

# Towards BPM7 and 2025 SNA

Issue note on action point A.13:  
Addressing the current ambiguities  
and inconsistencies regarding the  
recording of social security and  
employment-related schemes, and the  
current guidance for constructive  
liabilities

Peter van de Ven (SNA Update Lead Editor)

Meeting of the Advisory Expert Group (AEG) on National Accounts  
10 – 13 July 2023

# Introduction

- Removing the current ambiguities and inconsistencies around the **distinction between social security and employment-related schemes**
- Addressing the inconsistency regarding the current guidance on **constructive liabilities**
- Including additional guidance in view of the recommendation, in Guidance Note F.12 on Covering hybrid insurance and pension products, to treat **employer-independent autonomous pension funds** as part of social insurance, including treatment of similar **non-pension related schemes**
- Treatment of “**provident funds**”
- **Note: Different approach!**

# Distinction between social security and employment-related schemes

- **Recognition, or not, of pension entitlements** in the sequence of economic accounts
- Social security not recognised; however, **guidance on pension schemes derived from employer-employee relationship not always that clear:**
  - employment-related pension schemes versus social security pension schemes
  - private versus public pension schemes
  - funded versus unfunded pension schemes
- Main issue: How to treat unfunded pension schemes provided by public employers?
- **Recommendation 1: To treat schemes provided by public employers in the same way as schemes provided by private employers, if the former schemes are similar to the latter schemes, and clearly separated from social security**
- **Recommendation 2: “Similarity” should first and foremost relate to the terms and conditions of compensation, both current compensation and future compensation after retirement**
- **Recommendation 3: Apply a more consistent wording**

# Constructive liabilities

- Paragraph 3.40 of the 2008 SNA: *“In addition, **a liability may be established not by contract but by long and well-recognized custom that is not easily refuted**. In these cases, the creditor has a valid expectation of payment, despite the lack of a legally binding contract. Such liabilities are called constructive liabilities”*
- Paragraph 3.40 further confirms this guidance, by stating that *“**in general, the SNA includes (legal) liabilities and constructive liabilities but not contingent liabilities**”*
- Similar wording in paragraph 11.6 provides similar guidance
- However, the guidance in the **2008 SNA does not contain any examples of constructive liabilities**, not even in the case of social security and assistance
- **Recommendation 4: To provide clearer and more consistent qualifications regarding the non-recognition of constructive liabilities**

# Delineation of social insurance and employer-independent schemes

- More consistent and transparent wording on the **participants to social insurance schemes**: “employees or self-employed, which may also include persons temporarily without employment”
- Main issue concerns the **distinction between social insurance type of schemes versus individual insurance**:
  - **Imposed, controlled and financed by government**: social security
  - **Collective schemes for employees**: (other) social insurance in the case the employer makes contributions; these schemes could be managed by separate institutional units, or by insurance corporations
  - **Collective schemes for self-employed persons**:
    - **Pension schemes**: criteria in line with Guidance Note F.12 (strong resemblance with schemes provided by government or employers; subject to similar regulation and supervision; accumulation of funds; and managed by separate institutional units)
    - **Other non-pension schemes**: similar criteria, with the exception of accumulation of funds
    - More generally, if managed by insurance corporations, the distinction between social insurance and individual insurance becomes difficult to make (although one may have exceptional cases of social insurance managed by insurance corporations)

# Delineation of social insurance and employer-independent schemes

- **Recommendation 5: Include more consistent wording on participants to social insurance schemes**
- **Recommendation 6: Add further guidance on the treatment of collective schemes for self-employed persons, in line with Guidance Note F.12, for both pension and non-pension schemes**

# “Provident funds”

- **Compulsory saving schemes** in which the contributions of each participant, and of their employer on behalf of each participant, are invested and kept in a separate account and could be withdrawn under specified circumstances, such as retirement, unemployment, invalidity, and death
- Broad consensus that these schemes **qualify as social insurance**: provision of **insurance against social risks**; clearly **collective** nature, and last but certainly not least because of their **compulsory** nature
- Main issues at stake: **how to classify these schemes?**
  - **Social security fund, or (public) financial corporation?**
  - Dominant criterion in the 2008 SNA: **market services versus non-market services**
  - Main function: **financial intermediation** by pooling the contributions from many households and investing them => market services
  - But what to do in case **government also makes contributions** to the scheme, thus also using these schemes as a vehicle for **redistributing income and/or wealth?**

# Questions to the AEG

- Does the AEG agree with the main recommendations (highlighted in red), including the way in which these recommendations are reflected in the changes to the guidance of the 2008 SNA?
- How does the AEG look upon the treatment and classification of “provident funds”?
- Does the AEG have any other comments or suggestions?