



Work on broadening the framework to capture well-being and sustainability

Jorrit Zwijnenburg

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Introduction



Well-being and sustainability in the SNA (1)

- As the overarching macroeconomic measurement framework, the boundaries of the System of National Accounts define what we know as **the economy**
- While not designed for this purpose, its headline indicator, GDP, is **often misused** to represent societal progress
- The SNA already includes **relevant indicators** that may provide better insights into aspects of well-being (e.g., household disposable income, savings and wealth)
- Proliferation of alternatives over decades to modify/expand these measures to address **well-being, sustainability** and the **negative externalities** of economic activity
- Recent discussions reflect widely-held view: well-being and sustainability are **complex multidimensional phenomena**
- Measurement warrants **broadening the framework** to analyse interrelations, trade-offs and win-wins



Well-being and sustainability in the SNA (2)

- A full-fledged ‘broader framework’ encompassing all relevant information in relation to well-being and sustainability is not realistic
- Goal is regular compilation of **extended modules**, drawing on body of guidance already available
- The main aim is not to measure well-being as such (**outcome**), but elements that (may) affect well-being and its sustainability (**output**)
- Modules focusing on measures and indicators that provide more insights into **current well-being**, mainly relating to flows, e.g., production, income and consumption
- Modules focusing on measures and indicators that provide more insights into sustainability issues, i.e., **future well-being**, mainly relating to stocks, e.g. financial wealth, natural capital, human capital
- Additional indicators providing more insights into the **distribution** of current and future well-being across different household groups
- **Flexibility** in frequency of compilation, dependent on policy relevance, volatility in relevant indicators over time, and compilation costs



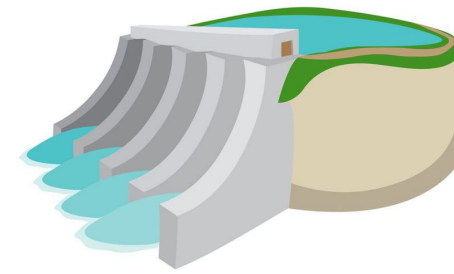
Work of the Well-being and Sustainability Task Team

Overview of topics as addressed by the task team (1)

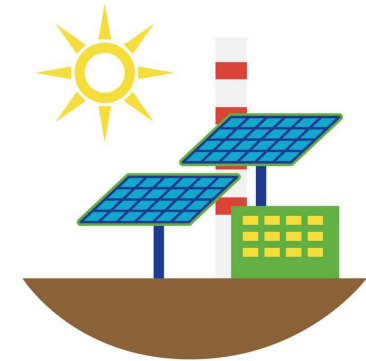
- WS.2 **Distribution** of household income, consumption and wealth
 - Increased breakdowns of the household sector (including socio-demographic breakdowns)
- WS.3 **Unpaid household service work**
 - Extension of the production boundary to account for unpaid household activities (both monetary and non-monetary (i.e., including information on time spent on various activities))
- WS.4 **Labour, education and human capital**
 - Labour accounts covering jobs, persons, volume (hours) and payments
 - Increased detail on education and training (including non-monetary information)
 - Extension of the asset boundary to include human capital (experimental results)
- WS.5 **Health care**
 - Increased detail on health care products, providers and financing (including non-monetary information)
- **Environmental-economic accounting issues**
 - WS.6 Economic ownership and **depletion** of natural resources
 - Applying SNA economic ownership principles which may imply splitting the ownership of a natural resource in line with the actual distribution of resource rents
 - Accounting for depletion as a cost of production, also acknowledging this for renewable natural resources
 - WS.7 **Emission trading schemes**
 - Whether to record ETS as taxes on production, rent payments or purchases of non-produced non-financial assets



Overview of topics as addressed by the task team



- Environmental-economic accounting issues (continued)
 - WS.8 **Biological resources**
 - Re-consider distinction between cultivated and non-cultivated assets and introduce distinction between migrating and non-migrating biological resources
 - Create an asset class for all biological resources and treat natural resources as a separate class of assets
 - Proposal to record depletion as cost of production and regeneration of biological resources as gross fixed capital formation
 - Split-asset approach for biological resources
 - WS.9 **Provisions**
 - Supplementary table to provide insights into provisions and how they may affect net worth
 - Include expected terminal costs in gross fixed capital formation
 - WS.10 **Valuation of mineral and energy resources**
 - Clarification on applying the NPV method to estimate stocks of mineral and energy resources
 - Proposal for breakdown of ‘mineral and energy resources’ into three underlying classes
 - WS.11 **Renewable energy resources**
 - Extension of the asset boundary to include renewable energy resources
 - Derive the value on the basis of the net present value of future resource rents
 - Apply split-asset approach to acknowledge that both governments and extractors may be considered economic owners
 - WS.12 Environmental-economic **classifications**
 - Increased detail for sectors, instruments and asset clustering to better reflect environmental-economic issues
 - WS.14 **Distinction between a tax, a service and related transactions**
 - Clarification on recording of specific government-related transactions (also related to non-environmental issues)





Broadening the framework

Proposals on current well-being



1. Within the **central framework**:
 - More emphasis on **existing measures**, e.g., household disposable income, consumption and saving
 - Adjusted measures of GDP and income, adjusted for **depletion** (WS.6)
 - Inclusion of **labour accounts** (including non-monetary information) (WS.4)
 - Explicitly account for **in-house provision** of education and health care services (WS.4 and WS.5)
 - **Distributions** of income, consumption and saving (including demographic breakdowns, aligned to other proposals) (WS.2)

2. **Expanded (more detailed) tables** (within the production boundary):
 - More granular breakdowns on **health care** products, providers and financing (including non-monetary information) (WS.5)
 - More granular breakdowns related to **education** services (including non-monetary information) (WS.4)
 - More detailed (of which) information on **environmental expenditures, taxes and subsidies** (WS.7 and WS.12)
 - Memorandum item on consumption of **consumer durables** (WS.2)

3. **Extensions** (beyond the production boundary):
 - Estimates of **unpaid household service work**, broken down into specific subcategories (WS.3)
 - This will concern the production account, but also the income accounts to reflect the impact on disposable income
 - This will also include breakdowns related to labour, health care and education in line with above, as well as distributional breakdowns if possible
 - Non-monetary information may be added regarding time spent on various types of activities (with possibility of full time-use accounts)
 - **Free digital goods and services** (DZ.4)

4. Information from **other datasets**
 - A lot of important information on environmental-economic issues will be covered by the **System of Environmental-economic Accounting**
 - This concerns **additional details** on transactions within the production boundary and on those **beyond** (e.g., ecosystem services)

Proposals on sustainability



1. Within the **central framework**:
 - Break down **mineral and energy resources** into three underlying classes according to commercial status
 - Include new asset class for **renewable energy resources** (WS.11)
 - Remove distinction between **produced and non-produced biological resources** and add breakdown into **migrating and non-migrating** (WS.8)
 - Distinguish **natural assets** as separate item next to produced and (other) non-produced assets (WS.12)
 - **Distribution** of wealth (WS.2)

2. **Expanded (more detailed) tables** (within the asset boundary):
 - Information on **sustainable finance**, reflected in additional subsector and instruments breakdowns (WS.12)
 - (More granular breakdowns related to **education** services (WS.4) (see also previous slide))
 - Additional (of which) categories to distinguish **non-financial assets** linked to old and to new energy sources
 - More detailed breakdowns for **mineral and energy reserves**

3. **Extensions** (beyond the asset boundary):
 - Information on **provisions** (WS.9)
 - Estimates of **human capital** (on an experimental basis) (WS.4)
 - Stock of **consumer durables**, including its distribution (WS.2 and WS.3)

4. Information from **other datasets**
 - A lot of important information on environmental-economic issues can be obtained from the **System of Environmental-economic Accounting**
 - This concerns **additional details** on assets meeting the asset boundary and those **beyond the asset boundary** (e.g., ecosystems)

All of this supports **expanded wealth measures** as discussed as part of the Beyond GDP discussion

Presentational issues

- **Sequence of interrelated accounts** to enhance analysis and measurement of well-being and sustainability
 - Sequence as included in central framework
 - Expanded tables will have a clear link to the existing (sequence of) accounts
 - Extensions will need to be clearly linked to the relevant accounts in the central framework
- **No composite indicators** that aim to provide one overarching measure of well-being and/or sustainability
 - Acknowledge that well-being and sustainability are multidimensional phenomena
 - There is no clear way to weight the various elements
- More focus on **existing indicators** (and the development of new indicators, such as depletion-adjusted measures and expanded wealth concepts) that provide relevant insights into well-being and sustainability
- Development of **dashboards** providing insights into relevant aspects as covered in the various data sets



Next steps

Next steps

Finalising the guidance note:

- Finalisation of the remaining **guidance notes** (also dependent on phase 1 testing for some)
- **Update** the guidance note on broadening the framework to
 1. Reflect the various recommendations
 2. Explain how the recommendations link to current and future well-being
 3. Show how the recommendations will affect the system of accounts (in terms of core, expanded and extended tables)
- Obtain **feedback** from the WSTT and the AEG

Start early implementation (for specific elements):

- Assessing availability of **data sources** and **methods** to compile specific results
- Develop **further guidance** where needed
- Look at outcomes to assess:
 1. Whether the results warrant **finetuning** what to include in the core, expanded or extended tables (including an assessment of feasible levels of detail)
 2. What this would imply for the **frequency** with which to collect some of the data



Questions for AEG

Questions

1. Do you agree that the aim of the work is to include relevant **measures that provide better insights into current and future well-being** (with sustainability referring to the latter)
2. Do you agree that it would be better to refer to '**broadening the framework**' instead of talking about developing 'a broader framework'?
3. Do you have any comments regarding the representation of the proposed changes into inclusion in the '**central framework**', '**expanded tables**' and '**extensions**'?
4. Are there any **other aspects** that will need to be considered in 'broadening the framework'?



THANK YOU!



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