

## FEATURE

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# Publishing productivity measures in ONS

## SUMMARY

This July 2007 *Economic & Labour Market Review* (ELMR) is a special productivity edition and is published alongside *The ONS Productivity Handbook: A Statistical Overview and Guide*. Presenting all Office for National Statistics (ONS) productivity estimates, sources, methods and analysis, this single volume will serve as a valuable reference on the subject. Articles printed in this edition of ELMR have been chosen to complement the new handbook and provide new results from within ONS alongside views from outside the office. This article comments on the joint publication launch and what readers can gain from it.

What is productivity and why does it matter? The Office for National Statistics (ONS) has produced productivity measures for many years, including detailed figures for UK regions and estimates for some industries. These measures include long-standing whole economy estimates but also newly-developed market sector and public service figures. *The ONS Productivity Handbook* brings all these different measures together within a consistent framework, so that users are aware of the full range available. It also describes the methodology and data series used and discusses the issues arising.

This joint launch also marks the start of a new, annual productivity series – multi-factor productivity (MFP) estimates. Peter Goodridge's article presents estimates for the years 1997 to 2005, aiming towards a better understanding of the UK's productivity performance and, in turn, a better interpretation of the performance of the UK economy. One of the input series for MFP, the volume index of capital services (VICS), is also updated in this issue of ELMR in an article by Gavin Wallis.

While ONS produces a large number of productivity measures and analyses, its responsibilities are as much about providing data building blocks for others to carry out their own studies. The article by Jonathan Haskel, Professor of Economics at Queen Mary, University of London, discusses issues surrounding measurement of the services sector and the changing structure of the economy, using ONS data as a basis for his research. Martin Weale, Director

of the National Institute of Economic and Social Research (NIESR), focuses on measuring public services, commenting on the recent work by the UK Centre for the Measurement of Government Activity (UKCeMGA) and the future challenges it will face. As productivity is an area of rapid change, so must the outputs of the office reflect this and stay under constant review.

## The past productivity approach

The first ONS Productivity Strategy (Lau, 2002) was drawn up following a consultation with users during the last months of 2001. It identified three main areas that were regarded as a priority for development:

- services sector productivity (including public sector productivity)
- investment and capital stock data, and
- skills and productivity

In the following four years, ONS tackled all these areas and made large-scale improvements. Other changes also took place, including a full review on the measurement of government output and productivity (Atkinson, 2005). In chronological order, there were a number of key developments:

- February 2002 – 'Labour productivity measures for the non-production industries' (Daffin, Reed and Vaze, 2002) was published. This investigation determined the services industries for which productivity estimates could be

produced. Following this, publication of a new quarterly experimental release containing services sector productivity, 'Labour productivity indices for the non-production industries', began

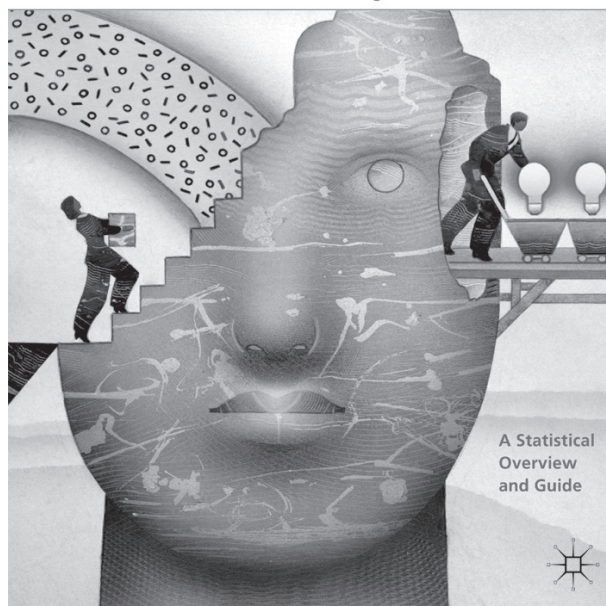
- April 2002 – the productivity strategy was published (Lau, 2002)
- December 2003 – the National Statistician asked Sir Tony Atkinson to carry out an independent review of the measurement of government output in the National Accounts
- July 2004 – a methodology review of productivity (Barnes and Williams, 2004) was published. This included documentation of productivity definitions and a new headline aggregate: output per worker
- January 2005 – the Atkinson Review – Final Report, Measurement of government output and productivity (Atkinson, 2005) – was published
- July 2005 – UKCeMGA was launched to take forward the recommendations from the Atkinson Review. Its aim was to strengthen the capability of ONS to publish authoritative and coherent measures of the output and productivity of government-provided services in the UK National Accounts
- November 2005 – a volume index of capital services (Wallis, 2005) and a quality-adjusted labour input measure (Holmwood, Lau, Richardson and Wallis, 2005) were launched. These experimental series, required for producing MFP estimates, are updated annually. The latest update of VICS is included in this edition of ELMR

By July 2006, when a second, updated productivity strategy was published (Camus and Lau, 2006), the productivity measures and related data produced by ONS had changed considerably. The headline measure had changed, there were services productivity estimates, new series for productivity in public services were being developed, and experimental series required for MFP estimates were being produced annually. In the background, data sources used by ONS for National Accounts and labour market statistics were also improving.

These changes had another effect. Where there had been one Productivity First Release, there was now a large array of productivity measures. These measures were published in different places and users were not always aware of them all. So, in early 2006, the proposal for a handbook was made.



## The ONS Productivity Handbook



### The ONS Productivity Handbook

ONS set out to produce a handbook that would, for the first time, provide users with a single reference publication for all ONS productivity estimates, sources, methods and analysis. The new handbook meets this goal, and additional advantages include:

- readers will now be better informed about the range and scope of ONS productivity work
- gaps in productivity work will be more easily identifiable
- areas of future co-operation, both internal and external, will be easier to identify
- productivity work carried out by ONS will gain increased publicity

The chapters have been selected to reflect every aspect of productivity work within ONS and each chapter was written by the experts in the relevant area. Planned to cover everything that a practitioner would want to know about ONS productivity measures, the book provides this information in the words of those producing them. Topics range from the data series required to construct productivity measures to the detailed methodology used, from figures and methods used at regional level to international comparisons. There are also contributions from other government departments (Department of Trade and Industry, HM Treasury) giving the viewpoint of users, for example,

details of the five drivers of productivity. Additionally, the Organisation for Economic Co-operation and Development kindly provided a section on international comparisons of productivity to set the UK measures in context. Finally, future plans are referred to in every section and detailed in the final chapter.

### The future for ONS productivity measurement

The Quarterly National Accounts First Release, containing headline data to be published in the *Blue Book 2007* was published on 29 June 2007. These new National Accounts include software investment for the first time. On 2 July, the Productivity First Release and a new quarterly data set of market sector productivity measures were published which also contained these investment figures for the first time. Then on 3 July, the results of the consultation carried out by UKCeMGA were published, providing details of how ONS plans to treat public services productivity in the future.

Productivity measurement in ONS continues to change and improvements continue to be made. As Martin Weale comments in his article, while much progress has been made in enhancing measures of output and input for public services, particularly for individually consumed public services, there is still a substantial amount of work to do. Results from the recent consultation will be used by

UKCeMGA to advance the public services agenda.

Jonathan Haskel comments that the incorporation of software is a welcome step forward, but there is still much more that can be done to improve measurement of services sector productivity, particularly in the areas of research and development (R&D) and intangibles. ONS is already involved in project work on both these topics and some results have already been published on R&D in ELMR (Edworthy and Wallis, 2007) and by Queen Mary, University of London on intangibles (Giorgio Marrano, Haskel and Wallis, 2007).

That said, what productivity is will not change. It will always require measurements of output from the National Accounts and measurements of labour, capital and other inputs. Users will still be interested in figures for regional comparisons, for international comparisons and at as detailed an industry level as possible. *The ONS Productivity Handbook* should be an excellent guide to ONS productivity measures both today and for many years to come.

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