

A BROADER FRAMEWORK FOR WELLBEING AND SUSTAINABILITY IN THE SNA PROPOSED GUIDANCE

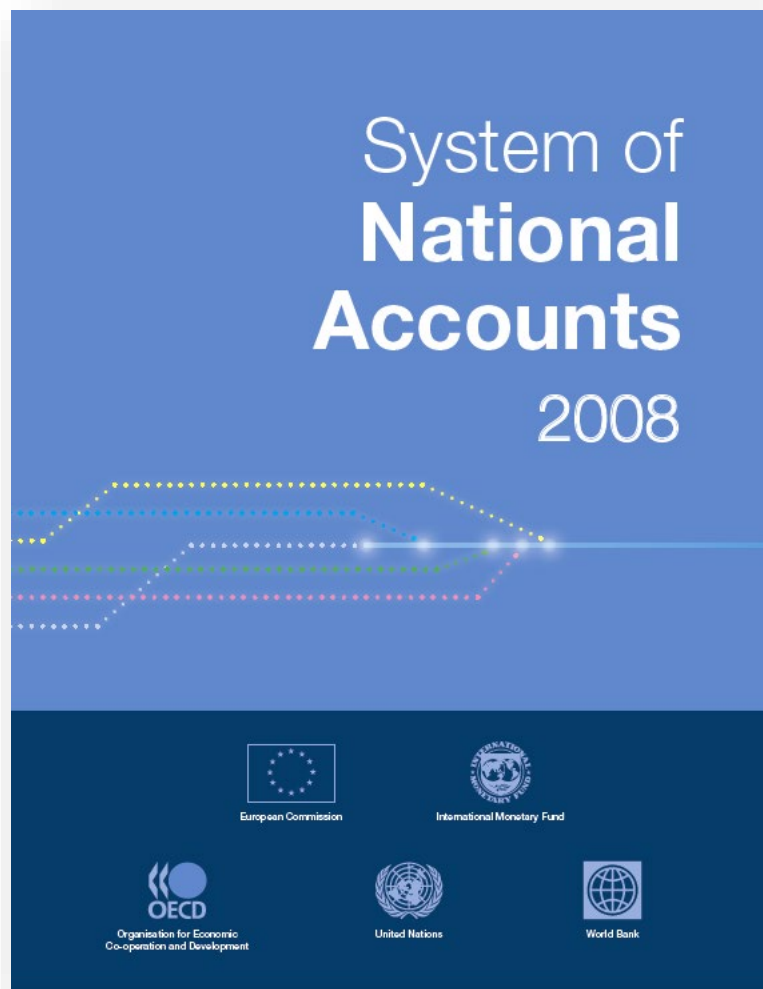


Catherine Van Rompaey

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Group on National Accounts

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Context



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)

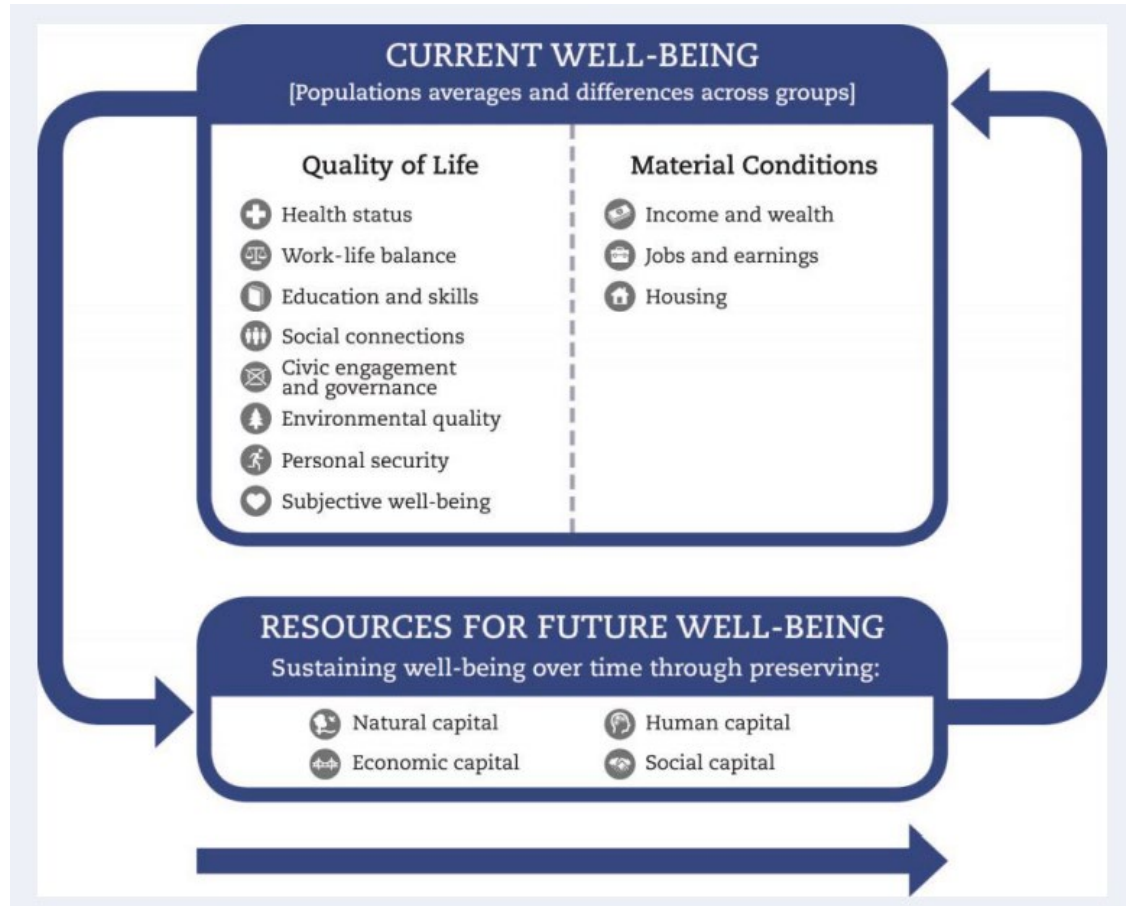
CES In-Depth Review of Satellite Accounts

- 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*

Perspectives on broadened SNA framework

Andre Vanoli: *The Future of the SNA in a Broader Information Perspective*

Conceptual and measurement issues for an extension of SNA framework into four distinct spheres: Economy, Nature, People and Society

- *Issues with equivalent transaction values for monetization*
- *Examines feasibility of fully integrated “accounting system”*

Rutger Hoekstra: *Replacing GDP by 2030: Towards a Common Language for the Wellbeing and Sustainability Community*

Proposes an elaborate interdisciplinary framework, encompassing a body of science outside traditional welfare economics (environmental, demographic, other social sciences). Details multiple dimensions including physical, spatial, demographic and time use accounts, distributional analysis.

Peter van de Ven: *Measuring Economic Wellbeing and Sustainability: a Practical Agenda for the Present and Future*

Overlays measure of pragmatism, illustrating key issues with international results. Proposes greater emphasis on household sector with measures already available, and advocates a feasible approach to advancing measurement, drawing on international guidance available for environment, health, education and time use, without a strict requirement for monetary valuation.

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

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**

Guiding principles for the SNA expansion

1. Expansion **restricted to economic (material) wellbeing and sustainability.**
2. Changes to central framework **will not compromise current key applications** (e.g. by central banks and treasuries, for economic and fiscal policy or monitoring, business cycles).
3. **Leverage the comparative advantages of the SNA as a coherent integrating framework**, identifying linkages and enabling integrated analysis.
4. **No one single indicator** featured, rather elaborations or variants developed in each domain.
5. **Non-monetary measures** integrated as appropriate to facilitate enhanced analysis.
6. **Focus on outputs**, allowing for analytical linkages to possible *outcomes* not in scope.
7. To the extent possible, **expansion in each domain to address the full sequence of accounts**, including production, income, consumption and wealth accumulation.
8. To the extent possible, design to take into consideration future development of a **more fully elaborated, optimal framework.**
9. The expansion to seek a **broad correspondence with wellbeing indicator frameworks**, such as OECD *How's Life?* or the Sustainable Development Indicators.
10. The broadened framework will **leverage guidance in well-developed satellite account frameworks** already available, subject to broad consultation, testing and implementation.

Key feedback received to date

- Emphasize user perspective in extended accounts: Clarify key policy questions and data gaps addressed with this proposed expansion
- Cautions re not compromising, but rather *enhancing* existing key policy applications of “core” SNA for economic and fiscal policy
- Priorities/practicality in broad application of proposed guidance, particularly in countries with limited capacity
 - Considerations re data availability
 - Need for testing, technical support and standard tools
- Better integrate distinct elements more fully and specifically
 - Articulate linkages re concepts and classifications
- Need guidance on frequency of extended accounts
- Need for transparency in measurement
 - Sensitivity to choice of method

Broader Framework on Wellbeing and Sustainability

Catherine Van Rompaey (World Bank)

Carol Coy (Statistical institute of Jamaica)

Ivo Havinga (UNSD)

Rutger Hoekstra (MetricsfortheFuture.com)

Michael Smedes (Australian Bureau of Statistics)

Gabriela Saborio Munoz (Costa Rica Statistics Department)

Hermanus Smith (UNSD)

Peter Van de Ven (OECD)

Branko Vitas (Australian Bureau of Statistics)

Jorrit Zwijnenburg (OECD).

Questions for the AEG

1. What is your opinion on the recommended approach for broadening the 2008 SNA to address wellbeing and sustainability?
2. What are your views on the elements identified in the expansion?
3. What do you see as priority for future improvements to the guidance?