

**Fifth Meeting of the Advisory Expert Group on National Accounts  
19 – 23 March 2007, New York**

**Substantive Comments on the Draft Chapters of the 1993 System of  
National Accounts Revision 1**

**Chapter 8: The Redistribution of Income Accounts**

**Prepared by Intersecretariat Working Group on National Accounts**

## Comments on Chapter 8: The Redistribution of Income Accounts

Comments received as of 12 March 2007<sup>1</sup> from:

<b>Countries (9)</b>	<b>ISWGNA (4)</b>	<b>Others (1)</b>
Germany Hong Kong Denmark Sweden Netherlands Australia Czech Republic USA Israel	OECD EUROSTAT UNSD IMF	European Central Bank

### Comments from a number of respondents on social security/social insurance

#### **UNSD:**

Para. 8.59: The definition of social insurance schemes should be made clearer. It should include the characteristics that social insurance schemes must be organized collectively for groups of workers or be available by law to all workers...mentioned later in para 8.63-8.64. The current definition in para. 8.59, standing alone, may allow for treating social assistance benefits as social benefits.

Para. 8.67 (a), second sentence "...Benefits under these schemes are often not related to levels of salary of the beneficiary or history of employment." "not related to" should be changed to "related but not proportional to".

Para. 8.67 (b) is incomplete. Social insurance schemes should also include life and nonlife insurance schemes in addition to pension as long as they satisfy the conditions of being social insurance schemes.

Para. 8.71. "These payments may be made by employees, self-employed persons or non-employed persons." Does the words "non-employed persons" contradict the term employment-related social insurance?

The distinction between social security scheme and employment related social insurance schemes is acceptable, but the latter should be changed to other employment-related social insurance schemes since social security is also employment related.

#### **Germany:**

8.68: Please check the use of terms social security funds, insurance and schemes. Particularly the term funds may be confusing in the case of PAYE-systems.

#### **OECD:**

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<sup>1</sup> All comments on this chapter received as of 12 March 2007 can be found at the 1993 Update website.

8.59 In the next paragraphs, the terms "social assistance" is explicitly or implicitly used before any definition of it is given. One must wait for 8.79 to have some sort of definition. Please add therefore immediately after the definition of social insurance in paragraph 8.9, this sentence which would immediately help the reader to understand the difference between social insurance and social assistance: "Social insurance schemes differ from social assistance mainly by the fact that, for the latter, there is no actual or imputed social contribution paid by the possible benefitors or their employers (see paragraph 8.79)".

8.67 (a) The second sentence of the definition is wrong (benefits under these schemes are often not related to levels of salary of the beneficiary or history of employment). This applies in the SNA for social assistance schemes but not for social security schemes. In many social security schemes, benefits are related to salary. For example, for social security pension schemes in continental Europe, pension benefits are as related to salary than for any other defined benefit scheme. This second sentence should be suppressed. Social security schemes should be therefore simply defined in the SNA as (1) social insurance schemes (2) covering the entire (or large sections) of the community, (3) that are imposed, controlled and financed by government units. That's all.

8.67 (b) In the logic of my previous remark, the title of this second category employment related schemes is not appropriate. Indeed, it leads to conclude that "social security" is not employment related. We propose to use the following: "Other employment related social insurance schemes". The result is that all social insurance schemes are employment related. Those which are not employment related should be classified as "social assistance".

### **1. Questions for the AEG on social assistance and social security**

- a) Does the AEG confirm that it would be useful to make the delineations between social insurance/social security/social assistance clearer in chapter 8?
- b) Does the AEG confirm that a social insurance scheme should be defined in Chapter 8 using the criteria of the current SNA (paragraph 5, Annex IV): *An insurance scheme is designated as a social insurance scheme if the benefits received are conditional on participation in the scheme [...]; and at least one of the three following conditions is met: (i) participation in the scheme is compulsory either by law or by the conditions of employment, (ii) the scheme is operated on behalf of a group and restricted to group members; or (iii) an employer makes a contribution to the scheme on behalf of employees.*
- c) Does the AEG confirm that social assistance should be differentiated from social insurance, as defined above, by noting that social assistance does not imply any active participation in a scheme (in particular in the form of specific contributions).
- d) Does the AEG agree that the definition of social security should not refer to the fact that *"benefits under these schemes are often not related to levels of salary of the beneficiary or history of employment"* because this additional clause is more typical of social assistance. This would limit the definition of social security to: social insurance schemes that cover the entire (or large) sections of the community and are imposed, controlled and financed by government units.
- e) The editor has proposed to classify social insurance schemes in two categories: "social security" and "employment related schemes". This classification implies that social

security is not employment related, while it is often the case that it is employment related. Would the AEG accept other titles, such as “social security” and “other employment related schemes”?

- f) Would the AEG agree to avoid using in the SNA the term “social security funds” in favour of “social security units” or “social security schemes” where appropriate. Indeed, in general, social security is not funded.

### **Comment from the OECD on pensions**

8.70 This paragraph says that “any discrepancies are recorded in the financial accounts under other accounts receivable/payable.” This statement should be discussed at the AEG, because it may be better suited to record any underfunding of pension funds as pension liabilities (F6) rather than as “other accounts/receivable/payable”.

### **2. Question for the AEG on the classification of pension liabilities.**

The draft of paragraph 8.70 proposes to classify the implicit asset of underfunded pension schemes *vis-à-vis* its sponsor as “Other accounts receivable/payable”. Does the AEG agree that it would be preferable to classify this asset as a sub category of Pension entitlements (F6), in order to show the proximity with pension entitlements?

### **Comment from Eurostat on social contributions and taxes on income**

8.54 Eurostat proposes an additional text at the end of this paragraph, concerning taxes – as well as social contributions – unlikely to be collected:

"In practice, taxes (and social contributions payable to the general government sector) evidenced by declarations and assessments but unlikely to be collected should be neutralized in the same accounting period by subtracting their amounts from the total amounts of taxes (and of these social contributions) or by a capital transfer from general government to the relevant sectors. When retained at source by the employer, current taxes on income (or social contributions payable to the general government sector) should be included in wages and salaries even if the employer did not in fact pass them on to the general government. The households sector is then shown as paying the full amount on to the general government sector, and the amounts actually unpaid have to be neutralized as a capital transfer from general government to the employers' sectors."

### **3. Question for the AEG on social contributions and taxes on income**

Do you consider as appropriate the sentence proposed by Eurostat on taxes and social contributions unlikely to be collected?

### **Comment from Eurostat on current taxes**

8.57a Current taxes on land and buildings payable by owner – occupiers of dwellings are treated in ESA95 as other taxes on production and not as current taxes on capital. This divergence between the present SNA and ESA 95 had been asked by European countries, considering that the owner-occupiers act as producers of dwellings (ESA 95, § 4.23a). We would suggest incorporating the ESA 95 solution in SNA 93 Rev.1.

<b>4. Question for the AEG on current taxes</b>
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Does the AEG agree that current taxes on land and buildings payable by owner – occupiers of dwellings are treated in ESA95 as other taxes on production and not as current taxes on capital?
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**Comment from Eurostat on borderline between social assistance benefits in kind and transfers of individual non-market goods or services**

8.114 and 8.115 As the text is unchanged, the borderline between social assistance benefits in kind and transfers of individual non-market goods or services remains unclear.

The solution found in ESA95 could be transferred here: when social transfers in kind made outside social security funds correspond to social risks or needs, they have to be treated as social assistance benefits in kind. ESA95 gives examples: "are included, if not covered by a social insurance scheme, social housing, dwelling allowances, day nurseries, professional training, reduction on transport prices (provided that there is a social purpose) and similar goods and services in the context of social risks or needs".

On the contrary, transfers of individual non-market goods or services includes non-market goods or services not linked to social risks or needs, such as transfers having a cultural, recreational or sportive purpose.

<b>5. Question for the AEG on borderline between social assistance benefits in kind and transfers of individual non-market goods or services</b>
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Does the AEG agree to make this clarification?
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