

A BROADER SNA FRAMEWORK ON WELLBEING AND SUSTAINABILITY

STATE OF PLAY



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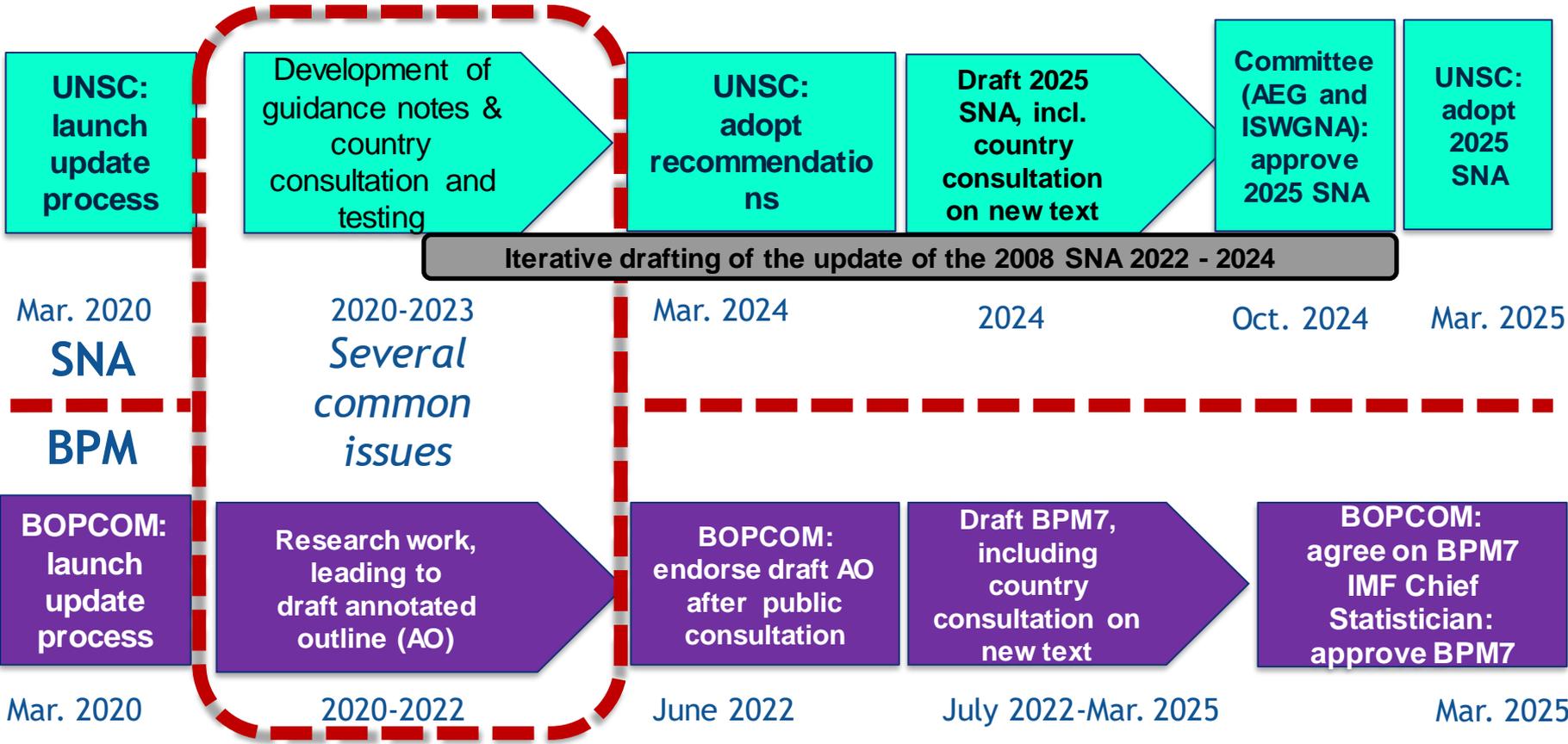
Outline

- **Background**
 - SNA revision process
 - Wellbeing and sustainability in the SNA
 - Progress of the task team
- **Status of SNA guidance**
- **Highlights of guidance in each domain**
- **Development of a broader framework**

SNA Revision process

- **Macroeconomic Accounting Standards** are regularly updated to reflect changes in the economy, i.e. the System of National Accounts, Balance of Payments Manual, Government Finance Statistics Manual, Monetary and Financial Statistics Manual and Compilation Guide.
- **The updates can be categorized into three main groups:**
 - Conceptual updates (i.e. change in what is measured)
 - Methodological updates (i.e. change in how activities are measured)
 - Presentational updates (i.e. change in how results are presented)
- In the past, the updating of the manuals was done somewhat independently with a 'reconciliation' towards the end of the process.
- Key principles this round include **coordination, cooperation and consistency**.

The update process



SNA revision process

Task teams have been setup on various topics to draft guidance notes, focusing on the need for **clarification, interpretation or change**.

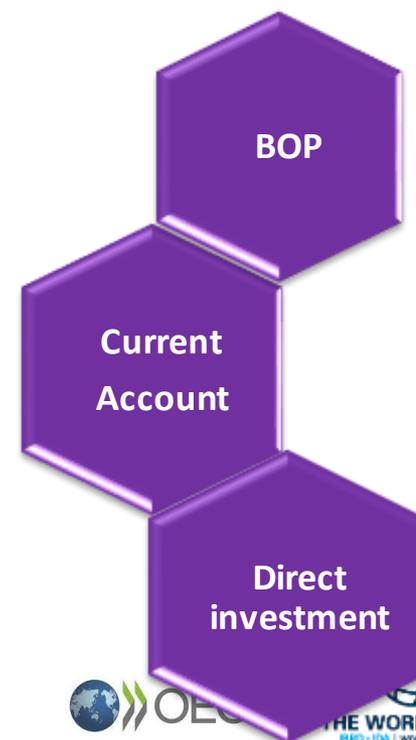
SNA priority areas



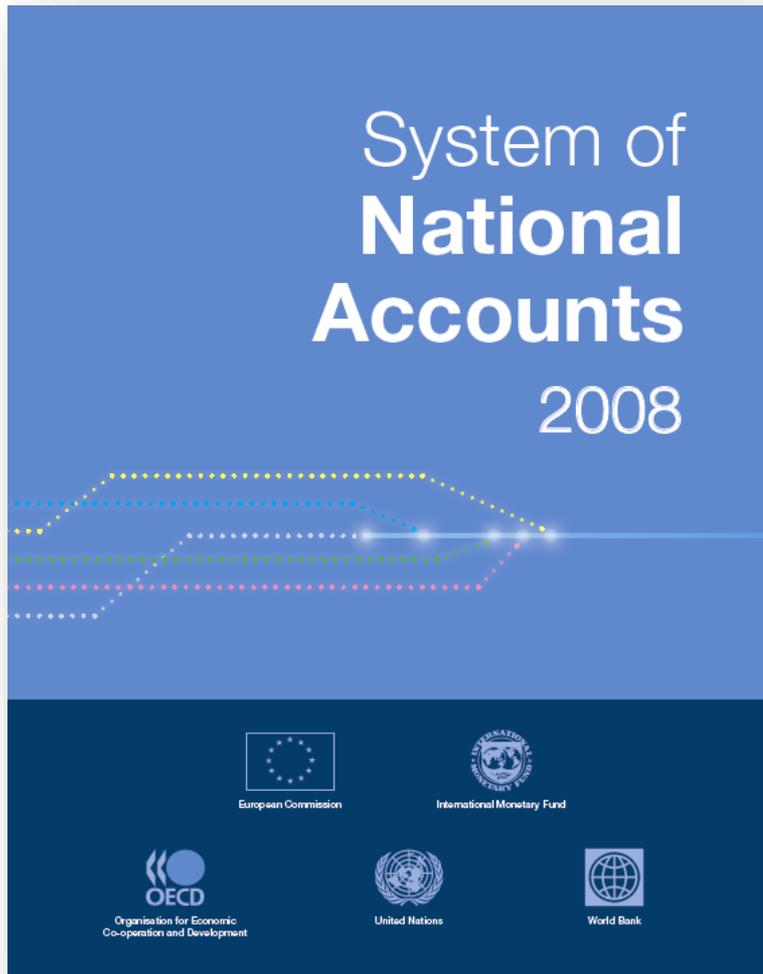
Joint priority areas



BPM priority areas



Well-being and sustainability in the SNA



As the overarching macroeconomic measurement framework, the boundaries of the **System of National Accounts** define what we know as *the economy*

This has real world impacts on decision making, shaping narrative on what's counted as *progress*

While not designed for this purpose, its headline indicator, the **Gross Domestic Product**, is often **misused** to represent societal progress

- Proliferation of alternatives over decades modify/expand these measures to address wellbeing, sustainability and the negative externalities of economic activity

Recent discussions reflect widely-held view: wellbeing and sustainability are **complex multidimensional phenomena**

- Measurement warrants a broader framework to analyze interrelations, tradeoffs and win-wins

Facing a **new economic reality** with globalization and digitalization

- Production aggregates less indicative of the wellbeing of households
- Increasing polarization of income, consumption and wealth, need for distributions consistent with national accounts

Existing material

Stiglitz-Sen-Fitoussi Recommendations

1. When evaluating wellbeing, look at income and consumption rather than production
2. Emphasize the household perspective
3. Consider income and consumption jointly with wealth
4. Give more prominence to the distribution of income, consumption and wealth
5. Broaden income measures to non-market activities

SNA Guidance on Satellite Accounts

- Optional mechanisms to elaborate issues of social interest
- Linked to, but distinct from, central framework
- Expansion to relevant non-monetary units
- Social Accounting Matrices (SAMs)

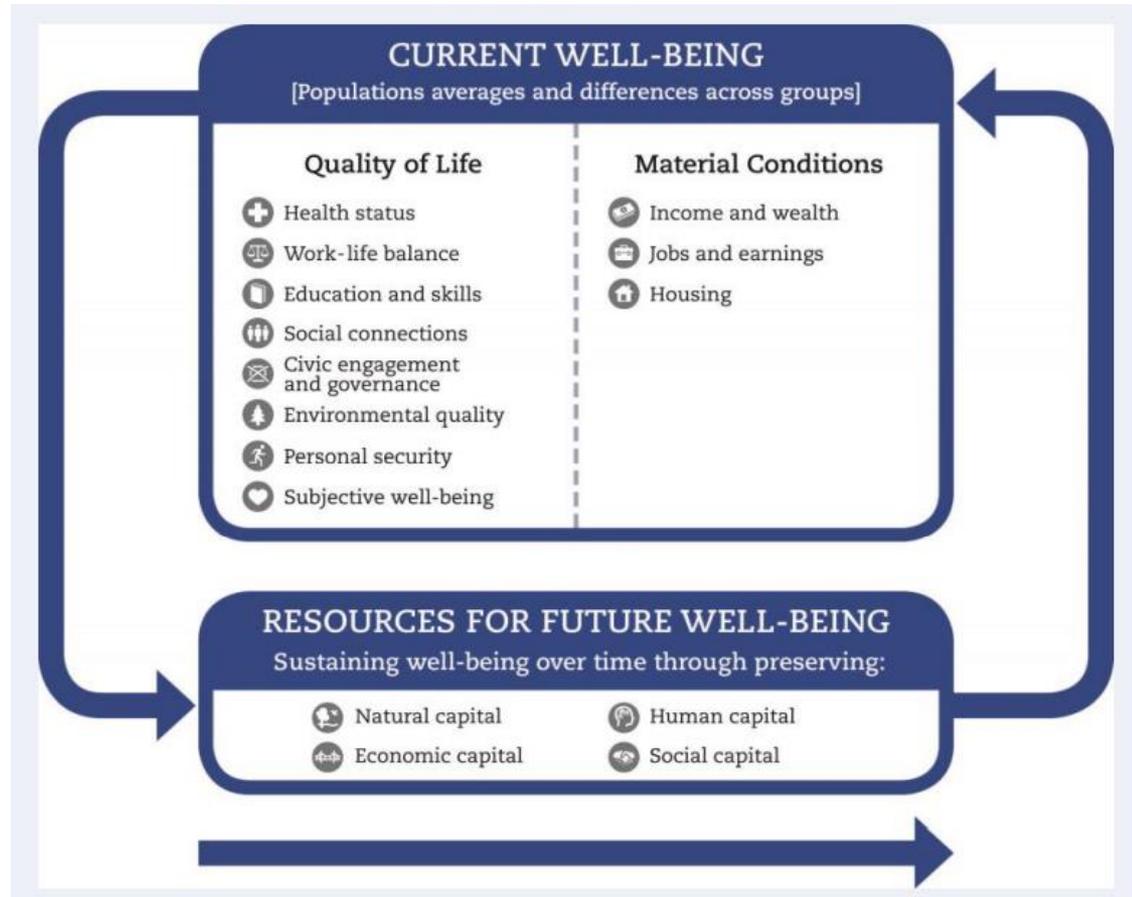
CES In-Depth Review of Satellite Accounts

- Proliferation of specialized economic accounts prompted reexamination
- Distinguish thematic accounts (eg Tourism) from those addressing wellbeing and sustainability
- Recommendation to ISWGNA to prepare guidance on expanded SNA framework

Wellbeing dashboards and indicator frameworks

OECD *HOW'S LIFE?* INDICATOR FRAMEWORK

Outside the macroeconomic statistics sphere, Stiglitz-Sen-Fitoussi gave impetus to the development of multidimensional wellbeing dashboards and indicator frameworks.



Sustainable Development Goals

- 17 interconnected goals, adopted by UN member states, along with their associated indicators coalesce local policy target setting in many areas of the world and warrant consideration in a broader SNA framework

SUSTAINABLE DEVELOPMENT GOALS



Comprehensive or Inclusive Wealth

- Gaining momentum as complement to economic indicators on current wellbeing, offering new insights on its **sustainability** over time
- Augment traditional national wealth concepts of produced and financial capital to include **natural** and **human** capital
- No attempt so far to monetize **social capital** (trust, cooperation, civic engagement)

Recent examples demonstrate feasibility of implementing concepts for a **wide range of countries** with differing levels of development

- World Bank's *Changing Wealth of Nations 2018*
- United Nations Environmental Program (UNEP) *2018 Inclusive Wealth Report*

Proposed guidance: A pragmatic way forward

- Elaborate overarching framework with linkages to microdata would be **desirable**, but perhaps **not achievable** for next SNA update
- More realistic goal is regular compilation of **extended modules**, drawing on body of guidance already available
- **Flexibility** in frequency of compilation, integration of **non-monetary measures** as appropriate

Five areas of consideration

1. **Distribution of household income, consumption saving and wealth**
2. **Unpaid household service work**
3. **Labour, education and human capital**
4. **Health and social conditions**
5. **Environmental-economic accounting**

Wellbeing and sustainability task team

Co-chairs: Catherine Van Rompaey (World Bank) and Gabriela Saborio (Central bank of Costa Rica) **Secretariat:** Jorrit Zwijnenburg, Virginie Elgrably (OECD)

Six area groups:

- 1. A Broader SNA framework for Wellbeing and Sustainability**
 - Catherine Van Rompaey, World Bank
- 2. Distributions of household income, consumption saving and wealth**
 - Amanda Seneviratne, Australian Bureau of Statistics
- 3. Unpaid household service work**
 - Chris Payne, UK Office for National Statistics
- 4. Labour, education and human capital**
 - Michael Smedes, Australian Bureau of Statistics
- 5. Health and social conditions**
 - Dylan Rassier, US Bureau of Economic Analysis
- 6. Environmental-economic accounting – *multiple guidance notes on specific issues***
 - Joe St-Lawrence, Statistics Canada

Status of SNA guidance

Targeted for public consultation

- Distributions of household Income, consumption, saving and wealth
- Households' unpaid service work
- Labour accounts, education and human capital
- Health and social conditions
- Environmental-economic accounting
 - Ownership and depletion of natural resources
 - Emissions in the national accounts

Status of SNA guidance

Remaining work

Environmental-economic accounting

In progress:

- Accounting for biological resources
- Provisions
- Valuation methods
- Renewable energy resources

Under consideration:

- SEEA classifications
- Recording of losses
- Distinction between tax and service transaction

Broader framework

Highlights of proposed guidance

Distributions for the household sector

Increased granularity within the central framework; slightly adapted alternative concepts and classifications to facilitate micro-macro linkages.

Households' unpaid service work

Extended alternative concepts as a complement to traditional measures; new granularity in time units and demographics.

Health and social conditions

Increased prominence of the health care sector, rethink of existing classifications and increased detail; minor conceptual adjustments; refinement of real measures.

Labour, education and human capital:

New labour accounts in physical units, new detail on education and training, extended alternative human capital assets.

Highlights of proposed guidance

Environmental-economic accounting:

Ownership and depletion of natural resources

Increased emphasis on new depletion-adjusted net measures, sectored according to SNA economic ownership principles.

Biological resources

Rethink of SNA production and asset concepts, for example for cultivated assets, to better align with the SEEA.

Treatment of emissions permits

Consideration of the atmosphere as an asset, with implications for both the SNA and the SEEA.

Development of a broader framework

Proposals may have various implications:

- More granular **product breakdowns**, e.g. specific health care, education and environmental services
- More granular **industry breakdowns**, e.g. health care providers
- More granular **asset breakdowns**, e.g. health care related assets
- More granular **sector breakdowns**, e.g. distributional information
- Supplementary **non-monetary information**, e.g. hours worked, Co2 emissions
- Further breakdowns into **socio-demographic groups**, e.g. age group, gender, education status, employment status
- Extension of **production boundary**, e.g. unpaid household activities, ecosystem services
- Extension of **asset boundary**, e.g. consumer durables, natural resources
- Creation of **new tables**, e.g. full fledged labour accounts, tables on education and training, table on human capital, table on full time-use accounting

Development of a broader framework

Important links between areas that need to be considered

- Health care and education may be provided in the form of unpaid household activities
- Labour accounts and distributional information would benefit from extension to include unpaid household activities
- Environmental-economic issues may affect health (care)
- Changes in health (care) may affect human capital
- All groups aim to have breakdowns by socio-demographic groups
- ...

These links need to be considered in developing the broader framework: how to best combine all this information?

Main challenges

- **How to align the various proposals?**
 - Alignment is needed where area groups propose similar types of breakdowns, e.g. socio-demographic groups
- **How to combine the various proposals in core tables?**
 - Combining all additional breakdowns would lead to very useful information, but is not considered feasible
 - Choices will need to be made what breakdowns to include in the core tables and what in supplementary tables
- **How to present information?**
 - Creating new indicators on well-being and sustainability combining different types of information

Next steps

Specifying and integrating outputs from individual domains

- Assessment of new classification breakdowns
 - More detailed information on proposed outputs and specific SNA impacts in discussion with task team leads
- Assessment of links between 5 subdomains
 - Discussion note drafted to identify links
- Working on visual diagram to summarize overall impacts
 - First draft is being discussed with task team leads
- Drafting proposal on how to combine this information in core and supplementary tables and define new indicators

At the same time, working on terms/language in relation to impacts

- *Core accounts/central framework*
- *Extended/alternative concepts*
- *Supplementary tables*

Thank you!

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