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Measuring Tourism Locally
Guidance Note Five: Measuring the Supply Side of Tourism

Sean White, Tourism Intelligence Unit

1. Introduction
This is the fifth guidance note produced as part of a series by the Tourism Intelligence Unit at ONS with the aim of providing a consistent framework within which to measure and collect data on various facets of tourism activity. In particular the guidance notes are aimed at those tourism officials operating at the sub-regional and local scales within the UK. The guidance notes produced to date are:
- Guidance Note 1: Definitions of Tourism
- Guidance Note 2: Local Economic Impact Modelling Approaches
- Guidance Note 3: Undertaking Visitor Surveys
- Guidance Note 4: Tourism Benchmarking and Performance Indicators
- Guidance Note 5: Measuring the Supply Side of Tourism

This guidance note relates to the measurement of the supply side of tourism. It is crucial that this guidance is referred to by users when undertaking data collection or analysis relating to the supply side of tourism at the local level.

A key aim of these guidance notes is to assist in putting in place a consistent set of data relating to the tourism sector at the local authority level. In this sense the guidance seeks to develop a consistent ‘bottom up’ approach to data collection across the various aspects of tourism that the guidance covers, in this case supply side measurement. Adopting this approach would ensure more comparability across areas which will be useful for planning purposes. It would also make feasible a more consistent approach to local economic impact of tourism analysis to be undertaken if local authorities are collecting tourism data following a consistent framework.

It is important that this guidance is seen in combination with the Partners for England Place Making Charter. The Charter promotes continuous quality improvement and provides a core set of principles (integrate; inform; innovate; invest and improve) to be championed by stakeholders in a destination - recognising that places are unique. By signing up an organisation is agreeing to champion excellent destination management in their area and identify where delivery responsibilities lie.

In summary the key aims of “Place making – a Charter for Destination Management” are:
- Awareness – to influence prioritisation by national and regional bodies, local authorities and businesses
- Clarity – roles and responsibilities of key players
- Focus – on destination management and place-shaping
- Partnership – encourage and foster collaboration in a fragmented sector
- Improvement - drive continuous quality improvement

The guidance notes produced here can contribute to this drive towards quality improvement and given the move towards localism these guidance notes on measuring tourism locally are particularly timely.

This guidance note has the aim of outlining various methods for measuring data on occupancy levels in the accommodation sector, and, secondly, to outline potential sources of information for analysing the tourism industries.

2. Accommodation Analysis

It is important that accommodation is classified in such a way that the information contained can be appropriately linked to the data obtained on the demand side. We have already seen how this classification can be broken down into different categories of accommodation as shown in the following table. Any analysis of the accommodation sector should take into account the following categories where possible.

- Hotels and similar accommodation
- Youth hostels
- Recreational vehicle parks, trailer parks and camping grounds
- Holiday centres and villages
- Other holiday and other collective accommodation
- Other accommodation
- Rented Accommodation (short term holiday lettings)
- Second Homes

Accommodation services are provided, either on a commercial (market) basis, that is as a paid service; or on a non-commercial (non-market) basis, either, as a service provided without charge by family or friends, or on own-account (owner-occupied vacation homes).

The accommodation units provided can take many forms; fully serviced and furnished guest rooms or suites; completely self-contained units of one or more rooms with kitchen, with or without daily and other regular housekeeping services. They can consist of shared accommodation units such as in youth hostels. The services provided may include a range of additional ones such as food and beverage services, parking, laundry services, the use of swimming pools, exercise rooms, recreational facilities and conference and convention facilities. One or more of these characteristics can be chosen for setting up market segments.
In many cases surveys of accommodation establishments are the most important information source on supply as it normally relatively easy to obtain. In a more detailed regional breakdown the data of the accommodation statistics are most frequently the only source of information on tourism flows. To depict tourism flows the number of arrivals and nights spent are the most used indicators. Of these two, nights spent are more appropriate to reflect the performance of the accommodation industry and the impact of the tourists stay for the place visited as this indicator takes into account the full effect of the duration of the stay. Dividing the number of nights spent by the number of arrivals provides the average length of stay which can be used as an analytical indicator to offer additional information on the kind of tourism in a country or region.

The following variables are most frequently used to describe the accommodation capacities:

- Months operating in the year;
- Number of rooms or accommodation units (gross, net) (the net indicator takes into consideration the fact that rooms might not always be available for guest accommodation);
- Number of bed places (gross, net) (the net indicator takes into consideration the fact that bed places might not always be available for guest accommodation);
- Occupancy rates (gross, net) by rooms or accommodation units (an indicator to be associated with revenue per room);
- Occupancy rates (gross, net) by bed places (an indicator to be associated with flows of visitors);
- Revenue per available room (REVPAR).

At present, the main source of occupancy data in the UK comes from the UK Occupancy Survey. This aims to monitor the monthly bed and room occupancy for the serviced and non-serviced accommodation industries. It is commissioned by the National Tourist Boards of England, Northern Ireland and Scotland and by Visit Wales (part of the Welsh Assembly Government) and supported by the Department for Culture, Media and Sport.

The types of accommodation included are those defined by the EU directive as tourism statistics relating to accommodation, ones which are arranged in rooms and have bed-making and cleaning services provided. However, with the exception of Northern Ireland, the establishment defines which type of accommodation it is (eg, hotel, motel, guest house, bed and breakfast). This may lead to definitional issues. Northern Ireland, on the other hand, has types of accommodation clearly defined, and as a result has an accurate record of accommodation stocks.

In the published reports, there is a regional breakdown between England, Northern Ireland, Scotland and Wales. The frequency is monthly, and can even provide details of occupancy rates between weekends and weekdays.

A key dimension in assessing the performance of the tourism sector at a more local level is ongoing measurement of accommodation occupancy levels. This activity is important for a number of reasons:

- The data is needed for broader occupancy surveys to establish regional and national levels of occupancy.
Individual destination accommodation occupancy levels help to establish the appeal and attractiveness of a destination at a given time and provide a baseline against which improvement can be measured.

Comparison with other similar destinations’ occupancy levels can identify whether a particular destination is over- or under performing against regional/national trends.

### 2.1 Accommodation Audit – Establishing the ‘Universe’

A recent guidance note from DP:UK sets out in a logical form the steps required to undertake an analysis of accommodation at the local authority level (DP:UK Advice Sheet 14, 2009). To compile an accommodation database or update an existing database you will need to undertake an accommodation audit to establish the level of accommodation stock in your area – the ‘universe’ or ‘survey population’.

There are several ways of doing this and the data can be obtained from a number of sources as detailed below:

- **Internet** – with more people now using the Internet to book accommodation, a high proportion of accommodation providers have their own websites. The internet is a useful tool for plugging any gaps in existing data and for populating the database with any missing establishments via websites such as Yell.com.

- **Visitor/Tourist Information Centres (VICs/TICs)** – these should also hold details of accommodation providers and again can be used to update/populate the database as necessary.

- **Other Local authority departments such as Planning or Environmental Health along with other public bodies such as the Chamber of Commerce.**

It is also important that efforts are made to include non-registered establishments in the database, as both registered and non-registered accommodation should be included in your occupancy survey to fully reflect the levels of tourism activity within the accommodation sector in your area.

Most databases represent a continuum and they become out of date as soon as you have compiled them. This is particularly the case with tourism businesses where registration of accommodation is not compulsory in England, Scotland and Wales. Indeed many businesses open or close without the relevant local authority or tourism body being aware that this has happened. It is therefore important that accommodation audits are carried out at least once a year to keep the data refreshed and up to date (DP:UK Advice Sheet 14, 2009).

Once you have established your database, this information can then be used to recruit accommodation providers into your survey, which is known as the recruited sample.

### 2.2 The Scope of an Occupancy Survey

The main purpose of an occupancy survey is to estimate the levels of occupancy of tourist accommodation. In a serviced accommodation context this includes hotels, guesthouses and bed and breakfast establishments. In general terms the survey is based on a recruited sample of accommodation operators who are asked to supply data for each month about their nightly occupancy levels – the recruited sample.
Initially, the first recruitment exercise undertaken should be sent to all establishments listed on the compiled database. This will give you a starting recruited sample. Once establishments have been recruited into the survey, you can do further ‘target’ recruitment to increase the number of particular types of establishments, sizes of establishment or location of establishments to ensure that the structure of the recruited sample reflects that of the survey population. For example, if you have a high proportion of 1-3 room establishments taking part in the survey, but a small sample of 26-50 room establishments, a more targeted recruitment exercise can be undertaken specifically aimed at this size of establishment. Similarly if you have a high proportion of B&Bs in the survey population, but a smaller proportion of guesthouses, a further recruitment to guesthouses in the area can be undertaken.

Surveys for self-catering and caravan and camping establishments can also be undertaken, based on a variation of the inputs and outputs identified below.

2.3 Collecting the Data

The information to be collected for your occupancy survey falls into the following types:

- Profile information: about the establishments taking part in the survey
- Monthly data: this gives details of the availability and nightly occupancy of the participating establishments during each month.

Profile Information

When the sample is recruited at the beginning of the survey or when new participants are recruited throughout the survey, profile information is collected for each participating establishment. This information is used to create a profile database which helps with the day-to-day running of the survey and provides the basis for analysing the monthly data to produce the monthly occupancy rates. The following profile information is required so that occupancy rates can be calculated for the specified analysis categories.

- Establishment contact details – including name, address, telephone, fax and email address
- Number of rooms available
- Number of bed spaces available
- Type of location (for example)
  - Large city/large town
  - Small town
  - Countryside/village
  - Coastal
- Type of establishment (for example)
  - Hotel/Motel/
  - Guesthouse/Inn/Farmhouse
  - Bed and Breakfast
- Tariff – daily rates for B&B, DB&B or room only
- Quality grading
- Months open/closed
It is important also to ensure you record the number of rooms and bedspaces available at each establishment.

**Monthly data**
The monthly data can be collected from participants via an on-line survey or a monthly postal data form. Both methods collect the same data. The on-line survey requires the individual participants to input their own data into the system, daily, weekly or monthly and should be the preferred way of collecting data. However, in some instances it may be necessary to collect data via a postal survey which requires a form to be sent out to each establishment at the beginning of every month, completed during the month and then returned at the end of the month. This data is then inputted into the system.

Part of the process includes reminding any participants who have not returned data for the month, usually by telephone, email or post. Most occupancy surveys that are now undertaken across England use an on-line survey to collect occupancy data.

The data collected by both an on-line and postal monthly form includes:

- total number of UK guests arriving each night;
- total number of overseas guests arriving each night;
- total number of UK guests staying each night;
- total number of overseas guests staying each night;
- the total number of rooms occupied each night;
- maximum number of bedrooms available each night
- maximum number of bedspaces available each night (one double bed=2 bedspaces);
- maximum nightly tariff for bed and breakfast

If required, data may also be collected about the number of business/leisure guests arriving each night.

**2.4 The Sample – ‘recruited’ and ‘analytical’**
As indicated above, those operators contacted and who have agreed to take part in the survey are known as the recruited sample. However, not everyone in the sample returns data every month (for a variety of reasons) and so the monthly analysis is run on a sub-sample of the recruited sample. This is known as the analytical sample. The size and nature (representativeness) of this monthly analytical sample determines the reliability of the survey results.

The larger the sample, the more reliable the survey results will be. If estimates of occupancy are required for a small sub-section of the survey population (e.g. within a single area or within selected tariff bands) then it is the number in the sample within each of these categories that matters.

The reliability of the results can be ascertained by calculating a statistic called the standard error. This indicates how accurately the occupancy rates from the survey reflect the rates for all serviced accommodation.
2.5 Analysing the Data

As stated above, not all participants return data each month; therefore it is not possible to ensure that the analytical sample is representative of the survey population every month. To counteract this, a process called weighting is undertaken and forms an important part of the data analysis. This uses information about the sample and the survey population to adjust the data before the final calculation of occupancy rates is undertaken.

The process of analysing the monthly data involves the following steps:

i) Checking the figures on the monthly data forms

ii) Processing the data to obtain monthly, weekend and weekday totals

iii) Weighting the data

iv) Calculating the occupancy rates for a range of categories

The monthly occupancy rates produced can include room and bed space occupancy levels, overseas occupancy, average length of stay (both UK and overseas), weekend/weekday occupancy and, where the data collected allows, business occupancy levels.

These are split into net and gross occupancy rates, the net being the average occupancy of bed spaces or rooms which are available for letting each night and the gross being the average occupancy of those which exist, whether or not they are actually available each night.

2.6 Quality Control of Data

There are three potential issues concerning turnover and data quality. These are:

- The quality of data received from operators.
- If a postal survey is in operation then the quality of data inputting would need to be monitored to ensure a continued high quality of - and consistent approach to data inputting by any in-house data entry staff
- The turnover of establishments - If the sample is large enough this should not necessarily be an issue. However, where the sample is smaller and establishments “dip in and out” of the survey, it can then have an influence in skewing data and creating an inconsistent picture.

There are a number of solutions to minimising the potential error from these sources:

- System quality controls - the system used should have built-in quality controls to prevent inputting errors. This makes it impossible for incorrect data to be inputted. For example, this will highlight certain error scenarios to the participant entering the data. These include:
  - more rooms let than are available in the establishment;
  - more overnight stays (occupied bedspaces) than there are bedspaces available etc
- Undertaking a follow-up with establishments that are not responding. Telephone follow-ups are far more effective and help to build a relationship between the survey participant and the contractor.
2.7 The Concept of ‘Weighting’

Occupancy surveys use the occupancy rates from a sample of establishments to estimate the rates for the whole survey population: i.e. all serviced accommodation stock. The sample is not a random sample; it is self-selecting: i.e. accommodation operators themselves decide whether to be in the sample or not. Because of this, it is likely that some categories of establishment will be under-represented in the sample and some over-represented. For example, if large ‘chain’ hotels are reluctant to provide this type of information, they may be under-represented in the sample.

To compensate for this possible lack of ‘representativeness’, the data should therefore be ‘weighted’ before the final calculation of occupancy rates is made.

For under-represented categories, weighting increases the impact on average occupancy rates of data from these establishments. For over-represented categories, weighting decreases the impact on the average occupancy rates.

It is necessary to calculate weighting factors each month because the sample of establishments which actually supply data varies from month to month.

One way of achieving this would be by weighting establishments on the basis of their size relative to the average establishment size within a survey population. For example, if establishments in the 1-3 room size band made up 30% over the overall population but made up only 15% of the sample, they would have a weighting of 2. If establishments in the 4-10 room size band made up 20% over the overall population but made up 40% of the sample, they would have a weighting of 0.5 (DP:UK Advice Sheet 14, 2009).

2.8 Accuracy of the Results – the ‘Standard Error’

Occupancy rates calculated for the survey sample are used to estimate the rates for the survey population (all serviced accommodation stock). No matter how representative the sample may be, the occupancy rates for the sample may be slightly different than those for the survey population.

Occupancy samples are not random – they are self-selecting and like all self-selecting samples there will be a degree of bias in the sample. There are therefore no reliable measures of assessing the overall accuracy of data. However, the use of the ‘standard error’, while not strictly statistically appropriate, is a possible mechanism for assessing margins of error – but it should only to be used as an indicative measure.

As highlighted, occupancy is a measure of the number of bedspaces occupied and as such the number of bedspaces within a sample is more likely to determine the representativeness of the sample rather than number of establishments.

As an example, if the survey population was 20 establishments, then the number of establishments required would be approximately 80 per cent to give a margin of error of +/- 5%. However, if one examines the number of bed spaces then three or four establishments may represent 80 per cent of bed stock for that population. While we would not be confident that these establishments represent the average establishment occupancy, we would be more confident that they represent the overall occupancy of that survey population.
For a random sample, the standard error for occupancy rates depends on the sample size and the variation in occupancy rates from one establishment to another.

2.9 Survey outputs

In Appendix One a sample survey questionnaire is shown which may be adopted (derived from DP:UK guidance note 14, 2009).

Undertaking a survey adopting the process suggested can allow the data to be used to:

- deliver an evidence base to inform business development activities
- provide outputs to feed into regional economic impact work, and
- feedback relevant and timely data to businesses.
3. Other aspects of the supply side of tourism

It is difficult to determine a set of standard industrial classifications for tourism. This is because the tourism sector comprises elements or activities drawn from a variety of different sectors, DCMS and ONS have previously agreed a definition of ‘tourism related industries’ at the Group level (3 digits) which was widely adopted based on SIC2003 codes, as follows:

- SIC 551 Hotels
- SIC 552 Camping sites and other provision of short stay accommodation
- SIC 553 Restaurants
- SIC 554 Bars
- SIC 633 Activities of travel agencies/tour operators; tourist assistance activities not elsewhere classified
- SIC 925 Libraries, archives, museums etc.
- SIC 926 Sporting activities
- SIC 927 Other recreational activities

Although this definition of the tourism industries has been widely used it is important to note that there have been developments at the international level in terms of defining tourism industries that it is important to take note of. Tourism industries as defined internationally also coincide with the set of industries adopted within the formulation of Tourism Satellite Accounts so it is important to incorporate such developments into definitions used within the UK.

The complex issue of defining tourism activities has received further attention recently as part of the United Nations Statistical Commission and World Tourism Organisation review and update of the International Recommendations for Tourism Statistics (IRTS, 2008). The supply side of tourism activity and the issue of tourism industry classification is considered in detail and an excerpt is reproduced here for the sake of clarity,

“In supply side statistics, establishments are classified according to their main activity, which in turn is determined by the activity that generates the most value added. As a consequence, the grouping of all establishments with the same main activity which serves visitors directly and is one of the tourism-characteristic activities constitutes a tourism industry” (IRTS, 2008)

Thus each tourism industry is composed of all establishments whose main activity is a particular tourism-characteristic activity and which serves visitors directly. As the classification of an establishment is based on its main activity, establishments having a particular tourism-characteristic activity as a secondary activity should not be included in the tourism industry that is characterized by this activity. For example, if a travel agency service is carried out as a secondary activity by a supermarket then this travel agency service will be part of the total output of the retail trade industry and will not appear as part of the travel agency industry. The activity will only show up as a secondary output of the retail trade industry.

By the same token, many establishments belonging to tourism industries have secondary activities that are not tourism-characteristic or have other tourism characteristic secondary activities. Tourism industries might produce a mix of different tourism-characteristic products: this is typically
the case of the hotel industry that also has an important activity as provider of food and beverage serving services”. (IRTS, 2008 p. 55)

The IRTS also lists tourism characteristic activities and grouping by main categories according to International SIC codes. Work undertaken by the TIU has adapted this list of tourism industries highlighted in the IRTS to the latest version of the Standard Industrial Classification (SIC 2007) in the UK onto the ISIC four digit codes for each industry. This has been achieved in conjunction with the Business Register team within ONS who are currently undertaking this process across a range of sectors. The list of industries produced in following the ISIC rev.4 classification of tourism industries is shown in Table 1. The table displays the four digit ISIC codes and the corresponding SIC2007 codes and descriptions at the five digit level. One of the key differences to previous definitions employed is the inclusion of various transport industries within the definition.

Table 1: International definition of tourism related industries defined on the basis of UK SIC07 codes (5Digit).

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<th>Industry</th>
<th>SIC 2007 code</th>
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<td>Railway passenger transport</td>
<td>49100</td>
<td>Transport equipment rental</td>
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<td>Road Passenger transport</td>
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<td>Water Passenger transport</td>
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<td>Sporting and recreational activities</td>
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<td>Air Passenger transport</td>
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Sources: Eurostat, OECD and UNWTO

In supply side statistics, establishments are classified according to their main activity, which in turn is determined by the activity that generates the most value added. As a consequence, the grouping of all establishments with the same main activity which serves visitors directly and is one of the tourism-characteristic activities, this constitutes a tourism industry. Thus each tourism industry is composed of all establishments whose main activity is a particular tourism-characteristic activity and which serves visitors directly (IRTS, 2008).
Tourism industries might produce a mix of different tourism-characteristic products: this is typically the case of the hotel industry that also has an important activity as provider of food and beverage serving services. As a consequence, the output of tourism industries might not consist exclusively of tourism-characteristic products, and the output of other non-tourism industries may include some tourism-characteristic products. The main output of tourism industries is by definition tourism characteristic products, but they may also produce tourism connected products and other products. The main output of other industries might be anything other than tourism characteristic products. The total output of any product is the sum of the output of this product from all of the industries in the economy (IRTS, 2008).

The key point to take from this is that we must be clear about what we mean by the term ‘tourism industries’. As we have seen these represent groups of establishments whose main activity is the same tourism characteristic activity. These establishments have to be classified somehow to fit into accounting frameworks and this is based on the activities that they carry out that generate the most value added. From knowing this information we should be able to calculate ‘operating surplus’ for the economic activity of enterprises at or from one location or within one geographical area, for which data are available. Because establishments might have secondary activities, not all production of tourism characteristic products happens within tourism industries; on the other hand, tourism industries also have outputs that are not tourism characteristic products.

3.1 Key Data Sources

Data on tourism-related turnover, Gross Value Added and Employment is provided by the Annual Business Inquiry (ABI) from ONS. ABI estimates cover all UK businesses registered for Value Added Tax (VAT) and/or Pay as you Earn (PAYE), classified to the 2003 or 2007 Standard Industrial Classification headings. The system of SIC classifications is periodically updated, the most recent being 2007. SIC groups businesses into a hierarchy of classifications, by Division (2 digits), Group (3 digits), Class and Subclass (4 and 5 digits).

The businesses selected for the ABI (and preceding surveys) have been drawn since 1994 from the ONS Inter-Departmental Business Register (IDBR). The IDBR covers about 98% of business activity (by turnover) in Great Britain. Each year a stratified sample is drawn for the ABI and thus the data derived is from business respondents returning the questionnaires that are sent out by the ONS. The IDBR also records data from the administrative sources of VAT and PAYE records for all the 3.7m or so businesses. These data relate to the name, location, birth, turnover and employment of the business.

The relation between the two datasets is to some extent circular. On the one hand, the firms for which figures are reported in the ABI are sampled from the IDBR which hence represents the population. On the other hand, some of the figures for employment and turnover which are reported on the IDBR are those estimated in the ABI. The advantage of the IDBR when compared to the ABI is that it has a very large population of firms. The ABI, however, reports figures also for Gross Value Added, making it more appealing for many economic studies.

The ABI is collected in two parts: ABI(1) is an employment record, collected as soon as possible after 12th December. ABI(2) is financial information, which may be submitted up to twelve months after the financial year end. Major variables collected: employment, turnover/output, capital
expenditure, intermediate consumption, gross value added (derived), postcodes, industrial classification, owner nationality, acquisitions and disposals of capital goods. These are released at the 3 digit level and, where available, at the 4 digit level.

### 3.1.1 Sources of data on tourism employment

The United Kingdom uses the following sources for collecting data on employment in the tourism industries (All of these sources are produced by ONS):

- Labour force or other household based sample surveys:
  
  1. Labour Force Survey (LFS)

- Establishment Surveys:
  
  2. Workforce Jobs Survey, as part of the Short-Term Employment Surveys (STEs)
  
  3. Annual Business Inquiry (ABI) is an establishment survey that is also used to benchmark the Workforce Jobs Survey.
  
  4. Annual Survey of Hours and Earnings (ASHE)

ONS measures employment with two types of surveys: household surveys and employer-based surveys. For most industries the number of employee jobs is measured by employer-based surveys, while the number of self-employed is measured by the Labour Force Survey (LFS), a household survey (benchmarked against the Annual Business Inquiry (ABI)). From these figures the number of Workforce Jobs (WFJ) is derived. WFJ is a measure of jobs, not people. In other words, it is possible to have more jobs than the number of people in employment, because some people might have more than one full-time job.

The major source of household survey data used to analyse employment in the tourism industries is the ONS Labour Force Survey. The TIU within ONS are currently analysing this dataset in relation to a set of up to date SIC codes for the tourism sector drawing on international recommendations. This work is being published at the national level in November 2011. Some analysis of the Labour Force Survey is conducted by the Department of Culture, Media and Sport within the UK and this appears in the ONS publication, the Annual Abstract of Statistics.
Appendix 1: Indicative questions for a Monthly Serviced Accommodation Occupancy Survey (derived from DP:UK, 2009)

This survey refers to the month of _________

1. Please indicate if you were closed during the whole month:   Yes/No

2. Please confirm the number of beds and rooms that you normally have:
   
   Beds _______   Rooms _______

3. For this month please indicate the maximum charge for ONE person bed and breakfast (inc. VAT)

   £___________________

4. Please fill in the following table for each day of the month

<table>
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<th>Date</th>
<th>New guests arriving</th>
<th>Total guests staying overnight</th>
<th>No. of rooms occupied</th>
<th>Total no. of bed-spaces available</th>
<th>Total no. of rooms available each night</th>
<th>Total no. of guests staying on business</th>
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References