Director General for Regulation

Grant Fitzner
Chief Economist and Director of Macroeconomic Statistics and Analysis
Office for National Statistics
(by email)

12 April 2022

Dear Grant

Confirmation of National Statistics designation for Labour Productivity Statistics

We have reviewed the actions that your team has taken to address the requirements in Assessment Report 356: UK Productivity statistics. I would like to thank you for the range of improvements you have made to these statistics.

On behalf of the Board of the UK Statistics Authority, I am pleased to confirm the continued designation of National Statistics for Labour Productivity statistics (published in Productivity overview, UK and UK productivity flash estimates) and the Labour Productivity estimates published in International Comparisons of UK Productivity (ICP). UK productivity statistics are essential in understanding the performance of the UK on a local, national and international level.

We were particularly impressed with your approach to using user feedback to make improvements to the productivity quarterly bulletin. We also appreciated your commitment to both reintroducing and communicating the uncertainty of ICP estimates.

We will consider designating ONS's multi-factor productivity statistics, as National Statistics once ONS has carried out its planned developments.

I am copying this letter to Mike Keoghan, Deputy National Statistician for Economic Statistics, Richard Heys, Deputy Chief Economist for Productivity, Robert Mwemeke, Head of Labour Productivity Statistics and Stuart Newman, Economic Advisor, Multi-Factor Productivity.

Yours sincerely

Ed Humpherson
Director General for Regulation

Review of actions taken in response to Assessment Report 356: Assessment of UK Productivity statistics, produced by the Office for National Statistics (ONS)

Requirement	Actions taken by ONS to meet the requirement	OSR's evaluation of evidence
Quality		
1. ONS should do more to explain the impact of economic shocks such as COVID-19 on data sources used in calculating productivity specifically alerting users to the bias and possible distortive effects on the statistics of imputation methods, weightings, and self-employment hours	• Discussed the impact of the COVID-19 and the end of furlough on productivity in the January 2022 productivity quarterly bulletin, along with a discussion on within- and between-industry shifts in multi-factor productivity (MFP) during the pandemic period. • Updated the Productivity economic commentary, UK: July to September 2020 (January 2021) to include analysis of the impact of the Coronavirus Job Retention Scheme on output per job excluding furloughed workers and estimates based on lower capital utilisation. • Re-introduced the International Comparisons of Productivity publication (ICP) (January 2022) including analysis of productivity during the COVID-19 pandemic. • Presented at an ESCoE seminar on improvements to measuring capital utilisation since the start of the COVID-19 pandemic (January 2021)	ONS's updates and improvements to the productivity quarterly bulletin, and reintroduction of ICP with chapters specifically focusing on COVID-19 and the ending of furlough demonstrate that ONS is doing more to explain the impact of economic shocks. ONS was transparent in explaining to users, as a result of COVID-19, there was a fall in measured inputs, which led to changes in how they measured capital utilisation.
2. ONS should: a) prioritise its plans to collaborate with its international partners to introduce a system that is flexible enough to allow each country to make full use of its own sources, whilst still enabling the production of high-quality	• Re-introduced the International Comparisons of Productivity publication (ICP) (January 2022) • Commissioned a research survey on Communicating the Uncertainty of Estimates of International Comparisons of Productivity (ESCoE DP 2022-02) • In re-introducing ICP ONS engaged with the OECD, Italian and German National Statistics Institutes (istat and Destatis), Statistics Finland, Ireland Central Statistics	ONS has been proactive in commissioning research and working with National Statistics Institutes to reintroduce ICP. It is also showing continued commitment in working with the OECD to change the method for measuring hours worked in UK productivity statistics. ONS has been active in reaching a wider non-technical audience via numerous

estimates that are suitable for international comparisons b) ensure that less-expert users are considered when ONS looks to present estimates of international comparisons of productivity, and uncertainty bands in particular	Office, and used MFP data from Statistics Canada and the US Bureau of Labour Statistics. • Published a blog on [How UK productivity compares with other G7 countries: The effect of communicating a variety of estimates](#) • Assisting OECD with its work on producing internationally comparable economic microdata • Increased engagement with the media and made good use of social media platforms, for example via [podcasts](#) and twitter.	media sources and platforms to help explain productivity statistics.
3. ONS should use the QAAD toolkit to consider the level of assurance required and ensure that its processes to assure the quality of data are appropriate	• Carried out a thorough review using its Statistical Quality Maturity Model (SQMM) tool to ensure productivity outputs are of the highest quality. • Published an [article](#) covering QAAD for the only administrative data source that ONS uses directly • Committed to adding text to the [Labour Productivity QMI](#) • Committed to adding text to the "strengths and limitations" section of each bulletin release to highlight the potential risks to data quality, and ONS's mitigations.	ONS's work using its SQMM demonstrates commitment to maximising quality of productivity estimates and one outcome of this review was that the team plans to learn more about internal data suppliers' QA processes. ONS's planned updating of its published documentation will provide further reassurances to users about quality.
Value		
4. ONS should find a more appropriate balance, in conjunction with users, between statistical production, the development of the statistics to meet users'	• Hosted a productivity user event in May 2021; a summary of the discussion is available on [StatsUserNet.](#) • Published [UK GVA and productivity estimates for other geographies](#) • Published a unified suite of statistics [Labour costs and labour income, UK: 2021](#)	ONS has acted upon user feedback for example, re-introducing ICP and publishing more disaggregated/lower-level geography productivity statistics combining statistics on labour income and costs, which now gives users a more rounded story. ONS has been

needs and publishing insightful analysis which informs understanding of the impacts of economic shocks on different aspects of the productivity puzzles	• Published industry spotlight articles, for example, one on construction, and is planning further articles on the retail and finance industries • Re-introduced the International Comparisons of Productivity publication (ICP) (January 2022) • Published details of a new method to estimate capital utilisation • Updated ONS's firm-level productivity publication (March 2022) to include a "*how productive is your business?"* tool and started work on producing a productivity microdata user guide, focusing on business data.	proactive in publishing insightful analysis via articles into productivity in specific industries and changes it's made to measuring capital utilisation.
5. ONS should: a) provide commentary that joins up what's happening to trends in productivity and explains the evolving story of productivity in the UK b) explain the reasons for its selection of the periods for presenting productivity trends c) further develop the use of platforms such as Twitter to illustrate the statistics better, including with suitable data visualisations such as charts, maps, and tables to help aid	• Publication of productivity overview, UK: July to September 2021 with improved the commentary to explain productivity changes since Q1 2019 • Explained the longer term trends in the Firm-level labour productivity release. • Submitted Written and oral evidence to the Productivity Commission on "Productivity puzzle revisited: what the latest official data tells us about the UK's biggest economic issue" • Included more quality information and warnings in regular bulletins • Published the impact of double deflation on productivity estimates and the impact of changes to LFS methodology on productivity estimates • Better presented uncertainty in the international comparisons of productivity - supported by ESCOE academic research • Agreed text for a section in the ICP QMI that notes the difficulties in cross-border comparisons of productivity. • ONS has consolidated labour productivity statistics associated with the quarterly Productivity Overview into	ONS has consolidated bulletins and improved the productivity overview commentary, so that users now have a better understanding of productivity trends. It has committed to explaining in future bulletins the rationale for selected periods, the latest quarterly productivity bulletin focuses on Q1 2019 to Q3 2021 and explains the impacts of furlough. ONS has been active in reaching a wider non-technical audience via numerous media sources and platforms to aid the interpretation of productivity statistics. ONS worked with data experts to find the best way of communicating uncertainty in the reintroduced ICP publication and has committed to updating the text in

interpretation of the statistics d) check that presentation of the statistics and data meets the needs of different types of users e) improve the accessibility and readability of productivity data for programming languages f) find ways of articulating the statistician's judgement about the fitness of purpose of the productivity statistics	three new datasets relating to the three main measures of labour productivity which will provide annual and quarterly estimates for all components used to calculate productivity in various industry breakdowns. These will be published alongside the next Productivity Overview release (April 2022). • Committed to make changes to the Labour Productivity QMI to include detailed explanations of the different comparisons ONS are making within the bulletin. • Committed to note in bulletins the rationale for selected periods • Published how to compare and interpret productivity measures to aid users understanding of productivity data • Committed to providing more information and analysis in its development plan.	Labour Productivity and ICP QMI's. Finally it has improved the accessibility of labour productivity statistics datasets.
6. ONS should: a) find the right people to engage with, have productive conversations with those people and follow through on those conversations in terms of developing the statistics and statistics services b) establish the barriers to the adoption of MFP by the policy communities,	• User event and engagement with users through StatsUserNet, conferences and social media platforms • Quarterly bilateral conversations with the BofE, BEIS, HMT and The Productivity Institute as well as bilateral conversations with the Office for Budget Responsibility twice a year. • Restarted the productivity research network • Presented at a number of events, including: NIESR Business Engagement Forum on the productivity trends; Productivity Institute workshop on the productivity puzzle and industry data; ONS Economic Forum and Productivity Institute seminar series on environmentally adjusted productivity measures.	ONS has worked hard to engage with users via several platforms, a variety of networks and events. It consulted users about the presentation of MFP at the user event and will be supplementing this by reaching out to existing and new users via a survey in April 2022 to establish the barriers to MFP use. ONS has been transparent in responding to users' needs via networks and user events and has updated users on its productivity statistics development plans.

encourage the use of MFP amongst such users and extend its outreach to that community c) be transparent about the extent to which the views received from users, potential users and other stakeholders can be addressed	• Prepared a survey to gauge the understanding of the different inputs to MFP which will be sent to users after publication in April 2022 • Working on an 'infographic' for MFP to aid understanding of its advantages and potential uses. • Publication of a Productivity action plan to address the issues raised in the OSR productivity assessment • Publication of the Productivity development plan to provide transparency on plans to develop statistics further • Longer term ONS plan to remove experimental badging from MFP stats.	ONS is planning a wide range of further developments for MFP statistics, so we will defer considering designating these as National Statistics.