

**Fourth meeting of the Advisory Expert Group on National Accounts
30 January – 8 February 2006, Frankfurt**

Clarification C11
Concept of jobs and concept of persons

THE CONCEPT OF PERSONS IN THE 1993 SNA REV. 1

by François Lequiller, OECD

The concept of persons in the SNA 93 Rev 1.

Clarification issue # C11.

François Lequiller, OECD, September 2005

1. By agreement of the ISWGNA given the importance of this clarification, this paper is addressed to the AEG for decision

Executive summary

2. This paper proposes a clarification regarding the use of the concept of “persons employed” in Chapter 17 of the current SNA.
3. *Background:* The current SNA is negative regarding the concept of “employed persons”. It simply states in paragraph 17.7: *Employment does not enter into the System, but jobs do; a job is like a transaction, while an employed person is not.* This is in total contradiction with the practice of the majority of countries’ national accounts in which published data are on persons employed rather than on jobs.
4. *Alternative solution:* It is proposed to be less restrictive on the use of the concept of persons employed and recommend that data on persons employed and unemployed are part of the standard tables on labour input in the national accounts, in addition to data on jobs.
5. *Consistency with other manuals:* It is proposed to use the existing paragraphs of ESA 95 as the basis for the proposed clarification of the SNA.

Question to the AEG:

6. Does the AEG support the introduction of the concept of persons employed in the new SNA?
7. Does the AEG support that the new SNA inspires itself from the existing paragraphs of the ESA 95 defining employment, self-employment, and unemployment?

I. Background

8. The description of this clarification was drafted by the ISWGNA as following:

Concept of jobs and concept of persons (Chapter 17)

Institution responsable: OECD, person in charge: François Lequiller

9. *Chapter 17 of SNA 93 seems to reject the concept of persons from the national accounts. This is in contradiction with the practice of many countries, which publish and transmit data in terms of persons in the framework of national accounts. The objective of this clarification would be to be less restrictive than the current SNA on the concept of persons. ESA's approach, which presents both concepts, would inspire this clarification.*

II. Current SNA

10. The current SNA is extremely short and negative regarding the concept of *employed person*. It states simply in paragraph 17.7:

Employment does not enter into the System, but jobs do; a job is like a transaction, while an employed person is not.

11. While it is true that persons cannot be assimilated to transactions, it seems an over simplification to use this argument to completely exclude the concept of employment and persons from the SNA.

12. In fact, in practice, many countries compile national accounts data that use the concept of employment and persons rather than jobs. Thus most national accounts data on population and labour contradicts this strong statement of the SNA 93. On the contrary, the European ESA includes these concepts.

III. Alternative solutions

13. It is therefore proposed to be more open to the concept of *persons and employment* in the SNA 93 Rev 1. Concretely, this means replacing the severe short ruling of paragraph 17.7 by a description of the concepts of *employed persons* and *unemployed persons*.

14. It is not proposed to draft any completely new text. The proposal is simply to base ourselves on the text of the existing Chapter 11 of the ESA 95, which constitutes a widely accepted national accounts presentation of these concepts. Some extra statements on the relationship between employed people, unemployed people and the labour force would be also welcome.

15. Thus we simply propose to use the current recommendations of the ESA as the basis of new paragraphs of the SNA, in replacement of the existing paragraph 17.7. The advantage of these paragraphs is also that they are more complete in the definition of the concepts. In particular, they describe the bridge table between employment in the national accounts and in the standard labour force statistics.

16. The ESA paragraphs are the following:

Employment

ESA 11.11 Employment covers all persons – both employees and self-employed – engaged in some productive activity that falls within the production boundary of the system.

ESA 11.12 Employees are defined as all persons who, by agreement, work for another resident institutional unit and receive a remuneration (recorded as D.1 compensation of employees). The relationship of employer to employee exists when there is an agreement, which may be formal or informal, between an enterprise and a person, normally entered into voluntarily by both parties, whereby the person works for the enterprise in return for remuneration in cash or in kind. Employees are classified here if they are not also in self-employment which constitutes their principal activity: in that case they are classified under self employed persons.

ESA 11.13 The following categories are included: a) persons (manual and non-manual workers, management personnel, domestic staff, people carrying out remunerated productive activity under employment programs) engaged by an employer under a contract of employment; b) civil servants and other government employees whose terms and conditions of employment are laid down by public law; c) the armed forces, consisting of those who have enlisted for both long and short engagements and also conscripts (including conscripts working for civil purposes); d) ministers of religion, if they are paid directly by general government or a non-profit institution; e) owners of corporations and quasi-corporations if they work in these enterprises; f) students who have a formal commitment whereby they contribute some of their own labour as an input into an enterprise's process of production in return for remuneration and (or) education services; g) outworkers¹ if there is an explicit agreement that the outworker is remunerated on the basis of the work done that is, the amount of labour which is contributed as an input into some process of production; h) disabled workers, provided the formal or informal relationship of employer to employee exists; i) persons employed by temporary employment agencies, who are to be included in the industry of the agency which employs them, and not in the industry of the enterprise for which they actually work.

ESA 11.14 Persons temporarily not at work, are also considered as employees provided they have a formal job attachment. This formal attachment should be determined according to one or more of the following criteria: a) the continued receipt of wage or salary; b) an assurance of return to work following the end of the contingency, or an agreement as to the date of return; c) the elapsed duration of absence from the job which, wherever relevant, may be that duration for which workers can receive compensation benefits without obligations to accept other jobs. This covers persons temporarily not at work because of illness or injury, holiday or vacation, strike or lock-out, educational or training leave, maternity or parental leave, reduction in economic activity, temporary disorganisation or suspension of work due to such reasons as bad weather, mechanical or electrical breakdown, or shortage of raw materials or fuels, or other temporary absence with or without leave.

Self-employment

ESA 11.15 Self-employed persons are defined as persons who are the sole owners, or joint owners, of the unincorporated enterprises in which they work, excluding those unincorporated

¹ An outworker is a person who agrees to work for a particular enterprise or to supply a certain quantity of goods and services to a particular enterprise by prior arrangement or contract with that enterprise, but whose place of work is not within it.

enterprises that are classified as quasi-corporations. Self-employed persons are classified here if they are not also in a paid employment which constitutes their principal activity: in that latter case they are classified under employees. They may be temporarily not at work during the reference period for any specific reason. The compensation for self-employment is mixed income.

ESA 11.16 Self-employed persons also include the following categories: a) unpaid family workers, including those working in unincorporated enterprises engaged wholly or partly in market production; b) outworkers whose income is a function of the value of the outputs from some process of production for which they are responsible, however much or little work was put in; c) workers engaged in production undertaken entirely for their own final consumption or own capital formation, either individually or collectively. Unpaid voluntary workers are included in self-employed persons if their volunteer activities result in goods, e.g. the construction of a dwelling, church or other building. But if their volunteer activities result in services, e.g. care taking or cleaning without payment, they are not included in employment, because those volunteer services are excluded from production. There is no labour input into the production of the services of owner-occupied dwellings; the owner-occupiers of dwellings are not, as such, considered as self-employed persons.

Employment and residence

ESA 11.17 The results of the activity of producer units can only be compared with employment if the latter includes both the residents and the non-residents who work for resident producer units. Employment therefore also includes the following categories: a) non-resident frontier workers, i.e. persons who cross the border each day to work in the economic territory; b) non-resident seasonal workers, i.e. persons who move into the economic territory and stay there for less than one year in order to work in industries which periodically require additional labour; c) members of the country's armed forces stationed in the rest of the world; d) nationals who are on the staff of national scientific bases established outside the geographic territory of the country; e) nationals who are on the staff of diplomatic missions abroad; f) members of the crews of fishing boats, other ships, aircraft and floating platforms operated by resident units; g) local employees of general government bodies situated outside the economic territory.

ESA 11.18 On the other hand, the following are excluded from employment: a) residents who are frontier workers or seasonal workers, i.e. who work in another economic territory; b) nationals who are members of the crews of fishing boats, other ships, aircraft and floating platforms operated by non-resident units; c) local employees of foreign government agencies located on the geographic territory of the country; d) the personnel of international civilian organisations located within the geographic territory of the country (including local employees directly recruited); e) members of the armed forces working with international military organisations located on the geographic territory of the country; f) nationals working in foreign scientific bases established in the economic territory.

ESA 11.19 The following adjustments intervene to make the transition from the SNA concepts to the concepts generally used in labour force statistics (employment on a national basis): a) the conscripted forces are generally not included in the labour force statistics, but included in the SNA under general government services; b) residents working for non-resident producer units are included in labour force statistics but not included in employment as defined in the SNA; c) non-residents working with resident producer units are not included in labour force statistics but included in employment as defined in the ESA; d) resident workers living permanently in an

institution are not included in labour force statistics but included in SNA employment; e) resident workers under the age considered in labour force statistics.

Unemployment

ESA 11.20 In accordance with the norms established by the International Labour Organisation (thirteenth International Conference of Labour Statisticians), the ‘unemployed’ comprise all persons above a specified age who during the reference period were: a) ‘without work’, i.e. not in paid employment or self-employment; b) ‘currently available for work’, i.e. were available for paid employment or self-employment during the reference period; and c) ‘seeking work’, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment. The specific steps may include registration at a public or private employment exchange; application to employers; checking at worksites, farms, factory gates, market or other assembly places; placing or answering newspaper advertisements; seeking assistance of friends or relatives; looking for land, building, machinery or equipment to establish own enterprise; arranging for financial resources; applying for permits and licences, etc.

IV. Other miscellaneous changes needed in the SNA 93.

17. The organization of the current Chapter XVII of the SNA essentially relies, unlike other chapters, on a graph (Figure 17.1) which shows the relations between the different concepts. This figure contains boxes that are either bordered in bold or not. When they are bordered in bold, the concepts are included in the SNA. When the box is not bordered in bold the concept is not present in the SNA. The inclusion of the concept of employment and unemployment in the SNA would only need to bold two additional boxes of this graph.
18. Paragraph 17.5 of the current SNA states that “no definition is needed for employment and unemployment” as these concepts are not included in the SNA. This sentence should be modified.
19. The structure of the SNA chapter XVII on “Population and labour inputs” is organized in two sections “B. Population and labour concepts without national boundaries (underlined by me)” and “C. National boundaries”. In this organization, the above paragraphs extracted from the ESA 95 could be usefully split in two parts: the first going to SNA section B, and the second (all the paragraphs under the heading “Employment and residence”) in the second section.

V. Practical implications of clarification.

20. The additional paragraphs proposed do not lead to a change of the SNA. The proposal is a simple clarification that allow to reconcile the practice and the theory of national accounts by opening the door to the dissemination of national accounts data on *persons* (employment and unemployment).
21. In practice many countries already compile these data on persons. The proposals will not lead to any additional work for most countries, except for a very limited number who only compile *jobs* statistics in the framework of the national accounts. However, the clarification does not even oblige them to compile these data. It simply does not reject the principle of compilation of such data in the national accounts framework.

The text proposed above corresponds exactly to a full proofed national accounts text in the context of the European System of National Accounts. There should therefore be no problems with the definition proposed.