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## **Press Release: Atkinson Review Interim Report**

Sir Tony Atkinson, Warden of Nuffield College, Oxford, today published an interim report on the Measurement of Government Output and Productivity for the National Accounts.

Sir Tony said:

‘The Office for National Statistics has been a world leader in measuring Government output directly in the national accounts. But the first generation methods need to be progressively refined, as was done with the new Health output measure introduced for 2004 National Accounts. Our Interim Report proposes a set of principles to govern the development of the measurement of Government output and productivity, in line with international conventions. The Report is about methods; we are not presenting any new statistics for output or productivity.’

Len Cook asked Sir Tony last December to review the National Accounts measures of Government output and productivity, with an interim report in July and a final report in January 2005.

Sir Tony added,

“Making progress under these principles requires substantial work. We are pleased with the way the main public service departments have engaged with the Review and look forward to this continuing. The Report sets out the work currently under way and the future programme of actions that we believe is needed in each of the major areas”.

Sir Tony stressed the importance of resources if necessary changes are to be delivered:

“If we are to have reliable estimates of Government output and productivity, then the necessary statistical resources have to be supplied. Public services are not only self-evidently important in their own right, but also constitute a significant share of GDP and deserve a commensurate share of the effort which goes into its measurement. These resources are required not only to measure outputs but also to provide more reliable information on inputs.”

The interim report proposes eight principles for improving National Accounts measures. Public services output should be measured by the incremental contribution to individual or collective welfare, that is, by the value that the service adds. That implies measuring and including the quality of services.

Sir Tony gave an illustration:

“To take Education as an example, performance on key stage tests and GCSEs shows something about the quality of the education service. We are working with Departments on ways of using this sort of information to measure Government output for the National Accounts.”

The interim report proposes that the productivity of Government services should be assessed by looking at a range of information. Sir Tony noted:

“Direct measures of Government output yield an implied measure of Government productivity. But no single National Accounts measure, however good in its own terms, can ever form a reliable 'single number' indicator of performance for these complex services. Some current spending is an investment for the future, for example staff training. We propose using independent corroborative evidence on Government productivity as part of a process of triangulation, taking account of the timing of inputs and outputs. This evidence could be discussed in public service productivity articles which, we understand, ONS has decided to introduce.”

Sir Tony encouraged comment on the principles he proposes in the interim report, and on work in progress to improve measures of Health, Education, Public Order and Safety and Social Protection:

“Len Cook has asked for a final report in January 2005. We have set out our thinking so far in this interim report to encourage comments from users of the National Accounts, in the UK and internationally, on our principles and the way they should be applied in different areas.”

For more information please contact Adam Stevens at the ONS Press Office.

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**Background information:**

1. Sir Tony Atkinson has been Warden of Nuffield College Oxford since 1994. Previously he was Professor of Economics successively at Essex University, University College London, the London School of Economics and Cambridge University. His main research interests are welfare and public economics on which he has published extensively. He served as a member of the Royal Commission on the Distribution of Income and Wealth, the Pension Law Review Committee, and the Social Justice Commission. He was a member of the Retail Prices Index Advisory Committee between 1984 and 1990.
2. Sir Tony is supported by a team located in ONS, co-directed by Joe Grice and Aileen Simkins. Joe Grice is Deputy Head of the Government Economic Service, on secondment from the Treasury, and Aileen Simkins is from the Department of Health. Other team members are from ONS and the Bank of England.
3. International guidelines on the measurement of Government output are set out in the United Nations System of National Accounts (SNA) and the European System of Accounts (ESA). This review will consolidate the UK's position at the forefront of Government output measurement, and its conclusions could influence the future shape of the SNA and ESA.

4. The Atkinson Review's terms of reference are;

"To advance methodologies for the measurement of Government output, productivity and associated price indices in the context of the National Accounts, recognising:

- the full scope of Government outputs;
- differences in the nature and quality of these outputs over time;
- the relationship between Government outputs and social outcomes;
- the need for comparability with measures of private sector services' outputs and costs;
- the existing work of the ONS; and
- the appropriate measurement of inputs, including quality and the distinction between resource and capital, so that, together with the measurement of output, light can be thrown on developments in Government productivity."

5. Further information can be found on the National Statistics website at:

[www.statistics.gov.uk/about/methodology\\_by\\_theme/atkinson/](http://www.statistics.gov.uk/about/methodology_by_theme/atkinson/)