



# Integrating Well-being and Sustainability into the System of National Accounts

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Catherine Van Rompaey  
Statistics Canada



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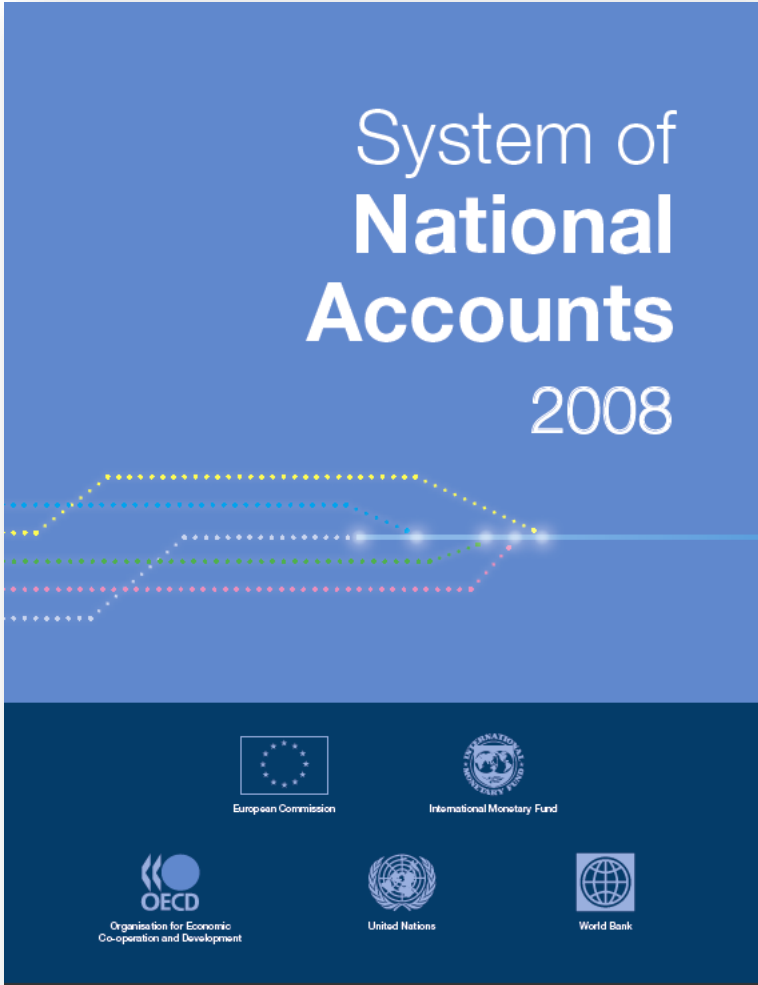
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# Outline

- *A System of National Accounts*: the international framework
- Scope, governance and timeframes for upcoming update to standards
- Wellbeing and sustainability: directions for the SNA research agenda
- Questions and discussion

# What is the *System of National Accounts*?



## System of National Accounts 2008

Framework of *international standards* for macroeconomic statistics

Ensures *conceptual rigour* and cross-country comparability

Focuses on institutional sectors in an *integrated sequence of accounts*, from production to wealth accumulation

*Fully coherent* across sectors

Households, NPIs, Corporations (Financial and non-financial), governments and non-residents

Allows for specialized *satellite accounts*

➤ *Not just Gross Domestic Product!*

# Governance of international standards

- ***Advisory Expert Group (AEG)*** mandated to provide guidance to the ***Inter-secretariat Working Group on National Accounts (ISWGNA)***
- Endorsed by 5 international organizations:
  - ***United Nations***
  - ***European Commission***
  - ***Organisation for Economic Co-operation and Development***
  - ***International Monetary Fund***
  - ***World Bank***
- Composed of country experts and national accounts leads in these international organizations

# Scope of the recent update

ISWGNA task force identified **3 priority areas** for the SNA research agenda:

➤ **Globalization**

*Measuring global production and global value chains, factoryless goods production, merchanting, special purpose entities, economic ownership of intellectual property, valuation, price and volume measurement...*

➤ **Digitalization**

*Measuring the digital economy, household production and consumption of digital products, free digital products and services, role of data and the asset boundary, measuring price and volume, crypto assets...*

➤ **Economic wellbeing and sustainability**

# Canada's role

- Member of Advisory Expert Group on National Accounts
- Chair Wellbeing and Sustainability stream and lead subgroup on broader framework
- Participate in other two streams: Globalization and Digitalization
- Input to related discussions in other international fora

# Wellbeing and Sustainability: A pragmatic way forward...

- GDP perceived as a flawed metric of global development, and the “Beyond GDP” discussion recommends more focus on the household sector, and a broader view of wellbeing and sustainability as a multi-dimensional phenomena
- Long term vision might be an overarching accounting framework, in which statistics on economic, societal and environmental issues are integrated (not necessarily monetized), enabling drill down into micro datasets
- A more realistic short term goal could be the regular compilation of specific satellite accounts, and their integration into a broader “core” SNA



# Five areas of consideration

1. Unpaid household activities
2. Environmental-economic accounting
3. Distributions of household income, consumption, saving and wealth
4. Education and human capital
5. Health and social conditions



# Governance of ISWGNA subgroup

**Co-chairs:** Carol Coy (Statistical Institute of Jamaica) and Catherine Van Rompaey (Statistics Canada)

**Area groups :**

**Unpaid household activities** (Chris Payne, UK, ONS)

**Environmental-economic accounting** (Mark de Haan, Statistics Netherlands)

**Distribution of household income, consumption, saving and wealth**  
(Richard Tonkin, UK, ONS)

**Education and human capital** (Patrick O'Hagan, former Statistics Canada)

**Health and social conditions** (Dylan Rassier, US BEA)

**Broader framework:** Catherine Van Rompaey (lead), Peter van de Ven (OECD), Branko Vitas (ABS), Michael Smedes (UNSD)

**Steering Group:** co-chairs, leads and other key players

**Secretariat:** OECD

# Operation and timeframes

- Each area lead draws on a team of designated experts
- Guidance coordinated with broader framework
- Scope of exercise differs considerably across area groups

## Key dates:

- Advisory Expert Group (AEG) on National Accounts in Washington October 1 – 3, 2019.
- UN Statistical Commission, March 2020.
- Preliminary guidance notes, June 2020, for consultation at the IARIW general conference in Oslo, August 2020.
- Final draft guidance notes, fall 2020, for discussion at the next AEG.

# Unpaid household activities

- Ongoing questions and measurement challenges formal, informal and household activity
- If included, considerable implications for production boundary
- Stiglitz recommendation to broaden income measures to non-market activities
- International guidance recently finalized (UNECE, 2017)

## Potential areas of discussion:

- Need for improved or alternative data sources on time use and consumer durables
- Relationship with “free” digital services available via the internet, social media, etc.
- Treatment of household volunteer work, including creation of freely available assets (Wikipedia, R, etc.)

# Environmental-economic accounting

- System of Environmental-Economic Accounting (SEEA) 2012 Central Framework links environmental issues, in a consistent and integrated way, with the current SNA.
- From SNA's perspective, to what extent should specific accounts be included in a broader framework?

## Potential areas for discussion:

- Estimating net present value of natural resource stocks
- Accounting for and valuation of stocks/flows not sold on markets (water, biological assets, renewable energy resources)
- Accounting for depletion in the SNA sequence of accounts
- Recording and accounting for losses (energy, water)
- Experimental ecosystem accounting and extensions to SEEA

# Distributions of household income, consumption, saving and wealth

- Clear need and expectation to better inform on *who* is benefiting – how economic activity impacts specific household groups
- Post Stiglitz-Sen-Fitoussi, significant investments in micro-macro linkages, both international and country-specific

## Potential areas for discussion:

- Distribution of social transfers in kind
- Institutional households
- Intra-household transactions
- Positioning the role of SNA measures in the context of “micro-based” distributions, or measures of inequality or poverty

# Education and human capital

- New business models arising from globalization and digitization, changing nature and availability of work
- Need to better articulate the *labour* factor within the SNA production model, growing human capital content of labour, impacts on growth and productivity
- Significant advances in guidance and measurement of satellite accounts of human capital and education and training (UNECE Guide on Human Capital)

## Potential areas for discussion:

- Extent of integration of human capital
- Alternative measures of capital stocks and flows
- Nature of elaboration of new dimensions (labour accounts)

# Health and social conditions

- Pressure on budgets and service-delivery of governments driven by aging population and technological advances increasingly a policy concern
- Valuation of non-market activity problematic
- Guidance required on price and volume measurement
- Significant knowledge available from work on Health Satellite Accounts

## Potential areas for discussion

- Specify new tables to enable linkage of *outputs* to *outcomes*
- Reconsider current SNA guidance re measuring non-market services
- Further guidance on price and volume measures



# The broader framework

- Expand current (traditional) scope of the SNA to include these new elements
- Likely to comprise elaborations/extensions but changes to concepts (e.g., production or asset boundary) not precluded
- Focus on understanding linkages with standard monetary measures and among the added dimensions

## Potential areas of discussion:

- Characterizing the expanded framework in relation to the existing SNA
- Relationships with other frameworks, such as the OECD Better Life Index or the Sustainable Development Goals (SDGs), or alternative indicators
- Missing elements (e.g. social capital) and how to address
- Expected degree of coherence across domains
- Leveraging the comparative advantage of the SNA as a coherent integrating framework

# Questions for discussion

1. What do you consider priorities for SNA expansion to address well-being and sustainability?
2. To what degree should a broader framework tie in with the dimensions of sustainability and well-being in other indicator frameworks such as the OECD Better Life Index or the Sustainable Development Goals?
3. How should the broader framework be characterized in relation to the current SNA?
4. What is the best way to leverage the comparative advantage of the SNA as a coherent integrating framework in elaborating elements of wellbeing and sustainability?