnel, Northern Ireland (DFPNI) provides data on businesses in Northern Ireland.

[14] The occurrence of many business registrations at a single postcode, often reflecting registrations of the previously self-employed and managed service companies. Single addresses are often used by agents (e.g. accountants) assisting these businesses with their registration.

[15] http://www.oecd.org/sdd/business-stats/eurostat-oecdmanualonbusinessdemographystatistics.htm

Quality Assurance of IDBR Data

2.14 It is vital that ONS understands the quality of IDBR data, to ensure that the IDBR is appropriately used both as a sampling frame for business surveys and directly in publishing business demography data. Having that understanding will also help ONS focus its improvement efforts and enable it to communicate important quality attributes to users. Of particular importance is understanding how lags in updating business structures on the IDBR will affect data that will be vital as the UK looks to recover from the COVID-19 pandemic. Understanding the quality of industrial classification – and whether any errors are random or systematic for example – is vital for those wanting to understand how the industrial mix is changing as discussed at 2.4.

2.15 In its Quality and Methodology Information, ONS outlines the checks completed on new data taken on to the IDBR, including: "matching VAT and PAYE information; checking that business locations and structures match PAYE and VAT information; checking that employment data are correct; checking that businesses are active and allocating businesses to standard industrial classifications".

2.16 ONS, however, has not published information about the quality of IDBR data, or the impact on use. Questions have arisen from users on the accuracy of Standard Industrial Classification (SIC) coding of businesses and the impact of updating records of multi-site businesses; and administrative lags, particularly those related to business deaths, on business demography statistics. The latter issue will be discussed in more detail at 2.35.

2.17 HMRC provides ONS with data under a memorandum of understanding (MoU). However, this MoU does not specify quality standards. Furthermore, there is no formal agreement between ONS and Companies House for the supply of company data.

2.18 Annually, Dunn and Bradstreet provides ONS with data covering business structures through its "who owns whom" product. These data are subject to rigorous quality assurance testing before inclusion on the IDBR. ONS has not published details or results of these reviews.

2.19 Data from ONS surveys including BRES and the Short-Term Employment Survey (STES) are used to update IDBR employment data monthly, whilst data from the Annual Business Survey are used to update IDBR turnover data. ONS has not published any details relating to the quality standards applied to ONS survey data used on the IDBR.

2.20 The effective use of the IDBR both directly to produce statistics about the business population, and as a sampling frame, requires a thorough understanding of the quality of data. A user in academia told us:

"When undertaking detailed analysis, we had some real concerns on the quality of SIC codes assigned to businesses. For example – we recently completed an analysis of the foundry sector (metal forming) and made a comparison between business demography and industry survey data. A large discrepancy was found between the number of firms in the industry sector from these sources. The main driver behind the discrepancy was found to be the quality of SIC coding of businesses in the business demography data."

2.21 Some of the key aspects of quality that concern us are as follows.

Coverage

2.22 The IDBR does not include unregistered businesses. A recent OSR blog discussed the comparative information advantage that local economic bodies have over the IDBR on small businesses not registered for VAT or PAYE. This is important not just for benchmarking estimates of employment but for understanding, as described in the USA example, when a business was first registered, when it subsequently starts trading, and eventually when it registers for VAT or PAYE as a business on the IDBR. This is also important for identifying areas of entrepreneurial activity and identifying barriers to growth.

Industrial Classification

2.23 Each business on the IDBR has an SIC code derived from descriptions of business activity. The SIC can come from any of the administrative sources (the first of which is allocated by HMRC upon registration), BRES or ONS surveys. A complex set of rules – according for example to the size of the business, its structure, and its input data source – is used to determine the dominant SIC of a business. The accuracy of the codes relies on a full and accurate business description provided by the business, and consistent and accurate conversion of this to an appropriate SIC code. Subsequently, codes need to be kept up to date to reflect any changes in the business's activity. ONS needs to fully understand the quality impacts of each of these steps, particularly those involving human intervention, so that it can ensure that it uses the data that it has access to appropriately, work with data providers to improve data and explain the impact of their quality on its statistics.

Business Size

2.24 ONS has various measures of business size, including turnover from VAT registrations, number of PAYE employees from PAYE schemes, and employment and turnover from ONS business surveys, including the Annual Business Survey (ABS). ONS updates each field according to a series of priorities, broadly favouring its own surveys over administrative sources. Those businesses with missing values (for example a VAT-exempt business) will have missing values imputed from other available data according to turnover per head ratios, calculated from other similar businesses.

2.25 Generally, ONS recommends using ABS turnover estimates for detailed industry and geographical turnover comparisons. The only time that IDBR turnover should be considered for use is for very small areas, or fine cross tabulations, below the level of the ABS publication.

2.26 There are inconsistencies in definitions (for example because the total number of employees may include some who are not on the payroll because their earnings are too low). ONS needs to explain the impact on the use of the IDBR of the various approaches.

Business Structure

2.27 For multi-site businesses, the primary source of updating the IDBR is ONS's BRES. This aims to collect information about business structure from the largest businesses each year, and from other businesses less frequently, according to their size. This means that some business structures will not be updated each year – even for large businesses if they do not respond to BRES – and business structures can be out of date, in an uncontrolled way. ONS does not publish any information

about the impact of these arrangements on the use of the IDBR, or any statistics derived from it.

Assuring and Reporting Quality

2.28 ONS has not used our Quality Assurance of Administrative Data (QAAD) framework in assessing the quality of the data used to update the IDBR. QAAD represents good practice when considering the quality of data, including those from sources within ONS. Adopting the principles of QAAD will help ONS to better understand the processes associated with the data it uses. This in turn will help ONS to identify ways to improve the accuracy of data, and to explain the impacts of quality on the use of the statistics.

Births and Deaths of Businesses

New Business Births

2.29 ONS business demography statistics define a business birth as a new entry on the IDBR (identified through registration of the administrative units for VAT and PAYE). Those businesses trading in VAT-exempt goods and services will not be counted in business demography statistics as they are not registered for VAT, although these businesses would be included if they have a PAYE scheme.

2.30 This definition of business birth, however, does not recognise the actual date when the business started up, but the time when either a business chooses to or must register for VAT due to its turnover exceeding £85K[16]. In either situation the business may have existed before its registration.

Business Births and VAT Registration Thresholds

2.31 Research by Ipsos MORI suggests that approximately 20 per cent of unregistered businesses that operate just under the threshold, take steps to restrict their turnover.

2.32 In another circumstance, it could take a business several years to reach the VAT threshold and for it to be registered as a business birth on the IDBR. In this situation, there is a clear lag between the point where the business started operating and it being registered on the IDBR, and so the registration of such a business cannot be considered a business birth.

2.33 These scenarios have consequences for the usability of business demography statistics. Those users interested in entrepreneurial indicators or designing industrial strategy or business support policies, will know little about the age of new businesses registered on the IDBR. Businesses suppressing turnover are effectively hidden from the policy maker's view.

2.34 As well as affecting the business "birth" picture, these issues have direct consequences for estimating survival rates. Estimates of survival rates are also affected by businesses that have been de-registered from the IDBR and then re-register as, for example, they start trading again or their turnover increases to again exceed the VAT threshold.

Business Deaths

2.35 As well as the current lag between business birth and registration on the IDBR, there are administrative lags associated with the "death" of businesses.

[16] This figure is subject to HMRC review and can vary from year to year.

2.36 Businesses that have ceased to trade (identified through the de-registration of administrative units) are referred to as business deaths. The Eurostat and Organisation for Economic Co-operation and Development (OECD) manual on business demography recommends waiting two years after the reference period to allow for reactivations before estimates of business deaths are calculated.

2.37 ONS never removes a dead business record from the IDBR. Dead businesses are retained for historic analysis and to allow for the possibility that a business can reactivate. Historical information relating to the business along with any newly received information are retained for continuity purposes. ONS processes deaths according to rules, depending on the source data. Regular updates from administrative sources notify ONS with information that a business has ceased to trade. ONS business surveys can also identify that a business is about to cease trading or has ceased, following which ONS carries out clerical investigations on the trading status. Once this information has been gathered, and it is concluded that the business is dormant or ceased trading it is given a date of death.

2.38 If the business is a limited company and Companies House confirms either a liquidation or dissolution, no further information is required, and all units are marked as dead. Where liquidation or dissolution is not confirmed by Companies House, ONS carries out investigations into the trading status of the business.

Reactivations of businesses

2.39 Reactivations of businesses are modelled by ONS, since businesses are not removed from the IDBR following death. Eurostat recommends that statistical producers wait two years following the end of the reference period before counting a business as dead. This allows for any reasonable possibility of the business re-activating. ONS models reactivations for the most recent two years and then replaces the modelled estimate with actual data at the end of the two-year period. Replacing model estimates with real data results in revisions. The latest year's deaths have therefore to be considered provisional estimates, which are subject to revision.

2.40 Whilst the modelling work is essential, the differences observed between the initial and the final estimates of business deaths can be large. For example, in 2014 the initial estimate of business deaths (net of reactivations) stood at 262,000, whilst the final 2014 estimate, made two years later and including two annual adjustments for reactivation, stood at 246,000, a difference of 6%. In 2015, the final estimate stood at 282,000, against an initial estimate of 268,000 a difference of 5%.

2.41 ONS must review the performance of its reactivation modelling and publish information that helps users understand the effect on the statistics.

Multiple business registrations at a single postcode

2.42 The problem of multiple registrations at single postcodes stems back to the 1980 recession, when the government encouraged industrial and commercial activity in enterprise zones, usually located in economically depressed areas.

2.43 The emergence of a trend of the self-employed to register themselves as businesses for taxation and administrative purposes has led to many of these businesses being registered at a single address. This occurs as businesses, including the self-employed, use an agent such as an accountant to register their business at HMRC.

2.44 This activity poses significant issues for the interpretation of business demography statistics as currently presented and their use in analysis and policymaking. With the rise of self-employed registered businesses, users have observed in some cases exceptionally large spikes (sometimes close to 50% increases year-on-year) in the number of new businesses registered in local areas, followed by similar levels of business deaths in the subsequent year. This poses a real challenge for policymakers at the local authority district level, where large distortions and biases in the statistics hamper the understanding of the real picture of business dynamism.

2.45 In March 2018 ONS published an explanation for users, including guidance on how to use and treat data at a lower geographical level. To assist users' understanding of the multiple registration issue, ONS also publishes statistics on another basis – of new births of businesses with one employee. ONS introduced this alternative measure of "employer business demography", to enable the collection of internationally comparable statistics and to try to remove the influence of those businesses set up by the self-employed which were discussed earlier. Whilst the use of this approach has not completely removed the influence of multiple registrations on the statistics, as business owners are often counted as an employee, the work represents the innovative approach that ONS needs to build on to improve the quality of business demography statistics.

2.46 The process of registering and de-registering IDBR VAT registered businesses (a prevalent feature for so-called managed service companies[17]) within a six-month period, has also been causing volatility in the statistics. For instance, temporary staff, supply teachers, drivers and nurses often set up limited companies, which may only exist for the tenor of their service contract (often only a few months), before the business is terminated, resulting in the introduction of volatility into the statistics. This was a problem for several users when analysing 2017 figures. ONS should work closely with HMRC to identify the prevalence of managed service companies and remove their influence on the statistics at source.

2.47 Whilst we recognise the work ONS has done on multiple business registrations, there is clearly more to do. Reporting demography from an employer perspective has been helpful, although feedback from users indicates that filtering data using the threshold of one employee has not totally removed the influence of multiple registrations to a significant extent. Understanding the influence of multiple registrations, as discussed, is important for industrial strategy and local business support policy. A government department told us:

"Multiple companies registered to a single address is a concern. We are cautious of overestimation when looking at London and would be interested in data that makes for more accurate representation of geographies".

2.48 We discussed with the business demography team other possible options for removing the influence of multiple registrations. We agreed that the first step was to talk to partners with vested interests, such as HMRC, to examine approaches to overcome the influence on the statistics of multiple registrations at a single postcode.

[17] Managed Service Companies – defined by HMRC as those that provide the services of individuals to third party clients and are "involved" such as, benefiting financially from the provision of those services to clients, influencing or controlling the provision of services or the way in which the payment for services – Many individuals or groups of individuals set up these businesses to take advantage of the taxation benefits available from HMRC.

2.49 Working with partners, such as HMRC, ONS must design an approach that distinguishes between addresses used by company formation agents and those being used for the purposes of economic activity, i.e. an address where a business activity takes place. To date, ONS and HMRC have examined the influences arising from the behaviour of company formation agents[18], virtual offices, the location of local VAT offices and the impacts of foreign online sellers, but have yet to quantify their impact on the statistics.

Table 2: Quality – Findings and Requirements

Findings	Examples	Requirement
There are some data quality issues that pose significant challenges to the usability and interpretation of business demography statistics.	• The definition of business birth in business demography statistics is potentially misleading. The definition does not recognise the actual date when the business started trading, but the time when either a business chooses to, or has to, register for VAT. • Although ONS has published a paper on the issue of multiple registrations and introduced an employer-based demography measure to assist users' understanding of multiple registrations at a single postcode, users told us that they require quantitative estimates of the impact of these registrations on demography statistics to improve their usability in policy work.	6. ONS needs to work with data providers, especially HMRC, and users to investigate ways to explain and overcome: • the difference between the registration date of a business and the date it started trading • the influence of multiple registrations at a single postcode.

[18] Company formation agents work on behalf of their clients registering companies at Companies House.

Findings	Examples	Requirement

The quality of business demography statistics is undermined by ONS not having publicly described the quality of the statistics, or of the quality of the IDBR data used to produce them.	• Questions from users covering the correct industrial classification of businesses on the IDBR, have served to question data quality.
	• ONS has not quantified the impact of a range of key aspects of quality on business demography statistics, for example:
	  • the accuracy of industrial classification coding
	  • the impact of its processes for updating multi-site businesses
	  • administrative lags, particularly those related to business deaths
		7. ONS should better understand and assure itself of the quality of the data used to update the IDBR and produce business demography statistics. ONS should use this understanding as a basis of improving quality where needed.
		ONS should also publish information about the quality of all key aspects of IDBR data and its impact on business demography statistics, to enable users to understand the strengths, weaknesses and usability of the statistics.
		In meeting this requirement ONS should use the Authority's Administrative Data Quality Assurance Toolkit.

Chapter 3: Trustworthiness

Introduction

3.1 Trustworthiness means that the statistics and other numerical information are produced free from vested interest, based on the best professional judgement of statisticians and other analysts.

3.2 Trustworthiness is a product of the people, systems and processes within organisations that enable and support the production of statistics and other numerical information.

Findings

Statistical Business Register

3.3 In response to the business data quality issues noted in the Bean review of economic statistics (paras 4.188-4.190, p 179), ONS launched a project aimed at addressing these limitations through the development of a "Statistical Business Register". The project sought to improve ONS data coverage of the UK business population and to improve the quality and access to business data for users enabling ONS to better meet users' needs for statistics about the business population.

3.4 The project was postponed in early 2019 as IT resource was prioritised for the Census, and no other resource was made available. At the time, the responsible ONS business area noted to ONS's Portfolio Investment Committee that this deferral was at the detriment of the quality of business data. Between January and June 2020, ONS undertook a discovery phase for the proposed new register work, in which it gathered users' requirements and examined the possibilities for re-platforming the IDBR. During September 2020 proof of concept work was commissioned, the results of which, however, are not yet known. Overall, the status of this project remains unclear. ONS has yet to publish any information on its website regarding its plans to develop this work and its intentions to engage with users to discuss its development. ONS needs to state publicly its commitment to run and resource the development of a new business register.

3.5 This project built on wide ranging efforts to improve the quality of IDBR data over recent years and to improve the quality of sampling frames used in the production of ONS economic statistics. In particular, we note the work was intended to:

- review the IDBR sampling system to ensure that survey respondents are not over-burdened, through a review of sample selection and rotation processes
- update the business register to meet the requirements of the European System of Accounts 2010, including improvements to the way that holding companies are processed, the identification of SPEs and improvements to estimate of the economic activity of the financial and non-profit sectors
- move the collection of business data onto web-based systems and ensure that the business register sampling system interfaced with the new web-based system

- increase the coverage of the business register. Working with HMRC, the register was increased by 100,000 businesses, after their duplication risk, with businesses already on the register, was determined to be low.

3.6 The impact of the decision to postpone has been of significant detriment to the development of UK business data and the construction of IDBR sampling frames. Had the Statistical Business Register project been taken forward, users would now have access to a better picture of the UK's business population, resolving the problems of shared statistical responsibility discussed in para 1.47. Improved access to business microdata would have allowed for more-timely and speedy analysis of critical business and economic issues, including an assessment of the economic impact of COVID-19. Further delays in investment in business data will result in business demography statistics drifting further from the true picture of economic reality and from the requirements of the Bean report. Without this new investment, business data will not be able to offer the critical insights required for policymakers to understand UK business dynamics and the opportunity to improve, for example, the pace of the economy's recovery from the impact of COVID-19.

3.7 It is crucial therefore that ONS revisits, with some urgency, its decision to postpone the development of the Statistical Business Register. We support the need for ONS to invest in the development of these crucial statistics, which at the microeconomic level provide policymakers with an enhanced view of business dynamics and at a macroeconomic level an improved perspective on key pillars of economic growth, including innovation.

3.8 As well as reviewing the decision to postpone the planned 2019 investment, ONS should ensure that enough resource can be made available to drive through the much-needed development of these statistics. ONS should confirm that resource earmarked for the re-commencement of the statistical business register work is available for the duration the project.

Table 3: Trustworthiness – Findings and Requirements

Findings	Examples	Requirement
In January 2019 ONS's proposal to develop a new business register, in response to requirements of the Bean review of economic statistics, was postponed.	• The postponement of the statistical business register proposal displaced the opportunity to improve the quality of business data used to compile business demography statistics. • Between January and June 2020, ONS conducted a discovery phase for the statistical business register project, focussing on users' requirements and the re-platforming of the IDBR. In September 2020, ONS commissioned a proof of concept phase. The outcomes, and intended subsequent actions from these strands of work are not known.	8. To ensure that the statistics are developed to provide the insights that users need, ONS should dedicate enough resources to, and sufficiently prioritise, the development of the IDBR and business demography statistics.

Annex 1: List of Users

Organisation	Name	Position
Centres for Cities	Paul Swinney	Director of Policy and Research
Warwick Business School	Stephen Roper	Director of Enterprise Research Centre
OECD	Pierre-Alain Pionnier	Head of Section – Productivity, Prices and Business Statistics
Department for Digital, Culture, Media and Sport	Alex Bjorkegren	Head of Economic Statistics
Resolution Foundation	Nye Cominetti	Senior Economist
Scottish Government	Maria Curran	Head of Business Statistics
Dorset Council	James Roberts	Business and Intelligence Officer
Department for Business, Energy and Industrial Strategy	Frances Pottier	Senior Statistician
Welsh Government	Melanie Brown	Statistician, Economic Statistics
Computing Marketing and Research Group	Tony Dent	Chairman of the Campaign for Better Business Statistics
HM Revenue and Customs	Megan Gray	Principal Research Officer
Aston University	Mark Hart	Director of Enterprise Research Centre
Cardiff Business School	Max Munday	Director, Welsh Economy Research Unit
Welsh Development Bank	Sian Price	Research Manager
Bank of England	Andy Haldane	Chief Economist
Industrial Strategy Council	Gavin Wallis	Head of Research