

## SNA Chapter 2: National accounts and measures of wellbeing and sustainability

### Annotated Outline

## **SNA Chapter 2: National Accounts and measures of wellbeing and sustainability**

**Annotated Outline; v3.0 Sep 2022<sup>1</sup>**

(New SNA chapter)

### **Introduction:**

- As part of the SNA revision process it has been agreed to include new chapters on the topic of wellbeing and sustainability. These will be Chapter 2 (this annotated outline) providing an overview of the SNA on this topic; and Chapters 34 and 35 providing more detailed discussion of measurement issues and approaches on wellbeing and sustainability.
- The inclusion of these chapters, and chapter 2 in particular, reflects the view that it is important that the SNA, as a foundational statistical framework, respond directly to the measurement requirements that arise in the context of the range of economic, social and environmental challenges facing the world.
- In particular, over the last decade there has been a heightened critique of the limitations of the SNA with respect to the measurement of wellbeing and sustainability, often focused on the relevance of GDP as a measure of wellbeing. The discussion often being couched in terms of measurement “beyond GDP”.
- In this context, the aim of these chapters is to provide a clear statement of how the SNA can support measurement of wellbeing and sustainability, and what its limitations are. The aim is not to provide a definitive statement on the measurement of wellbeing and sustainability in total, nor to extend SNA principles to articulate a full wellbeing and sustainability measurement system. The perspective to be taken is that the SNA provides important information on wellbeing and sustainability issues but it needs to be combined with information from other statistical frameworks (often with close connection to the SNA) in order to support a more comprehensive discussion of wellbeing and sustainability.
- In order to place the SNA in context, it will be necessary to describe wellbeing and sustainability. There are different approaches that may be used to describe wellbeing and sustainability, including work on measuring sustainable development from the

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<sup>1</sup> Prepared by Carl Obst and cleared by SNA/BPM Project Managers

UNECE, capability based frameworks (Sen) and other multi-dimensional approaches. It is expected that the revision process will identify the appropriate description of the broader context that will be reflected in the SNA.

- While much of the SNA is targeted at compilers of national accounts, in many respects the audience for Chapter 2 will be much broader. While compilers will remain a key audience, the chapter will also need to address traditional macroeconomic users of national accounts, the wider economics community (e.g. environmental economics) and the even wider community of people interested in wellbeing and sustainability.

### **Sections of the chapter:**

#### 1. Introduction

- Setting the scene for describing the role of the SNA in the measurement of wellbeing and sustainability. This will need to recall the history of the role of the SNA in the measurement of wellbeing and sustainability (including discussion of the range of indicators other than GDP that are within scope of the SNA, e.g. household saving), a summary of key concerns that have been expressed about the SNA as a measurement of wellbeing and sustainability and alternative conceptualizations of wellbeing and sustainability, and a clarification of the perspective to be presented in the chapter on the role of the SNA.
- Identify the range of contexts in which data from the SNA may be relevant in supporting discussion of wellbeing and sustainability, including noting the links to global policy frameworks such as the SDGs. The emerging development of so-called “wellbeing budgets” and the relevance of incorporating environmental and social dimensions in macro-economic modelling are also motivations for ensuring that there is a clear understanding of the role of the SNA for traditional users of the national accounts and the ways in which the combination of SNA data with data from other statistical frameworks can be operationalized.

#### 2. Approaches to the measurement of wellbeing and sustainability

- Description of the wellbeing and sustainability concepts and how they will be used in the chapters. This will include discussion on the appropriate focus in an SNA context being on economic (material) wellbeing. However, it is not intended to provide standard definitions of these concepts but rather to identify the key aspects of relevance. The links to definitions of welfare and the distinction between the measurement of outputs and outcomes will be important aspects to consider. As well, the role of measurement boundaries (including the production and asset boundaries) will be relevant as well as the role of classifications.

- Many different approaches for the measurement of wellbeing and sustainability can be found. In broad terms, data are organized following either indicator-based approaches or accounting-based frameworks. From an SNA perspective, the role of accounting in organizing underlying data and in providing a range and depth of information is a critical feature to be conveyed and the benefits of accounting should be described.
- The intention in this section is to articulate the role of the SNA within a wider suite of approaches and in this context a short summary of the relevant conceptual frameworks will be needed to ensure the data from the SNA can be placed in context.
- A particular issue that emerges in considering wellbeing and sustainability is the topic of valuation, including the use of non-monetary measures. There are many dimensions to this issue which will be summarized here noting the need to link to the proposal for inclusion of additional text elsewhere in the revised SNA concerning the SNA approach to monetary valuation of stocks and flows.

### 3. The contribution of the SNA accounts<sup>2</sup> to the measurement of wellbeing and sustainability

- There is a common perception that the SNA = GDP and that since GDP can be considered a poor measure of wellbeing and sustainability then the SNA is equally unhelpful. This section will describe the ways in which the breadth of the SNA and its inherent accounting rules and treatments can support the measurement of wellbeing and sustainability.
- The discussion will focus on three areas:
  - Measures of income and consumption and in particular recognizing (i) the capacity to derive net measures that account for the cost of capital (noting the high relevance of the proposed change to deduct depletion costs); and (ii) the capacity to derive other (non-GDP) income measures for example gross national income or estimating adjusted household disposable income
  - Measures of wealth and highlighting the contribution of the SNA to the measurement of national wealth and the role of balance sheets, in large part recognizing the large breadth of assets within scope of the SNA.

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<sup>2</sup> The label “SNA accounts” is used here to refer to the sequence of accounts in monetary terms described in the SNA commencing with the production account and including income and accumulation accounts, capital and financial accounts, balance sheets and other changes in volume accounts. It also includes the supply and use table in monetary terms. In other contexts, SNA accounts have been described as SNA core accounts or constituting the SNA central framework.

- Measures of distribution noting that, many aggregates and entries in the core accounts can be disaggregated to support an understanding of how national measures are composed. Disaggregation will include more detailed information on the household sector; breakdowns by size of businesses within an industry; and spatial breakdowns to highlight sub-national variations.

#### 4. Overview of other statistical frameworks for the measurement of wellbeing and sustainability

- There are a range of ways in which the accounting rules and treatments of the SNA have been extended and adapted to establish other statistical frameworks. These are particularly evident in the areas of environmental-economic accounting, unpaid household work, labour accounts, human capital and health accounts noting that each of these areas of accounting are at different levels of standardization and development of compilation practice.
- One feature to be explained in this section is how the SNA accounts and the accounts from these other frameworks can operate as a set of inter-linked accounts that can support more coherent collection and organization of a broader data set and, in turn, underpin enhanced analysis and measurement of wellbeing and sustainability outcomes.
- Another feature to be emphasized in this section is the use of physical and other non-monetary data (organized using accounting rules) in combination with the monetary data in the SNA accounts. Commonly, physical and non-monetary data are a focus in accounting for the environment but they are relevant across all domains (e.g. numbers of people employed, data on time-use).
- This section will introduce the range of accounting approaches that have been developed and which are described in more detail in chapters 34 and 35. The section will also highlight the range of additional aggregates and indicators that may be derived from these accounting frameworks to support understanding trends in wellbeing and sustainability.
- There are connections that will need to be made to other SNA chapters including Balance sheet (Chapter 14); Supply and use tables (Chapter 15); Labour accounts (Chapter 16); Summarizing, integrating and balancing the accounts (Chapter 19); Households (Chapter 32) and Thematic accounts (Chapter 38).

#### 5. Presentation and application of SNA-related measures of wellbeing and sustainability data

- This section aims to support national accounts compilers and users understanding of the potential of the SNA and SNA-related data to contribute to the assessment and analysis of wellbeing and sustainability. A short overview of the ways in which such assessment and analysis is undertaken would be provided. The section could also include general

advice on establishing compilation systems to present relevant data and indicators, recognizing, for example, the challenge of organizing data with different frequencies and timeliness. The general importance of presentation and communication is also to be recognized noting the need to link to the separate chapter on communication issues.

## Research agenda

- It is anticipated that there will be a range of aspects in the measurement of wellbeing and sustainability that will not be covered in the revised SNA, but could potentially be considered in the future. Possible aspects include the measurement of human and social capital and recognizing indigenous and first nations perspectives. Of course, whether these topics would be part of the SNA's research agenda requires further discussion.
- It is therefore envisaged that an important output in the development of the three wellbeing and sustainability chapters will be the identification of specific areas in which further research and discussion in an SNA context would be appropriate to ensure the best support is provided in developing and improving the evidence base for wellbeing and sustainability policy responses.
- It is not expected that these chapters on wellbeing and sustainability (Chapters 2, 34 and 35) will be the final word on the relationship between the SNA and the other frameworks described and all topics will require ongoing research, development and testing.
- A research agenda for wellbeing and sustainability topics will therefore be developed but would be presented in conjunction with the other elements of the SNA research agenda and also taking into consideration the development of the research agendas of other statistical frameworks and related guidance.

## Schematic Overview

I	Introduction
II	Approaches to the measurement wellbeing and sustainability Description of the concepts of wellbeing and sustainability Summary of relevant conceptual frameworks The role and benefits of accounting-based measurement approaches Valuation considerations in measurement wellbeing and sustainability
III	Summary of contribution of the core SNA to the measurement of wellbeing and sustainability Measures of income and consumption Measures of wealth Measures of distribution, especially among households
IV	Overview of complementary approaches to the measurement of wellbeing and sustainability Key features of complementary approaches Summary of main complementary approaches and frameworks <ul style="list-style-type: none"><li>• SEEA</li><li>• Labour accounts and human capital</li><li>• Unpaid Household Work</li><li>• Health accounts</li></ul> Connections to thematic accounts (e.g. tourism, oceans)
V	Applications of SNA-related measures of wellbeing and sustainability data Overview of contexts in which SNA-related data may be applied Connections to private sector approaches to measuring wellbeing and sustainability Communication of measures of wellbeing and sustainability
	Research agenda

**Question for the Advisory Expert Group on National Accounts (AEG)/IMF Committee on Balance of Payments Statistics (Committee)**

Does the Committee and the AEG have any suggestions on the draft outline of the chapter?

Does the Committee and the AEG agree with the proposed structure and coverage of topics in the chapter presented in this outline?

Does the Committee and the AEG have any comments on the framing and intent of the chapter with respect to the depiction of the role of the SNA in the measurement of wellbeing and sustainability?

**References:**

Guidance notes: WS.1, WS.2, WS.3, WS.4, WS.5, WS.6, WS.8, WS.11, CM.2, B.6

Other materials:

- 2008 SNA chapter 1, chapter 29
- SEEA Central Framework and SEEA Ecosystem Accounting
- Wealth accounting materials – e.g. World Bank Changing Wealth of Nations
- UNECE guidance on sustainability measurement and related topics
- OECD Work on measuring wellbeing

**Key Stakeholders Consulted:**

- SNA/BPM editors
- Task Team Leads – Wellbeing and Sustainability
- UNSD-SEEA team