

**February 2004**

**Women's Budget Group submission to the Allsopp Review**

The purpose of the Allsopp review is to improve the information provided to government for monetary and economic policy making. The context is that regional statistics can help to support devolved governance – both in Scotland and Wales, and in the English regions. The Women's Budget Group appreciates that the task of reviewing the provision of statistics by region is a sensitive, detailed, and complicated one. We wish to make the following key points:

- Regional indicators are useful for detailed policy analyses, and gender mainstreaming in several policy areas can, does and will utilise the regionalised data;
- Having up-to-date data is the best way to ensure its policy relevance and usefulness;
- Productivity; labour market operation; and welfare/benefit regimes are policy areas which are both central to the Allsopp Review and with strong gender linkages

We thus generally support the conclusions of this review:

- In all three policy areas (productivity; labour market operation; and welfare/benefit regimes) it is important to have per-hour ONS GVA indicators. Therefore we urge attention to the collection of selected detailed employment data as the underpinnings of the regional GVA figures.
- It would be helpful if ONS could expose and improve the details of the methodology used to calculate GVA *per hour* in particular. These data are needed for each industry, for each region. Ensure that ONS provides GVA per hour estimates as seen in Griffin, N., P. White and D. Stillwell (2003). *Regional Competitiveness and State of the Regions*. London, DTI and ONS, HMSO.
- New research can be developed, proposing to 'match up' existing Firm-level data to the proposed new gender-sensitive ONS data, but without solid regional data this research is hampered in its geographic fine-ness. The ONS could add value to the productivity research agenda by improving its regional data.

The Allsopp Review offers details of the indicators needed and the modes of working to generate those indicators based both upon an assessment of what would be desirable, and upon a re-assessment of some operational problems during the years preceding 2003.

The UK government has made a commitment to gender mainstreaming<sup>1</sup> and recognises the improvements such an approach can bring to policy-making. The Women's Budget Group has a particular interest in the UK's statistical provision and its use in gender mainstreaming of government policy, and it recognises how useful good data are for underpinning policy change. Specifically, we would like to be able to comment on regional policy from a gender viewpoint and on gender-related policies with regionally-differentiated nuances. We are convinced from our prior experience that the regions are sufficiently differentiated to justify separate treatment in several policy areas. These areas include encouragement to be active in the labour market; labour-market regulation and the quality of work for employees; welfare benefits and related incentives, which are affected by the real cost of living in each region for urban and rural residents; and indirect vs. direct taxation and its gender-differentiated impact. Members of our Group are working in these areas, and others, and will utilise secondary data from Regions if it is reliably produced and easy to access.

The Allsopp review notes three policy agendas, all of which link up to our gender concerns: the productivity agenda, the flexibility agenda, which links to our interests in the length of labour contracts and the quality of jobs; and the welfare agenda already mentioned above.

The review notes that the international systems of national accounts have changed, making Gross Value Added much more central to the calculation of national output for each year. Gross Value Added (GVA) is in many ways similar to Gross Domestic Output (GDP), of course. However GVA is more of a raw indicator which omits the tax and subsidy elements of economic activity. Transfers and VAT are omitted from the overt calculation of GVA. The Allsopp review document is useful in clarifying the detailed components of GVA (wages, salaries, rents, profits, and other returns to the owners of capital such as interest or dividends). It also usefully reviews how these income-components are connected to the national GDP which is a sum of expenditures (consumption, investment, etc.). The main issue is whether it is a priority to measure GVA at regional level.

One advantage of doing so is that regional differentiation of industries can be directly focused upon, and the gross value added in each industry can be taken up with reference to the encouragement or discouragement of those industries over time. This approach has been used at the European level in its regional policy. We support and urge the case for regionally differentiated statistics. Since Wales and Scotland have some policies devolved to them, it is essential that improvements in reporting allow

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<sup>1</sup>For policy makers, mainstreaming gender into policies implies they systematically identify the consequences of a proposed policy on different groups of women and men as a matter of course and address any negative outcomes as the policy is developed.

users to have faith in the GVA figures for these two regions. Furthermore, as the UK's involvement in EU increases over time, the relatively high-unemployment regions with low per-capita income need to be identifiable within England, too.

There are two links here with gender relations. Firstly, women are more likely to be poor in the UK and this problem is focused upon areas and industries with high unemployment. Hence there will be a regionalisation of gendered poverty. (Child poverty may be linked to this but will require further investigation taking into account the details of household structures, the cost of living, lone parenting, and local labour markets.)

Secondly, women who work in such areas may be on lower wages than their comparators in the high-wage, low-unemployment areas (particularly the Southeast). Thus whilst the focus of the women's budget group is not only on women (but rather on women and men's joint responsibilities for domestic work as well as their joint incomes and the social relations between the genders), we have evidence showing that some women are particularly socially excluded and that there may be regional focusing of this problem. The empirical question of the regional focusing of the problem can be addressed better if up-to-date statistics are available from ONS, validly and reliably generated for each region.

Current ONS statistics in the area of GVA are available at national level up to 2001 and at regional level up to 2000. Forecasts are being used for the more recent years and these are not data but projections. By contrast ONS keeps the national accounts for recent quarters and years easily accessible.

We wish to stress further that per-hour measures of GVA are needed from central (ONS) sources, not just per-job measures. We note that Chart 4.5 (page 41) of the Allsopp Review provides, for each industrial sector, per-hour GVA indexed to the UK average. The figures for 2001, the author notes, are relatively out of date and 'many stakeholders have expressed a desire for more timely annual estimates'. We appreciate that there are costs attached to the changed routines which will provide more up to date estimates. The attention paid to this issue by the Allsopp review, notably in Ch. 6, is well justified.

In the review Report, Recommendation 5 is perhaps vague with respect to the matter of whether ONS would collect and disseminate data about the hours worked. For annual regional measures of GVA per hour to be published, which we see as essential, it is crucial that an estimate of men's and women's hours be obtained from the sources used by ONS for raw data (notably the Annual Business Inquiry, ABI). The short report made by sampled firms in the ABI can include aggregate firm-level hours reports, by gender, consistent with the general aim of making gender-sensitive estimates when possible. (This general aim has been expressed at EU level as well as at UK level.) Since the number of employees must be collected, and firms must use their own records of wage payments to make their reports to ABI, the average hours of women and men can also be provided at the same time. This will not be sensitive information in

itself. It will not reveal any individual's data and it appears to be a natural component of the employment data collected.

Alternatively, if the number of part-time and the number of full-time employees are reported, and these figures are made widely available as regional estimates for each industry, then researchers can create estimates of hours worked based upon the data.

Only with some indicator of hours worked (either of all employees, or by part-time/full-time category; preferably broken down by gender) can the per-hour GVA for each region be reliably reported by ONS and its proposed/existing regional offices/divisions. We wish to bring this matter to your attention since it has implications for the three policy agendas which are central to the Allsopp review itself: productivity, labour market operation and welfare/benefit regimes.

Sophisticated methods are ideal for calculating GVA per hour, and the ABI is likely to underpin the hours-worked part of this calculation. Presently the methodology used by ONS for GVA-per-job uses ABI at four quarterly time-points in the year.<sup>2</sup> There is perhaps some confusion over whether paid hours worked, or total hours worked including unpaid overtime, should be recorded and used in the GVA-per-hour measure. Paid hours are the only record that can have any measurement validity. Unpaid working hours, e.g. taking extra work home whilst earning a salary, must be seen as a form of work not subject to the usual work routines. Therefore time estimates for such practices would be subject to upward bias. Instead, records of actual time worked and paid for, including paid overtime, can be obtained.

Specifically there are two methods which ONS could use. One is to record numbers of part-time and full-time workers, and then match these figures to the average hours of each type of worker using large-scale nationally representative surveys such as the Labour Force Survey. Alternatively, record the actual number of hours worked. The Allsopp Review seems to imply that since the second method is onerous on ABI sampled firms, no hours figures can be provided. However the first method, or some similar compromise, should be used. ONS should take responsibility for reporting groups of workers (e.g. 1-29 hours, 30-45 hours, 46+ hours BY

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<sup>2</sup> The methodology is described in detail in Daffin, C. and E. Lau (2003). Labour Productivity Measures from the Annual Business Inquiry. London, ONS.

On page 3, a box gives full details.  $GVA \text{ per job} = \text{ABI GVA} / (\text{ABI year average employment})$ . However the data for this calculation include records of male, female, full-time and part-time workers. The ABI collects the number of workers in each category, not the actual hours worked. The usual paid hours for each type of worker could be obtained from other sources, notably LFS, as pointed out in the same document by Daffin and Lau (pg 4). Thus, the average hours for Male Full-time, Male Part-time, Female Full-time, and Female Part-time, in each SIC industry, for each Region, are easily obtained. Since they do change from month to month, it is essential that regular updating is done of the quarterly figures. The LFS is the best source for these estimates. Thus it is not exactly right to say that 'The ABI does not collected data on hours worked and therefore there is no measure of total hours worked that has the same consistency with the GVA measure as there is for the employment measure' (ibid., p. 4). Whereas the view of Daffin and Lau is that 'it is unlikely that this work will lead to the compilation of GVA per hour worked measured from the ABI', there is still an open question in this regard.

male/female BY industry BY region). By doing so, consistent regional boundaries and consistent 'industry' definitions will be provided. Otherwise the matching process (when performed *ex post* using other data sets) may arrive at inconsistent results over time. The ONS is the best-placed organization to compile reliable data on hours corresponding to the national accounts.

The Allsopp Review usefully sets out the difficulties with the NUTS1 regions and their comparability over time and with other geographic boundary systems. It also usefully covers issues related to the change from SIC1980 to SIC1992 and the detailed placement of specific industries. The Review rightly makes cautionary remarks about the difficulties with some specific industries, as also pointed out in Vaze (2001).

Undertaking the improvements suggested herein will help to improve the accuracy and usefulness of the national (besides the regional) GVA and GDP accounts. We understand the importance of not increasing the reporting burden on business (Ch. 11 of the Review). We would argue that improving women's productivity and increasing the knowledge-base about GVA per hour can help to raise UK productivity. Appropriate policies for the regions, both at the UK and EU levels, will avoid wastage and improve targeting (where it is used) whilst allowing detailed analysis of the impact of means-testing. Evidence about hours of work is currently kept quite separate from the published GVA data, so that one must carry out detailed merges linking the national accounts (from ONS) to sample survey data (sometimes out of date; sometimes not using the same Regional categories) to make one's own analyses.

*Note: We are grateful to the ONS who have provided the link to the relevant spreadsheets of GVA per worker for the period 1990-2001. We note that the data on GVA are being made available in ordinary spreadsheets rather than using the complex navigation software presently used by ONS. The easier the medium, the better for users. In some cases a spreadsheet is easier than online data navigation (although no doubt ONS has good reasons for its current medium of provision). We suggest that retaining the spreadsheet format as one download option is desirable.*

## Works Consulted:

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