

TURNBULL KING - UPDATE ON RECOMMENDATIONS 1 - 37

Number	Recommendation	Update
1	That in future all releases, even super-numerary releases like that on October 6, should be pre-announced, with at least 24 hours notice	<p>Draft rules governing the release of new data were revised in July 1999 to take account of the review recommendations. There has only been one supplementary release since the AEI: the 25 April Labour Market Statistics release which was not pre-announced, so as to avoid the creation of uncertainty. This is in line with the draft rules, and with the draft protocol on release practices which forms part of the new National Statistics Code of Practice on which consultation is due to begin shortly. The relevant section of the draft protocol reads:</p> <p><u>'Publication of revisions and methodological changes</u></p> <p>Revisions to data are treated as similar to first release of data in that, while revisions will usually be made known as early as practicable after they are known, for market sensitive statistics the process of release of revisions must not itself create uncertainty. A separate protocol for revisions will be developed and maintained, and must be applied.</p> <p>For frequent periodical releases, planned methodology changes will be notified at least one release period earlier. For all recurring releases, back data will be released at least by the time of the release containing the change itself, to enable easy comparison of the impact of the methodological change.'</p>
2	The ONS should explore ways of improving access to its press releases and back-runs of data through its website	<p>Implemented. ONS press releases, complete with their attached long-run tables, have been available on the National Statistics web-site since the launch in June last year. The addition of these long-run tables was an important step in enhancing access to ONS data but access was vastly improved by the decision, taken to mark the launch, that all material in on-line databases would be made available free of charge to not-for-profit end-users.</p>
3	The ONS should clearly indicate revisions to important statistical series in its written and oral press briefing	<p>Implemented.</p>

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| 4 | When publishing new figures following a change in methodology, the ONS should be clearer and more explicit about the nature and extent of changes and revisions in methodology than was the case with the AEI on October 14 | Implemented. Methodological changes range in size and implication from very small to quite substantial. The ONS makes a professional judgement about the likely impact on statistics of any change, and provides information to users that is consistent with that judgement and with its professional responsibility to provide users with information on the nature and impact of methodological change. The move of the National Accounts to the European System of Accounts and the implementation of Labour Force Survey - re-grossing to take account of updated population estimates were examples of good practice. Not only were there explanatory articles published in ONS monthly journals but the issues were highlighted in a series of briefings for users. |
| 5 | We recommend that the ONS should try to accelerate its plans to locate the Runcorn team who work on the AEI with other parts of the ONS so far as this is consistent with the assurances that have been given to staff. | Implemented. The AEI transfer was completed in November 2000 following three months of parallel running on the two sites to ensure that the Newport procedures, systems and figures matched those in Runcorn. The New Earnings Survey relocation was completed in February 2001. |
| 6 | We recommend that the ONS and the Bank of England should formalise their relationships with a Service Level Agreement to cover the Bank of England's data needs including those for earnings data. | Implemented. A Service Level Agreement with the Bank of England was signed by ONS and the Bank in October 1999. This agreement continues to be seen as beneficial by both the Bank and ONS. |
| 7 | We recommend that ONS strengthens the project management of statistical change to ensure that adequate technical expertise is available at essential times and that the management of each programme is critically reviewed at each stage. The ONS Director and the relevant Group Director should have clear procedures for signing off a statistical series for publication, particularly when there is a substantial change in the way a statistical series is calculated, or when questions have been raised at any stage about the adequacy of preparations. | Implemented. Project management has been considerably strengthened with the systematic use of methodologists, economists, users from other government departments and external statistical advice. The role of the Methodology Group will be further enhanced in the coming months in the process. Clearance is undertaken at the appropriate level in the business area and Methodological Group. For small and medium changes this would be at the Divisional Director level. For large or complex changes clearance advice would be provided to the Directorate heads of the business area and methodology before approval by the National Statistician. The distinction between large/complex and other cases would be decided by Directorate heads. |
| 8 | We recommend that there should be more active involvement of the ONS' Methods and Quality Team at all stages in the design and the implementation of changes to important statistics than was the case with the AEI. The ONS may need to increase the number of statistical methodologists. | Implemented. A new board level post has been appointed as Directorate of Methods and Quality plus two new Divisional Directors. Several expert methodologists have also been recruited. Methods and Quality Directorate is actively involved in quality assuring the work of all projects, managing and implementing the changes to statistical methodologies. |

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| 9 | The ONS should make better use of its in-house team of economists in assessing the impact of methodological changes to its statistics and ensure that it has enough of them in post to meet the demands on them. | Implemented. ONS has recruited five economists at economic adviser level and extra support staff. Economists are engaged in routine pre analysis and briefing of ONS' ongoing outputs. They are also represented on methodological programme boards and involved in all strands of methodological work. |
| 10 | There should be more systematic and regular involvement of non-ONS statistical experts and the users of statistics at all stages of a programme to improve or change important statistics than there was with the AEI | Implemented. Non-ONS statistical experts and representatives of statistical users from other government departments are members of many ONS project boards and steering groups. Experts from Southampton University are regularly consulted on statistical issues. Examples include the AEI expert group, PPI developments and the Small Area Estimation Project. |
| 11 | The involvement of non-ONS experts in the process of developing or changing statistics should in some cases include the provision of quantitative estimates of the effects of methodological changes before a new series is finally adopted and published, and if this requires some modification of the ONS rules for dissemination of data before publication these should be changed. | Implemented. Over and above this involvement, experimental series are made available for external feedback before regular publication. Examples of these include the Index of Services at the Corporate Services Price Index. |
| 12 | We recommend that there should be a clear set of procedures that apply across the whole of the ONS which allow ONS consultation with, and provision of, guidance on information to the Treasury and Bank of England to deal with unexpected difficulties and developments. These procedures should include a provision to disclose publicly soon after the event if the ONS has provided Ministers or the Bank of England with information earlier than usual on changes to statistics, together with an explanation of why it was deemed necessary to provide such information in this way. | Draft ONS policy on consultation with the Treasury and Bank of England in the case of unexpected difficulties or developments was established in July 1999. This will be updated in the light of the protocol on consultation with ministers due to be released with the new National Statistics Code of Practice. |
| 13 | We recommend that the questionnaire form for the MWSS should indicate more clearly where entries should include and exclude bonuses. | Implemented. This was taken forward to improve the presentation of the form. The amendments to clarify the treatment of bonuses were introduced in the February 1999 forms to ensure that all bonuses paid are now picked up. The excluding bonus series have been presented so as to show a discontinuity. Detailed analysis was undertaken, however, to ensure the overall AEI was consistent over this period. |

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| 14 | The ONS should ensure that there are regular reviews of the main index numbers covering not only the survey sources but the index numbers and methodologies themselves | <p>Implemented. The programme of in-depth methodological reviews of ONS sources and methods has begun. A full five-year programme of reviews has been scheduled which includes a review of the AEI due in 2004-05. The following major reviews have been completed.</p> <ul style="list-style-type: none"> ● The review of short-term output indicators. ● The review of the Inter-Departmental Business Register. |
| 15 | When there is a methodological review relating to important statistical series like the AEI the conclusions should be recorded in full, with all the technical issues and decisions covered. | <p>Implemented. It is ONS policy that all significant reviews and redevelopment of statistical outputs will be managed under the project management guidelines. These guidelines call for the reporting of key aspects of the process, including:</p> <ul style="list-style-type: none"> ● Project Initiation Document (including the work programme and any planning charts) ● Project Logs (Quality assurance plans and risk management arrangements are discussed at project initiation and subsequently reviewed) ● Minutes of Meetings ● Correspondence ● Relevant working papers ● Final output report/end product and supporting procedures and documentation accepted by the customer ● End of Project Assessment <p>Training is provided to ONS staff in project management , and support is provided through the Project Management Centre. A project management database provides templates of documents required to record key information about the project, both facilitating documentation, but also providing a reminder that it is needed.</p> |
| 16 | When implementing agreed methodological changes all development work should be fully written up and a historic series calculated before final decisions on publication are taken. | <p>Implemented. A new corporate standards and guidance database brings together and maintains documentation, operations and methods.</p> |

- 17 If the average wage reported by any firm changes by more than a factor of ten compared with the previous month, then the relevant firm should be given a grossing factor of one for the relevant period (i.e. a low eight, especially for smaller firms), unless examination of the time-series of that firm's returns suggests that the outlier conforms to the past pattern of the firm's returns. Implemented prior to the March 1999 launch of the AEI. Information on the number of firms where the average wage changed by more than a factor of 3 or 10 was provided in the article on bonuses in May 2001. Updated details may be provided on request.
- 18 In order to enhance the quality of the data, the statistician maintaining the index should list all cases in which the reported rate of pay changes by a factor of three or more compared with the previous month, and should check that the clerical staff have enquired about each case and received a satisfactory response. The statistician should keep a special record of the outcome of such enquiries. Implemented. This has been included in a Service Level Agreement between the Data Validation Unit and the Earnings Analysis Branch.
- 19 For 'financial intermediation' (SIC 65) the grossing factor should be set to one for all firms in size range 1 (i.e. the smallest firms), for the whole of the sample period, and not just for dates when there appear to be outliers.. The 'private health and social work' sector (SIC 85) should be excluded from the calculation of the index before June 1998, and the corresponding weights in the rest of the private sector should be increased to compensate for this. Implemented prior to the launch of the AEI. With the introduction of the new sample for the AEI in October 1999, the sample size in the stratum for small firms in SIC 65 was expanded to 80. Implemented prior to the launch of the AEI. This has allowed for the previous constraint on the grossing factor for this stratum to be removed. This change was agreed with the AEI advisory group at the time.
- 20 If a clear outlier can be identified in any cell whose contribution per firm to the acceleration of the overall index is more than +/- 0.05 per cent pa, the relevant firms should be given a grossing factor of one (i.e. a low weight) , for the overall period unless examination of the time-series of that firm's returns suggests that the outlier conforms to the past pattern of the firm's returns. Implemented prior to the launch of the AEI. Following the relaunch there has been greater emphasis on focused editing and validation with new diagnostics provided to show the impact of individual cells and contributions on changes to the acceleration of the index. A summary of the number of outliers was presented in an article 'Bonus Payments and the Average Earnings Index' which appeared in Labour Market Trends in June. Details for more recent periods can be obtained on request.
- 21 'Other Business Services' (SIC 74) should be consolidated with other industry groups in the business services sector (SIC K). Implemented prior to the launch of the AEI.
- 22 The grossing factors applied to each cell should remain constant except as the numbers of firms sampled for any cell changes. This can happen for reasons of non-response, death or sample rotation and augmentation. Each firm should remain in the cell in which it is placed at the time when the industrial weights are calculated. We recommend this even when its level of employment suggests it might cross into a different size range. Implemented prior to launch of the AEI.

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| 23 | Monthly chain-linking should be applied on all occasions where the firms included in the sample change, and not solely when new firms are introduced. We also propose that a modified form of chain-linking is used which removes the effects of changes in employment in the different size ranges when the industry average wages is calculated. | Implemented prior to the launch of the AEI |
| 24 | We recommend that monthly chain-linking is also used to handle discontinuities arising from periodic changes to the industrial sector weights. | Implemented prior to the launch of the AEI. |
| 25 | The public sector should be consolidated instead of separately identifying central government, local government and public corporations. Agriculture, fisheries and forestry should be similarly consolidated. | Implemented prior to the launch of the AEI. |
| 26 | The programme used to estimate the average earnings index should be extended to provide estimates of the variance and standard deviation of the growth in the index, both over 12 months and for the headline rate, and the estimated variances and standard deviations should be made available to users. | These estimates of accuracy could not be calculated until the new sample underpinning the AEI had been operational for a period of 12 months. This together with the need to have observations from the new sample for a full year, including the difficult bonus season, means that the first headline rate measure using the new firms could not be produced until December 2001. ONS, with the help of Southampton University, have drawn up the methodology for this work. This work is extremely complex but ONS will share findings with the AEI expert group in July 2001. |
| 27 | The ONS needs to accelerate the current build up of the sample of firms used in the calculation of the AEI, and resources should be made available to facilitate this. | Implemented. A new sample, which is more representative of the economy, covering more than 10 million employees, and allows ONS to improve the methodology underpinning the index was introduced in October 1999. This sample of 8400 forms gives the important services sector greater coverage and includes all firms employing more than 1000 people. It is selected from the Inter Departmental Business Register. |
| 28 | When the sample in business services (SIC K) has been built up and when Winsorisation (a formal statistical technique for attaching lower weight to outliers), is available then business services (SIC K) should be disaggregated and Winsorisation should be used to deal with any new outliers. | The assessment of Winsorisation or equivalent technique awaits the completion of the transfer of the AEI systems on to ONS' Common Software IS processing system. This development has been delayed due to pressure on IS resources, notably from the new ABI system. It is planned that this assessment will take place during the business year 2001 - 2002, after which time an evaluation of its impact on firms within SIC K will be carried out. Depending on the outcome of this evaluation, the contributions to the AEI from the 5 SIC divisions (70 - 74), will be disaggregated. |

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| 29 | When Winsorisation becomes available a careful study should be made of its effects before it is used in preparing the published data. The criteria set out in recommendations 17 and 20 for handling outliers remain relevant and the statisticians should follow these recommendations unless the statisticians concerned are sure that the problem has been dealt with adequately by Winsorisation. | As above, the assessment of Winsorisation or equivalent technique awaits the completion of the transfer of the AEI systems on to ONS' Common Software IS processing system. This development has been delayed due to pressure on IS resources, notably from the new ABI system. It is planned that this assessment will take place during the business year 2001 - 2002. |
| 30 | Full checking procedures should be introduced before any new software is implemented. | Implemented. Project Boards have overall responsibility for quality on any given project, including quality assurance of all outputs of the project. In relation to system changes, acceptance testing of system changes is a necessary precursor to finalising the delivery of the system and closing off the project. |
| 31 | The ONS should investigate the production of an index, which reflects more closely movements in true average earnings. | Indices have been calculated using the methodology suggested by Southampton University. A paper showing progress on the development will be presented to the AEI Expert Group in July 2001. Following that discussion a detailed timetable will be set out which includes examining the compositional effects. This timescale is later than expected due to the complexity of the issues and the learning curve for new staff. |
| 32 | If it proves possible to construct an index which shows movements in the true average wage, then the ONS should indicate the extent to which changes are due to changes in average wages industry by industry and the extent to which changes are due to movements in the industrial composition of employment. | Dependent on recommendation 31 - see above. |
| 33 | If it is possible to construct an index of the true average wage (i.e. as in recommendation 31), then the ONS should consider whether the AEI should be brought into line with wages and salaries used in the National Accounts (which draw on additional Inland Revenue data). | Dependent on recommendations 31 and 32 - see above. |
| 34 | We are concerned that wage growth estimates for particular industries and sectors from the AEI are often different from the New Earnings Survey. At our request, the ONS has set up a programme of research to establish whether there are implications from this for the way that either source is compiled. | Work on comparison of the growth rates of the AEI and the NES has shown that the growth rate in the NES is affected by changes in the composition of the sample from year to year. ONS have set up a project to develop a methodology to gross up the NES estimates. The development of a grossed set of results is an important step towards reconciling the two sources - it is hoped to release grossed results for the 2000 and 2001 surveys on an experimental basis in Autumn 2001. |

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| 35 | The ONS should review the extent to which it can adjust for arrears of pay. | Implemented. A report on the impact of adjusting for the payment of arrears in the AEI was presented to the AEI advisory group in March 2001. The group agreed that no adjustment for the arrears of pay to enterprise level data should be introduced. |
| 36 | The ONS should make a report to the Economic Secretary of the Treasury by the end of 1999 explaining how far it has implemented the recommendations in this Report, and especially the outcome of the longer-term research described by recommendations 26 to 35. | Implemented. Report submitted January 2000. |
| 37 | We recommend that the publication of data on broad SIC components is suspended but that this decision is reviewed when information on the standard errors of the components becomes available on a regular basis. The ONS may, nevertheless, want to publish such data excluding bonuses if these prove to be considerably more stable and are helpful to users. | The review cast doubt on the feasibility of publication of detailed breakdowns from the old sample was concerned that it might not even be feasible on quality grounds in all cases on the new sample. ONS will be reviewing the situation, as recommended, once sample errors are available for annual movements and the headline rate. ONS may feel able to release some further detail on a provisional basis this year but wishes to examine a full years information to include the bonus periods on standard errors before making final decisions on publication. |