



Isle of Man
Government

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Review of National Statistics

Economic Affairs

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Introduction

Economic Affairs produces a wide range of statistics for use by Government, businesses and the general public. Many of these statistics are published in their own right as and when they are produced, whilst some only appear within compilation reports such as the Quarterly Economic and Statistical Update to the Council of Ministers or the Isle of Man in Numbers.

The purpose of this review into national statistics is to examine how each of the datasets is produced and whether they can be improved through a change in methodology, widening of data collection or other changes that might be appropriate.

The review goes through each of the statistics that Economic Affairs produces, with the exception of the census, although population estimates in between census years are within the scope of this review. The census has been excluded as after each census, a census manager report is produced with recommendations to improving the process for the next census. This report is available online, with recommendations for improvement beginning on page 30¹.

This review also looks at what other statistics could be provided to better understand the Island's economy and the Island general and what options could be investigated to obtain that information. As part of this, discussions have also been held with other Government departments as to whether there is any economic data that they require but do not currently have access to.

There are two primary methods in which data is collected by Economic Affairs:

1. Survey data collection
2. Administrative data

Where data is collected via survey, the division's preference is to undertake this via random sampling, as this allows for the results of the survey to be extended to that of the whole population, although this generally a more time and financially intensive approach to take. Participation in most of the surveys which are undertaken is voluntary, however the Statistics Act 1999², under a delegation from Treasury, can be invoked to make a response compulsory. This is used where a survey is considered to be of such importance that a response rate needs to be guaranteed and is usually only invoked when a survey is focussed on companies rather than individuals (although self-employed individuals who employ staff may be included).

Administrative data is obtained through three routes; a statutory gateway to allow access to data, anonymised data and publicly available data. The Income Tax Act 1970, under section 106(4)(i)(i), provides the primary gateway for a wide range of the data used by Economic Affairs and is given to specific individuals. Anonymised and aggregated data is the second route from which data is gathered and involves extracts from other Government departments, but provided without any personal information included within it. Finally, publicly available data, such as that from the Land Registry, is used by the division.

¹ 2016 Isle of Man Census Project Review and Recommendations for Future Censuses, June 2017, <https://www.gov.im/media/1356958/2016-isle-of-man-census-project-review-and-recommendations-for-future-censuses.pdf>

² Statistics Act 1999, https://legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/1999/1999-0005/StatisticsAct1999_1.pdf

Any changes which are proposed within this review will be implemented immediately where possible or where this cannot be done, a timeline will be stated. In most cases this will be because a given report or set of statistics is only produced on an annual basis and the changes will be implemented when they are due to be produced.

Inflation

Inflation is a sustained increase in the general price level in an economy and shows the increase in the cost of living over time.

Inflation is measured by taking a "basket" of consumer goods and services which are weighted according to their share of average household expenditure (e.g. an increase in electricity prices will effect inflation more than dry cleaning as electricity makes up a bigger share of an average household's expenditure) and comparing the price of that basket to previous baskets.

There are two indices of inflation, the Consumer Price Index (CPI) and Retail Price Index (RPI), both of which use slightly different goods in their baskets and different formulas to weight them.

Current Process

The basket of goods for CPI and RPI are created using the results from the Household Income and Expenditure Survey (HIES), which is held every five years. The current basket of goods is based upon the 2012/13 results and will updated using the 2018/19 survey once it has been completed.

The baskets, along with the calculation of the indices each month, are constructed following the Office for National Statistics (ONS) Consumer Price Indices Technical Manual. The key differences between the two indices are that the CPI refers to spending by all individuals within the economy, whilst the RPI excludes the spending of the top 4% of households by earnings and pensioner households who derive three quarters of their income from state benefits. There are also a number of items which are different between the two baskets, most notably owner-occupier costs such as mortgage payments.

The current price collection involves collecting 1,344 prices for 470 items, the majority of which are collected every month, on the 17/18 of each month. Some goods within the basket only change price on a quarterly or annual basis however.

Where possible, price data is provided by retailers directly, although in many cases there is a need for a manual collection of prices. This is undertaken online where the data is available, or if not, through in store collections by Cabinet Office staff. These collections are based upon set items, which are only subject to change if a product or service is no longer available, in which case the closest possible substitute is used. These changes are introduced over a period of two months so that product changes are not the cause of a change in the rate of inflation.

Options for changes and improvements

Some changes have already been made to the inflation indices, most recently with the update to the RPI formula, changing from the Carli formula to the Jevons formula. This change was made due to the smaller number of prices collected on the Island compared to other larger jurisdictions which caused an amplification of the formula effect (in the UK the RPI will generally always be 0.7% higher than CPI due to the difference in formula).

In all other aspects, the two inflation indices are produced in line with the ONS's technical manual and therefore the scope for significant change is limited if the Isle of Man Government wants to maintain comparability with other jurisdictions. This however does not mean there

is no scope for changes in how it is conducted and as importantly how the data is presented and made accessible to users.

The collection process does have room for improvement in relation to the number of prices that are collected for some items. For example in categories such as Food & Non Alcoholic Drinks for each product, a range of prices from a number of retailers. However in some areas, such as Furniture, household equipment and maintenance or Restaurants and hotels, the number of prices collected per item is lower and depending on retailer, participation has sometimes dropped to one price collection for an item. In some situations, a singular price is appropriate, as there may only be one provider of that service, for example private education for secondary school children or electricity.

Further to this, there is the option of moving to a quarterly production of inflation statistics, as done in other similar nations such as Jersey and Guernsey. Prior to undertaking such a change, there would need to be engagement with stakeholders to ensure that this would not result in adverse effects such as forcing a large number of contracts that may be linked to inflation in months that are no longer published to be renegotiated.

At the same time as the reweighting and new baskets of goods takes place with the completion of the 2018/19 HIES, there is the option to introduce new measures of inflation which are specific to certain household types, such as for pensioners or low income households. Research shows that these groups are likely to experience different levels of inflation compared to the general population as their consumption habits are likely to be different. These separate measures may highlight areas of spending by consumers in these groups where Government policy could be used to alleviate these pressures. The process to implement these new measures of inflation will take 12 months before the first rate of inflation can be produced.

Changes to be implemented

The following changes will be made to the operation of the inflation indices:

1. Where a product or service has multiple providers, at least three prices from two suppliers will be collected for that item;
2. Improved presentation of the existing data to assist users in understanding which categories within the basket are having an impact on inflation each month;
3. Investigate the introduction of household specific inflation indices, such as pensioner and low income based on the results of the 2018/19 Household Income and Expenditure Survey.

Changes 1 and 2 will be implemented at the same time as the reweighting of the baskets for CPI and RPI.

Household specific inflation rates will require 12 months of data before a rate can be published, therefore this would not be available until 2021, although the data would be collected during 2020.

Unemployment

Unemployment is defined as an individual of working age, who are currently without work, but are available to do so and are actively seeking work. Those who are not actively seeking work are not considered to be unemployed although they will be included in the working age population.

There are two main measures of unemployment, the claimant-count basis and the International Labour Organisation or ILO rate of unemployment. The claimant-count rate of unemployment is based on those who are register as unemployed for Jobseekers' Allowance, either for payment of the benefit or for national insurance credits. The ILO rate of unemployment is a wider definition of unemployment which includes those who are actively seeking work, but are not registered as doing so, whether through choice or because they are ineligible to do so.

The Isle of Man Labour Market report, which is produced on a monthly basis, is the main publication for the Isle of Man Government's unemployment statistics and is driven by administrative data sources.

Current Process

The Isle of Man Labour Market report is primarily a claimant-count basis of unemployment although an estimate of the ILO rate of unemployment has been included since February 2018.

The report is driven by data provided by Social Security, who provide data on both those claiming Jobseekers' Allowance and the number of vacancies that have been advertised during the month.

The data is processed and presented into the various tables and charts within the report which is published in the third week of the month following the month to which to data relates.

The ILO rate of unemployment on the Island has previously only been available at each census, as individuals can declare themselves as seeking work, with no condition that they be registered as doing so. The estimate that is included within each monthly report is based on historical analysis of the difference between the claimant-count and the ILO rate at each census point, which is then applied to the current month's claimant-count.

Options for change and improvements

The claimant-count section of the report has limited scope for improvement as it is a straight forward calculation based on the number of individuals claiming Jobseekers' Allowance. The amount of additional information that is provided alongside the claimant count has also been increased significantly with additional information on length of unemployment, which sectors the claimants previously worked in and the areas of the Island where they live. There is also additional information regarding job vacancies, by qualification, experience required and whether they are full or part time.

In other nations, the ILO rate of unemployment is calculated through quarterly labour force surveys. Due to the size of the Island's population, undertaking an exercise of this type is likely to result in creating survey fatigue. This may lead to lower response rates to all Government surveys, leading to a lower level of confidence in the results of these surveys

which limits their use as evidence for policy and decision making. There would also be additional administrative costs to running such a large, regular survey and whilst this would improve the accuracy of the ILO unemployment estimate, it would have limited benefit for decision making over and above the data that is already provided.

Changes to be implemented

The following change will be made to Labour Market report:

1. Additional data analysis based on the claimant-count will be released in Open Data format.

Housing Market

Housing market data consists of two main statistics, average price for houses, flats and property (which is a weighted average of house and flat prices) and the number of transactions for the two types of property. This data is included in the Quarterly Economic and Statistical Update to the Council of Ministers.

A new publication was created in 2016 called the 'Isle of Man Housing Market Review' which includes additional information on the housing market, such as median price data, affordability ratios and the distribution of house sales by price

Current Process

The housing market statistics are produced using a trimmed average of house and flat transactions that took place over the 12 months to a given date. A data extract is taken from the Land Registry CLARE system for all transactions that have been processed. Excluded from the data is any land or commercial transactions, or transactions that did not take place at market value (for example where a divorce has taken place and one party has purchased the other party's share in the property).

The trimmed average excludes all transactions below £70,000, of which there are very few, and all transactions that are in excess of third quartile plus three times the interquartile range. This results in an upper limit of around £750,000 and typically excludes 15-20 transactions per 12 month period.

The property price is a weighted average of the house and flat price, based upon the split of the total number of transactions between houses and flats.

The Housing Market review includes additional information from the data extracts from the Land Registry, including the distribution of house prices, the median prices for houses and flats and affordability ratios for both the general population and people under 25. This report is produced annually in April or May following the year end in order to allow for the most up to date data to be used and for information from other sources, such as the Isle of Man Earnings Survey to be used.

Unlike many other statistics that are produced by Cabinet Office, the housing market data is subject to regular revision as there can be significant time lags in the transactions being filed with the Land Registry. This impact is most severe when undertaking the most recent estimates, although there continues to be transactions registered for a number of months after the quarter end. Due to this, the housing market data is considered to be a provisional estimate for 12 months after the end of the quarter. After this point, the number of transactions which may not have been lodged is small enough that their inclusion would not noticeably change the calculations.

The Land Registry also now publishes, on a quarterly basis, a data extract all of property transactions that have taken place since the system was introduced in 2010.

Options for change and improvements

In other nations, property statistics are produced using the number of bedrooms as the weighting, however the current Land Registry system does not capture the number of

bedrooms. It also does not use the Unique Property Reference Number (UPRN) which could have been used to identify how many bedrooms the property had from census returns.

However the Land Registry system is currently being revised and the UPRN will be incorporated, which will allow a property price that is weighted by number of bedrooms to be undertaken. It will also allow for more granular detail to be provided about the housing market which is not currently possible.

Changes to be implemented

The following change will be made to the Housing Market data:

1. Subject to the implementation of the new Land Registry system providing the data, the housing market data will be move to being a weighted, by bedrooms, average calculation.

Population

Population or demographic data for the Isle of Man is produced through the census, undertaken every 5 years, and through estimates based on administrative data, primarily GP registrations but also school rolls, the electoral register and others.

After each census is conducted, the census manager produces a project review report which includes recommendations for improving future censuses. Unlike previous censuses, for the 2016 census, this report was made publicly available and therefore is out of scope of this review³.

Current Process

The primary data source for quarterly population estimates is from the number of registered patients with the Island's GP surgeries, known as GP Capitation. This data is adjusted by a 'ghost' factor, as more patients are registered with GPs than are present on the Island, due to administrative reasons such as having left the Island or died. This factor is determined at each census point and has fluctuated at each census point, in 2006 it was 3.4%, 2011 it was 2.9% and in 2016 it was 4.4%. A limitation with this approach is that the factor may change between census periods (as happened between 2011 and 2016) which could lead to an over or under statement depending on the change.

To supplement this dataset and to see whether the GP data is showing the correct trend of growth or decline, additional administrative data is used as a second check of this data. Each of these data sources does not provide a complete picture of the Island's population, so they are used together to indicate whether there is a positive or negative trend.

The school rolls are used to track individual years, or cohorts, as they move through the school system, as the main reason for a change in cohort size will new children joining the group as a result of inward migration, or children leaving due to outward migration.

Other indicators which are also used are the electoral roll, work permits, immigration data and births and deaths. Each can be used as an indicator of trends but has limitations. The electoral roll has a statutory 12 month residency requirement, work permits has a number of exemptions for sectors which the Island is targeting for growth and immigration data only relates to those who come from outside of the EU.

Options for change and improvements

In the short term, there is limited improvements that can be made to the existing suite of data that is used.

³ 2016 Isle of Man Census Project Review and Recommendations for Future Censuses, June 2017, <https://www.gov.im/media/1356958/2016-isle-of-man-census-project-review-and-recommendations-for-future-censuses.pdf>

In the medium to long term, the Smart Service Programme should be able to provide more regular data which can be used to monitor changes in the Island's population. Demographic data is one of the first three projects which are being progressed by the programme⁴.

This should replace the current suite of datasets that are required to estimate population changes and eliminate the need to make adjustments to the data based on ghost factors that may no longer be relevant.

⁴ Smart Services Programme Framework Proposal, GD2019/0017, April 2019,
<http://www.tynwald.org.im/business/opqp/sittings/20182021/2019-GD-0017.pdf>

Passenger Survey

The Passenger Survey is the longest running survey undertaken by Economic Affairs, which started in 1985 and has been operating continuously since then. The survey is an exit survey, interviewing passengers as they depart the Island from either Sea Terminal or Isle of Man Airport.

The core purpose of the survey is to gather quantitative data on the type of passenger, their expenditure, length of stay and their usual place of residence. In recent years the survey has been used to gather data on what activities visitors undertake on the Island, why Isle of Man residents are migrating from the Island and whether business visitors are satisfied with transport links.

Current Process

A number of changes have and will be implemented to how the passenger survey is operated, which will be highlighted at the end of this section.

Prior to 2018, the passenger survey produced estimates for how many visitors compared with residents were departing the Island, and then further estimated what type of visitors were coming to the Island. There are four categories of visitor:

- Period visitors in paid accommodation (PVPA);
- Period visitors visiting friends or relatives (VFR);
- Business Visitors (BV); and
- Day Visitors (DV)

The survey currently undertakes 40 hours of surveying at each location of the Sea Terminal and Isle of Man Airport, using randomly selected shifts based on departing ferries and planes. Interviewers then randomly sample passengers in the departure areas of each location, selecting every fifth passenger starting from a randomly selected passenger. This results in around 10,000 interviews being carried out every year.

The data from these interviews is then weighted by the known number of passengers that departed during that shift, and then by how many passengers travelled that month, by that mode of transport and destination.

Estimates are compiled on a quarterly basis and reported on annually through the Isle of Man Passenger Survey report.

This methodology has remained broadly the same since the beginning of the survey, with improvements made to the data gathering methods as technology has progressed. However at the beginning of 2018, based on additional data that had not been previously provided, a change was made to the methodology for estimate the number of visitors or residents that depart through the Sea Terminal.

This change involved using passenger origination data provided by the Isle of Man Steam Packet Company. The data they were able to provide showed whether a passenger departing the Isle of Man was on the outward leg of a return journey or was on the return leg of a return trip. Using this data it is therefore no longer necessary to use survey data to estimate how

many visitors are departing the Island, as all those on an outward journey are considered to be Manx residents, and those on their return leg a visitor. For sea passengers, this means that estimates are only undertaken to allocate the visitors into the four types.

This process is currently only undertaken from sea departures as the same information is not yet available from all of the airlines operating out of the Isle of Man Airport. Only one airline was regularly providing this data, prior to the disruption caused by Coronavirus. Whilst this can be used to sense check the data, more data is required to adopt the same process. Discussions are ongoing with the airlines to gain access to this data and to move towards using passenger origination data for both modes of transport.

Changes to the operation of the passenger survey were made to increase the level of interviewing that is undertaken at both locations from 40 hours per month to 20 hours per week.

Economic Affairs are also working with the Department for Enterprise to reduce the total number of surveys that visitors are subject to. There is currently a wide range of surveys undertaken by Cabinet Office (the Passenger Survey), the Department for Infrastructure, Manx National Heritage and the Department for Enterprise. The initial scoping for this exercise suggests that it should be possible to consolidate most of these surveys into one quantitative survey. There may be a need for ad-hoc qualitative surveys which focus on open questions and seeking feedback as the passenger survey is best suited to quantitative data as an exit survey.

However, given the disruption that Coronavirus has caused to travel to and from the Isle of Man and the Passenger Survey has been placed on hold as a result of this. This gives an opportunity to do a full reset on how the survey is undertaken, the questions that need to be asked and how the analysis is being presented.

This will be undertaken in conjunction with the Department for Enterprise and the Visit Agency as the most significant users of the data.

National Income (GDP)

National income estimates for the Isle of Man have been produced annually since 1969/70. The national income accounts provide a measure of the size and growth of the Manx economy. They highlight the changing importance of sectors within the economy and the emergence of new economic activity.

National Income is more commonly known as Gross Domestic Product (GDP) and Gross National Income (GNI). GDP represents the value of all goods and services produced within the Island's economy over a one year period, whereas GNI represents the value of all the goods and services that are owned by Manx residents and companies, including income from other countries.

Current Process

The Isle of Man National Income Accounts are produced using the European System of Accounts 2010 (ESA10) methodology. There are three main methods of calculating a National Income Account:

- Income, which is the sum of corporate profits and earnings of individuals;
- Output, which is the difference between the output and intermediate purchases (which is the purchases businesses make to produce their goods and services); or
- Expenditure, which is the sum off all final expenditure within an economy, including consumer and government spending, imports, exports and capital investment.

In the Isle of Man, data is only available to produce the income measure of National Income, which is primarily derived from Income Tax records for both personal and corporate income. This is the primary reason why there is a time lag between the end of the financial year and the production of that year's accounts. Whilst individuals are required to have filed their returns by October of that year, companies have 12 months and one day from the end of their financial year end to file their return. This means that for companies with a year end of 31 March 2018, they do not have to file their return until 1 April 2019.

The ESA10 methodology requires a number of adjustments to be made to the data received from income tax, which include:

Personal Income adjustments

- Estimates of employer pension contributions for both the public and private sector
- Distribution of benefits of kind across economic sectors

Corporate Income adjustments

- Adding back depreciation to the profits of each company as depreciation is not an 'economic activity'
- Allocating company profits as resident or non-resident based on the Manx ownership of each company's share capital.

As well as these adjustments, the company data is reviewed to ensure that companies have selected the correct economic sector, as this is a self-selection process when making their tax

return and whether there has been any significant changes in profits/losses that need further investigation as to the underlying cause.

There are then a number of technical adjustments and estimates that are included within Manx Sourced Income:

- Employers NI contributions, which are allocated based on personal income of each sector;
- Benefits accruing to under 16s who work;
- The surpluses of public corporations, such as the Isle of Man Post Office, Financial Services Authority, Manx Utilities Authority and Gaming Supervision Commission;
- An estimate of the hidden economy such as 'cash in hand' employment or services. This is allocated across all non-regulated sectors of the economy, with 35% of the estimate allocated to the construction sector;
- An estimate of interest paid by corporations in each sector is added back as interest is not deemed an economic activity; and
- Partnership income adjustment for the economic value generated by unincorporated partnerships.

Once these adjustments have been made, this calculates 'Manx Sourced Income' and then there are a number further adjustments in order to calculate GDP:

- Imputed rent. In order to make sure that GDP can be compared across jurisdictions there is a technical adjustment which seeks to estimate what the cost of a home owner would 'pay to live in their own home'. Whilst this payment does not occur, it is required to make comparisons between countries where home ownership levels are different.
- Government depreciation
- The value of Non-Profit Institutions Serving Households (NPISH). This is an estimate for the value provided to the economy of charities and other non-profit organisations as they are not required to file income tax returns.
- Financial Intermediation Services Indirectly Measured (FISIM). This is an adjustment to take into account the fact that banks or other financial corporations charge implicit fees to customers through the use of the interest rate margin as well as commission and fees.
- ESA10 Adjustments. Whilst most of the adjustments under this methodology have been applied to each economic sector or other technical adjustment, there are some adjustments that do not fit neatly with existing categories. The two adjustments which this line refers to are the value of illegal activities on the Island and the value of research and development undertaken on the Island.

After these adjustments, the Island's GDP can be calculated. To calculate GNI, there are four adjustments to be made:

- Income to/from abroad, which is an estimate of the income owned and earned by Manx residents abroad and income that is attributable to non-Manx residents;
- Net FISIM which takes into account the margin generated by non-resident financial corporations;
- Subsidies and taxes on production such as agricultural and industrial grants and business rates.

Options for change and improvements

There is limited options for changing the way in which National Income is calculated as there is a need to maintain comparisons between the Island and other nations. Larger nations are able to produce regular quarterly GDP estimates because they are able to utilise the output and expenditure methods, however the data to create these estimates come from monthly surveys of businesses and annual spending surveys of consumers.

There are two significant limitations to moving towards these methodologies. Firstly, the Island currently runs the Household Income and Expenditure Survey every five years, which is a significant survey of 1,000 households. However with each successive survey, it has become more difficult to achieve the required sample size of 1,000. In 2012/13, almost 9,000 households had to be contacted (a response rate of 9%), whilst in 2018/19 nearly 20,000 households have been contacted (a response rate of around 5%). Doing such a survey on an annual basis would likely result in a significant drop off in response rates, not only for this survey, but for all other surveys such as the Social Attitudes and Health & Lifestyle Survey, as survey fatigue would become a significant issue.

Further to this, without a significant expansion in the size of Economic Affairs, operating such a survey on an annual basis would require all the division's staff to be dedicated to the operation of the survey, which would negatively affect all the other outputs from the division.

Businesses would also be unlikely to welcome being asked to complete surveys on a monthly or quarterly basis, as the smaller number of businesses on the Island compared with larger surveys would result in the same businesses being asked to take part on the regular basis.

However, whilst trying to implement these two methodologies would provide limited benefit for significant cost, there is an option to produce an earlier, provisional estimate of GDP growth, which could be released in May, followed by a second estimate. This is possible as two data extracts are taken, one in March and one in June. Whilst the March extract is used internally to review which sectors companies have classified as themselves, but this data could be used to produce an initial estimate comparing each March data extract.

Economic Affairs and the Income Tax Division have worked together to produce a new extract for personal income which will allow much greater analysis of the sources of income of the population on the Island. The anonymised extract details the age, gender and all sources of income for each tax payer, which will allow much greater analysis of the Island's personal income sources, such as the mix of income from employment, self-employment, interest, investment income and pensions. The older extract has the total income earned by each type of income which has limited this level of analysis previously.

This analysis does not improve the accuracy of the National Income data, however it does make it more useful for other purposes, such as investigating income inequality, deprivation and sources of income for different parts of society. The only limitation with the data is that it is provided on an individual basis, not at a household level, as the Income Tax system does not collect data in this way and it would be inappropriate to request detailed address data to build this dataset. The data can however be analysed by four digit post code which can be used in deprivation studies.

Changes to be implemented

The following changes will be made to the National Income data:

1. Produce a provisional estimate based on the March data extract by June of each year;
2. As part of the second estimate produced using the June data extract, provide detailed personal income analysis which shows income distribution, income by source and incomes by age and sex.

Implementation – October 2021 with publication of 2019/20 National Income Accounts.

Earnings Survey

The Isle of Man Earnings Survey has been in operation since 1989 and is the second longest running survey that the division undertakes. The survey is the equivalent of the UK Office for National Statistics' (ONS) Annual Survey of Hours and Earnings.

The survey produces estimates of median and average earnings of full time, part time and zero hour employees, along with hours of work, by economic sector and whether they are in a manual or non-manual occupation. Whilst the survey is of employee's earnings and hours, the data is obtained through contacting employers, therefore the results only relate to individual jobs and not to total earnings of a person.

The survey is compulsory for employers as it is conducted under the Statistics Act 1999.

Current Process

The Earnings Survey results are based upon a random sample of employees taken from Income Tax records. The previous years the sample has been around 1,500 employees, however in 2018 this was increased to 2,500 in order to allow more granular analysis to be undertaken whilst maintaining an appropriate standard error (which is a measure of confidence in the accuracy of the data).

The survey requests data relating to the pay period which included the second Tuesday of June. This is used as a constant reference point in order to avoid seasonal impacts of various industries which may have different hours at different points during the year. The survey asks the following questions about each employee:

- Age
- Sex
- Description of occupation
- Length of employment
- Whether the employee is a permanent member of staff
- The pay period which applies to the employee i.e. are they paid weekly, monthly etc.
- Hours of work
- Whether the employee is full time, part time or on a zero hours contract
- Earnings during the pay period, split by basic pay, over time, incentive payments and any other pay
- Whether the employee is on trainee rates
- Whether the employee's pay has been impacted by absence, such as sick leave or unpaid leave.

The survey starts in August and employers are given until the end of September to respond to the survey. Where possible, contact is made via email, through the email addressed used by the employer for Online Services. In all cases however, employers are encourage to use the online return form, with the option of a paper return. A chasing process is undertaken through to November, when a final notice is issued to any outstanding employers. Non-compliance can result in referral to the Attorney General's Chambers with the end result potentially being a fine of up to £5,000.

The returned data undergoes a data cleaning process with various queries raised with employers, which typically involves a clarifying that the pay period being stated as monthly whilst the hours of work are weekly, for example. Once the data has been cleaned and coded, the analysis is undertaken for all three types of employment, although the report focuses on those in full time employment, although the same tables can be produced for part time and zero hours contracts.

Options for change and improvements

There are four areas for improvements and changes that can be implemented for the Isle of Man Earnings Survey.

Firstly, the timescale for delivery of the report could be shortened considerably. The current process gives two months to return the data, followed by three chasers (including the final notice) over a period of 3 months. The response time for surveys of this type in other jurisdictions is considerably shorter, such as the UK and Jersey who only give employers a month to respond.

The analysis of the data is the shortest part of the process, therefore if the data gathering phase was undertaken in a shorter period of time, then the report could be produced closer to the reference date in June, making the data more timely and relevant for policy development. This could be achieved by changing the response period to a month and reducing the number of chasing letters down to two letters including the final notice.

The second improvement that could be made to the survey would be to use the occupational description to produce more detailed information over and above the manual and non-manual classification. This classification would be maintained so that historical comparisons could continue to be made, but the descriptions provided by employers would allow for high level occupational coding. It is not proposed that the full Level 4 Standard Occupational Coding (SOC) be utilised, as the sample size is not large enough to make this worthwhile. However SOC Level 1 would be possible with the sample size of the survey, which would categorise employees into:

- Managers, directors and senior officials
- Professional occupations
- Associate professional and technical occupations
- Administrative and secretarial occupations
- Skilled trades occupations
- Caring, leisure and other service occupations
- Sales and customer service occupations
- Process, plant and machine operatives
- Elementary occupations

This additional analysis would be useful for policy development as apart from the census, occupational data, for the whole economy, is not available from any other source within Government, as it has no need to collect it as part of its existing processes.

The third area of improvement that could be made to the survey to improve the data that it collects is that add an additional question that asks how many days leave each employee is entitled to. At the moment there is no data collected at all by Government regarding the

amount of leave that is taken by employees. This data would help to provide a greater understanding of the labour market on the Isle of Man and is not a question that will place a significant additional burden upon the employer.

The final change to the Earnings Survey would be to present more tables about those working in part time or zero hour contract employment. Currently the report focuses on those in full time employment, with a table on average earnings and hours worked for part time and zero hour contracts included. The analysis that is presented for full time workers is available for those in other forms of employment, and given the growth of zero hour contracts, there is likely to be value in providing this data up front (the analysis has always been available upon request). Some of the tables, such as average earnings by economic sector may not be reproducible for part time and zero hour contracts as the sample size is smaller than full time, therefore the level of confidence that could be placed in such granular information would be much reduced.

Changes to be implemented

The following changes will be made to the Earnings Survey:

1. Shorten the response period, with two chasing letters (including the final notice) to improve the pace at which the report can be produced to make it more timely;

Implementation – July 2020

2. Whilst maintaining the manual and non-manual dataset, coding the occupation response into the nine Level 1 SOC classifications to provide more in depth detail about the Island's labour market;

Implementation – Earnings Survey 2020 report

3. Add an additional question on the number of days annual leave that the employee is entitled to; and

Implementation – 2021 Survey

4. Produce more data tables on those in part time and zero hour contract employment.

Implementation – Earnings Survey 2020 report

Social Attitudes Survey

The Social Attitudes Survey is one of the newest pieces of research that the Isle of Man Government undertakes and began in 2016. The survey is designed to provide feedback on a wide range of issues which impact upon people's lives and helps to provide useful information for policy development and the measuring of policy success.

The Social Attitudes Survey is used extensively throughout the Programme for Government to measure changes in the National Indicators.

The survey is conducted through quota sampling in order to ensure that the sample is representative of the population, however because of respondent self-selection, the results of the survey cannot necessarily be assumed to be representative of all Isle of Man residents.

Current Process

The methodology for the Social Attitudes Survey is relatively simple in terms of organisation and data collection. There is a core set of questions which will always be included within the survey in order to establish trend data and to analyse attitudes by different types of variables, such as age, gender, income and home ownership. The core dataset is also made up of questions that are needed to monitor the Programme for Government.

After this core dataset, it is intended that the survey can be used for topics of interest in a given year. For example in previous years, attitudes towards Health and Social Care which were used in the recent Health and Care Review, green energy tariffs and domestic abuse. The survey did have a range of health and lifestyle questions in, however to avoid duplication of results, these are now within Public Health's Health and Lifestyle Survey, although some limited health questions are still included.

A month prior to the launch of the survey an internal call for question topics is made, with requests then reviewed as to whether they can be included within the survey. In order to ensure that the survey does not become overbearing, not all topics may be included within a given year's survey, dependent on the need for the information and whether it is suitable for inclusion or should be gathered through another method.

The survey is made available online through www.gov.im and paper copies are distributed around various locations on the Island, such as libraries, commissioners offices and charities. Promotion is undertaken through press releases and the Government's social media channels.

The responses are then weighted against the known variables of age and sex based upon the 2016 Isle of Man Census results.

The public report includes the results of each question, usually with further analysis based on where opinions or attitudes vary significantly by age, sex, household income or another variable. Where requested by departments, bespoke reports and presentations are produced on areas of interest to that department and additional analysis is provided to any others that may request it.

Options for change and improvements

The main option for change with the Social Attitudes Survey would be to move undertaking the survey using a different sampling process which will allow for the survey to be more representative of the population.

Changes to be implemented

Investigate the feasibility of changing the methodology of the 2021 Social Attitudes Survey which is due to be held in May 2021.

Business Confidence Survey

The Isle of Man Business Confidence Survey is the newest piece of research that Economic Affairs conducts, having started in October 2017. The survey runs every six months as intended to act as a barometer of economic performance. It is also used to investigate businesses opinions on a range of topics.

The Business Confidence Survey supports the monitoring of a number of national indicators within the Programme for Government and is also used to test policy development in a range of areas. It provides feedback from various parts of the economy on what factors are helping or hindering business growth within the economy which can then be further investigated.

Current Process

The Business Confidence Survey is a sample survey based on a two stage sampling method, using number of employees, and is conducted every six months. Any employer with 50 or more employees is automatically selected to be part of the sample. Employers with less than 50 employees are then randomly selected to bring the total number of businesses sampled up to 500 employers. The sample is selected from a list of employers provided by the Income Tax Division on a quarterly basis.

The question set for the survey is designed in a similar way to that of the Social Attitudes Survey, with a core set of questions which are asked in each survey and then topical sections which are used as and when issues arise. Topics such as the Living Wage, parental leave, employment of people with disabilities, flexible working and cyber security have been included in previous surveys.

The survey itself is based on the methodology of the European Commissions methodology for undertaking national business surveys⁵ with the core question set designed to be consistent with that methodology. The survey is undertaken as online by default, with an option to request a paper copy as required.

The responses to the survey are then weighted by the number of employees in that sector, and then of that sector compared to the whole economy.

The report is presented in five broad sectors of the economy of Manufacturing, Services, Retail/Wholesale, Construction and Financial Services, this is consistent with the European Commission guidance, although Financial Services has been separately split out from services due to its importance to the economy. The response rate for the business confidence survey is around 40%, which is similar to that of other surveys of this type. However as the Island's economy is split into 24 sectors, it is not large enough to provide results for every sector and most business confidence surveys do not go to this level of detail unless they are industry specific.

With the exception of continually looking to improve the response rate of the survey, which is something that Economic Affairs looks to do with any of its surveys, there is limited scope for improvement with the Business Confidence Survey at this stage. Feedback from various users

⁵ Business and consumer surveys, European Commission, https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/business-and-consumer-surveys_en

of the data has been positive, with the main request to provide more detailed information on specific sectors, which is limited due to the response rate.

The Statistics Act 1999 could be invoked for this survey, making responses compulsory; however making response compulsory is usually only considered when a survey is of significant importance. For example, the Earnings Survey makes use of this because the results of that survey are involved in pensions, the minimum wage and other policy areas.

As the Business Confidence Survey is not intended to be used in this way it would be inappropriate to invoke the Statistics Act and compel companies to respond. The most appropriate way to improve the response rate for this survey is to ensure that the uses and benefits of the survey are widely publicised which will encourage businesses to take part, if they see a reason to do so.

In the short term, the business confidence survey may be suspended and replaced with a quarterly, short form survey for the purposes of economic monitoring as part of the Economic Recovery Group.

Labour Market

The Labour Market statistics are a dataset which only exist within the Quarterly Economic and Statistical Update which is produced every quarter. It is data produced using administrative data provided by the Income Tax Division on the number of jobs, employment and self-employment.

The datasets that are included in the quarterly report are:

- Jobs by economic sector, time series;
- Size of employer by economic sector, current quarter only; and
- Work permits and National Insurance numbers issued to foreign nationals.

A data series is also being developed on how many people have more than one job which will be included from quarter 2 of 2019 as 12 months of data will be available, meaning that comparisons can be seen rather than in isolation. The same will also be available for self-employment.

Current Process

As the data is produced from administrative sources, both from the Income Tax Division, the process for their production is relatively straight forward. The data is produced through pivot table analysis of the extracts, with the exception of work permits and national insurance numbers which the respective divisions provide directly.

The extract that is used for these statistics has recently been improved to provide more data. As with the National Income personal income extract, the extract used to only provide summary statistics by economic sector, whereas the new extract provides the underlying data, in an anonymised format, with additional details per job such as sex, age and four digit postcode.

The extract also has a unique identifying key, which is a randomly generated string but remains the same whilst a person has an Income Tax record, although it is not possible for Economic Affairs to tie this key back to a specific person. This allows the multiple employment analysis to be undertaken and can also be used to further analyse which sectors are most common to having multiple employment. It can be used to provide analysis on how many people are continuing to work whilst in receipt of an occupational pension or how many people have taken early retirement (compared to the state retirement age).

Options for change and improvements

The main improvement that can be made in respect of this data is to publish more of the analysis in an Open Data format. Currently two of the datasets are only published showing the current quarter only, which due to the data is suitable for the report, but could be made more accessible as part of the Open Data datasets that are published. This would allow others to undertake comparative analysis without having to access each report individually and copy the data from that report.

Changes to be implemented

The following change will be made to the Labour Market data:

1. More data series will be made available in Open Data format to allow for easier analysis by external parties.

Living Wage

The Living Wage is a rate of pay which is based upon the cost of living for different household types. The baskets of goods and services for these different household types are created by focus groups who, through a consensus approach, decide what is needed for a household to fully take part in society. The cost of these baskets is then used to determine what rate of hourly pay is required to afford this.

The Living Wage is separate to the National Minimum Wage, as it is a voluntary rate of pay that employers can choose to adopt if they are able to. The UK Government changed the name of the National Minimum Wage for over 25 year olds to the 'National Living Wage' although it is not calculated in relation to any cost of living.

The Isle of Man Living Wage was first published in October 2017, with a view that another body, potentially from the Third Sector, would take it forward so that it had independence from Government, who are also responsible for setting minimum wage rates. Whilst efforts were made to encourage this, it was not taken forward and therefore Government has committed to continuing to calculate the Living Wage, published in March of each year, which began in 2019.

Current Process

The baskets of goods and services are produced by the Centre for Research in Social Policy (CRSP) at Loughborough University and are adopted for use in the Isle of Man as there is not considered to be any significant difference in consumer habits that would require bespoke Isle of Man baskets.

However, additions are made to the baskets to reflect the additional costs of living on an island, such as greater travel costs to get to the UK for a holiday and extra delivery charges that can be charged for goods purchased online.

The focus groups that CRSP conduct are made up of individuals from the particular household type that is being investigated, selected from a wide range of backgrounds and income levels, who then decide upon all the goods and services that a household of their kind should have.

This focus group exercise is undertaken every four years for each different household type to update the baskets so that they reflect societal changes and expectations. Any changes to the baskets are then incorporated into the Isle of Man calculation as soon as the data is available.

These baskets of goods and services are then taken, with the Isle of Man additions, and prices are collected for all of the goods and services for 7 different household types:

- Single male
- Single female
- Couple with no children
- Single parent with one child
- Couple with one child

- Couple with two children
- Couple with three children

The CRSP produces baskets for a wider range of households than this, however based on the 2016 Census results, these types of households account for a significant majority of the Island's households.

The weekly cost of these different households are then converted into hourly rates, based on all adults in the household working a 37.5 hour week, and these hourly rates are then weighted by the proportion of the population they represent. This then gives a single hourly rate which is known as Living Wage. This is the same process which is undertaken for calculating the UK Living Wage.

Alongside the headline Isle of Man Living Wage hourly rate, the weekly household budgets for each household type are also published, alongside a comparison to the UK. This provides the best comparison of the cost of living on the Island and the UK as it is a like for like comparison of the same goods and services.

The 2019 Isle of Man Living Wage also introduced household budgets for additional household types which are not included in the Living Wage calculation itself, such as pensioners, but provide useful comparisons.

Options for improvement and change

The main option for change would be to undertake the focus group process with Isle of Man residents of each household type, using the CRSP baskets as the basis of discussion.

However, undertaking the breadth of focus groups to ensure that the baskets were representative would be a significant task and may not result in any significant changes to the baskets that would materially alter the calculation, particularly as costs such as travel to the UK have already been added.

The CRSP is working to expand its range of baskets to other types of households, such as incorporating the extra cost of disability. These have so far focussed on sight impairment and deafness but it may be possible to add to these by working with Isle of Man charities and organisations to understand what extra costs are faced by those with different kinds of disabilities.

Changes to be implemented

Investigate the extra cost of disability for different types of disabilities, where possible working with the Centre for Research in Social Policy and local Third Sector organisations.

Summary of changes

Inflation

1. Where a product or service has multiple providers, at least three prices from two suppliers will be collected for that item;
2. Improved presentation of the existing data to assist users in understanding which categories within the basket are having an impact on inflation each month;
3. Investigate the introduction of household specific inflation indices, such as pensioner and low income based on the results of the 2018/19 Household Income and Expenditure Survey.

Unemployment

4. Additional data analysis based on the claimant-count will be released in Open Data format.

Housing Market

5. Subject to the implementation of the new Land Registry system providing the data, the housing market data will be move to being a weighted, by bedrooms, average calculation.

National Income (GDP)

6. Produce a provisional estimate based on the March data extract by May of each year;
7. As part of the second estimate produced using the June data extract, provide detailed personal income analysis which shows income distribution, income by source and incomes by age and sex.

Earnings Survey

8. Shorten the response period, with two chasing letters (including the final notice) to improve the pace at which the report can be produced to make it more timely;
9. Whilst maintaining the manual and non-manual dataset, coding the occupation response into the nine Level 1 SOC classifications to provide more in depth detail about the Island's labour market;
10. Add an additional question on the number of days annual leave that the employee is entitled to; and
11. Produce more data tables on those in part time and zero hour contract employment.

Social Attitudes Survey

12. Investigate the feasibility of changing the methodology of the 2020 Social Attitudes Survey which is due to be held in May 2020.

Labour Market

13. More data series will be made available in Open Data format to allow for easier analysis by external parties.

Living Wage

14. Investigate the extra cost of disability for different types of disabilities, where possible working with the Centre for Research in Social Policy and local Third Sector organisations.



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