



UPDATE ON WORK OF WELLBEING AND SUSTAINABILITY TASK TEAM

INTERNATIONAL WORKSHOP ON THE
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*SESSION 6: DEVELOPMENTS IN WELL-BEING
AND SUSTAINABILITY*

Presented by Jorrit Zwijnenburg



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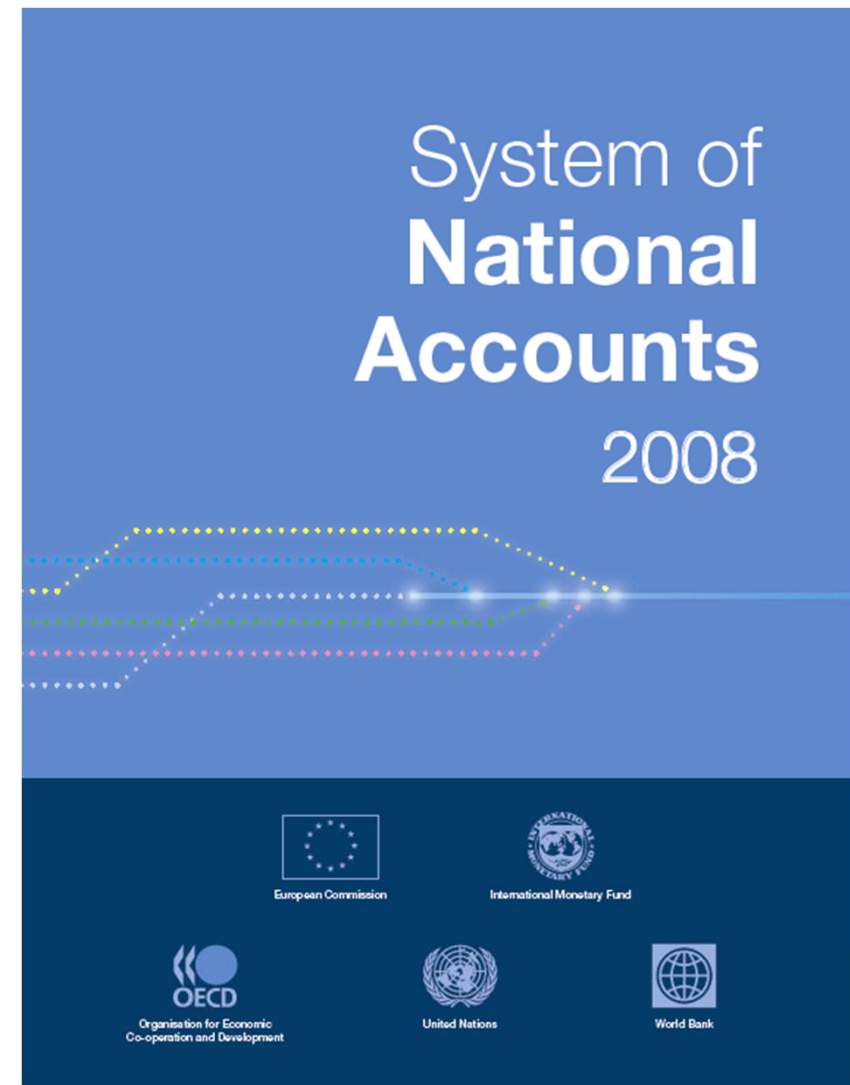
Introduction





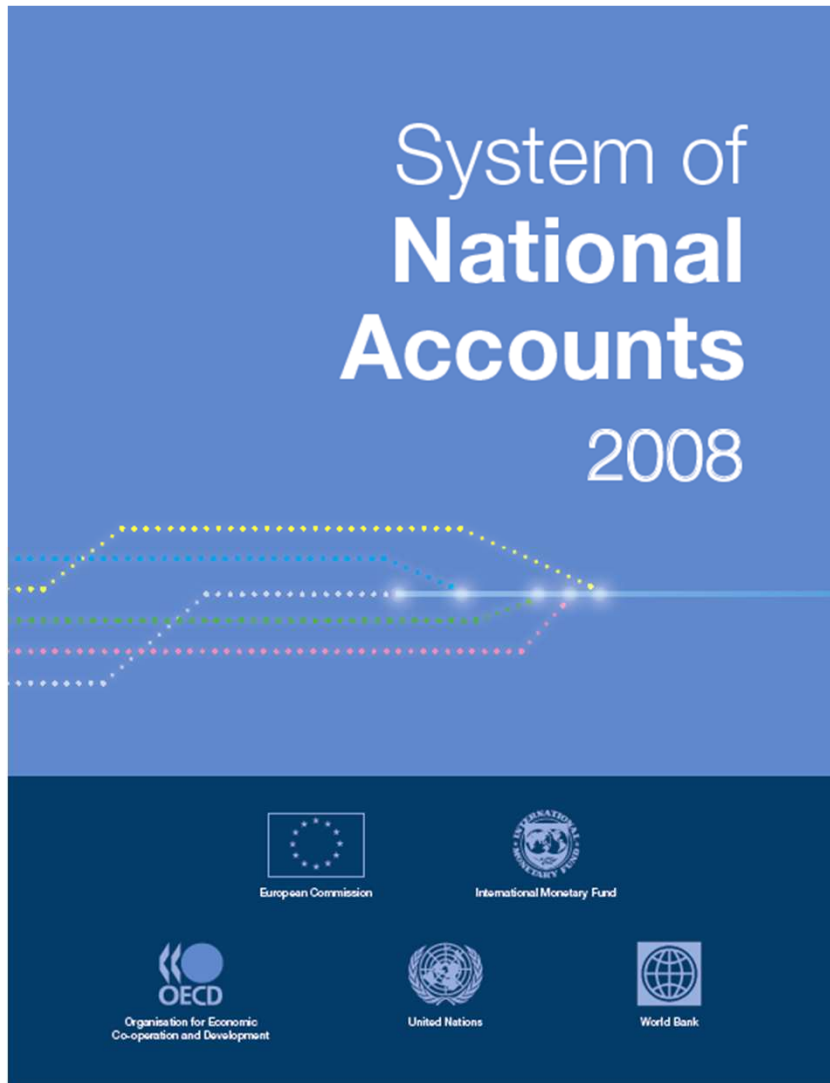
Well-being and sustainability in the SNA (1)

- As the overarching macroeconomic measurement framework, the boundaries of the System of National Accounts define what we know as **the economy**
- 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





Well-being and sustainability in the SNA (2)



- 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



A pragmatic way forward

- Elaborate overarching framework with linkages to microdata would be **desirable**, but **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



Overview of all guidance notes





Areas of interest

1. **Distribution** of household income, consumption saving and wealth
2. **Unpaid household activities**
3. **Labour, education** and **human capital**
4. **Health** and **social conditions**
5. **Environmental-economic accounting**
 - Ownership and depletion of natural resources
 - Emission trading schemes
 - Biological Resources
 - Provisions
 - Valuation of mineral and energy resources
 - Renewable energy resources
 - Environmental Classifications
 - Distinction between a tax, a service and related transactions
6. Development of a **broader framework** to bring all of this work together



Status of the guidance

Already released for global consultation:

- Distribution of household income, consumption saving and wealth
- Unpaid household activities
- Labour, education and human capital
- Health and social conditions
- Ownership and depletion of natural resources
- Emission trading schemes

Currently open for consultation:

- Biological resources
- Provisions
- Valuation of mineral and energy resources
- Renewable energy resources

Towards the end of the year:

- Environmental classifications
- Distinction between a tax, a service and related transactions
- Broader framework



Recommendations (1)

- **Distributions for the household sector:** Increased granularity within the central framework; slightly adapted alternative concepts and classifications to facilitate micro-macro linkages.
- **Households' unpaid service work:** Extended alternative concepts as a complement to traditional measures; new granularity in time units and demographics.
- **Health and social conditions:** Increased prominence of the health care sector, rethink of existing classifications and increased detail; minor conceptual adjustments; refinement of real measures.
- **Labour, education and human capital:** New labour accounts in physical units, new detail on education and training, extended alternative human capital assets.



Recommendations (2)

- **Environmental-economic accounting:**
 - **Ownership and depletion of natural resources:** Increased emphasis on depletion-adjusted net measures, sectorized according to SNA economic ownership principles.
 - **Accounting for biological resources:** Rethink the SNA production and asset boundary, for example in relation to cultivated assets, to better align with the SEEA.
 - **Treatment of emissions permits:** Consideration of the atmosphere as an asset, with implications for both the SNA and the SEEA.
 - **Accounting for renewable energy resources:** How to derive the economic value of these resources?
 - **Valuation of natural resources:** Clarification on issues in application of NPV method to derive estimates for mineral and energy resources
 - **Recording of provisions:** Impact of provisions on value of natural resource assets; Proposal for supplementary table on provisions
 - **Environmental classifications:** Provide overview of (new) breakdowns in ISIC, CPC, SNA, etc. related to environmental-economic accounting
 - **Distinction between tax and service:** Provide clarity on recording of transactions with same objective, but achieved in different ways



Health and social conditions





Health care and social conditions

- Objective: Include **indicators on health care** in the new SNA
- The **System of Health Accounts 2011** (SHA) provides foundation
- Proposed indicators concern the following (in line with SHA classifications)
 - Classifications of final consumption expenditures
 - Health care products and industries
 - Volume measures of health care
 - Paid long-term social care services
- The indicators should be included in **extended** (or supplementary) **tables**
- Only one of the proposals is **relevant for the core**:
 - Improving estimates of **health services in constant prices** (expenditure in volume terms)
 - Improving methods to **capture changes in quality** of care
- Also consider **unpaid provision** of health care



Provisions






Recording of provisions

- **Examples:** Land contamination; removal of oil rigs; non-performing loans; customer refunds; ...
- No actual legal obligation, so **not recognized in the 2008 SNA**
- 2008 SNA may **overvalue** corporations and government entities
- **International accounting standards** recognize provisions in financial statements
 - **Best estimate** of expenditure needed to settle a future obligation
 - Existence of a '**genuine**' obligation is critical
- Specific **problems for the SNA:**
 - **Asymmetry:** Provisions accepted as liability but not as assets
 - **Practically:** How to obtain reliable and comparable information
- Proposals:
 - Add a **supplementary table for provisions**
 - Guidance on how to deal with **terminal costs, compensation costs** and **stranded assets**



Valuation of mineral and energy resources





Valuation of mineral and energy resources

- Highlight the importance of the **Net Present Value method** (NPV) for measuring the value of natural assets (if market values are not available)
- Adopt specific guidance as included in **Chapter 5 of the SEEA Central Framework**
- Delineate **different classes** of mineral and energy resources and (if possible) publish separate estimates:
 - Commercially recoverable resources
 - Potentially commercially recoverable resources
 - Non-commercial and other known deposits
- Add clarifications on the calculation of the NPV:
 - Use constant rate or most recent quantity of extraction as **forecasts of future production**
 - Assume that **output price of extracted resources** follows a long-run historical trend
 - Compilers should try to compile values at **disaggregated levels**
- Emphasize compilation issues, e.g., sensitivity to **choice of discount rate**, **heterogeneity of extraction costs** across space, ...



Broader framework





Development of a broader framework (1)

Proposals may have various implications:

- More granular **product** breakdowns, e.g., specific health care, education and environmental services
- More granular **industry** breakdowns, e.g., health care providers
- More granular **asset** breakdowns, e.g., health care related assets
- More granular **sector** breakdowns, e.g., distributional information
- Supplementary **non-monetary information**, e.g., hours worked, Co2 emissions
- Further breakdowns into **socio-demographic groups**, e.g., age group, gender, education status, employment status
- Extension of **production boundary**, e.g., unpaid household activities, ecosystem services
- Extension of **asset boundary**, e.g., consumer durables, natural resources
- Creation of **new tables**, e.g., full fledged labour accounts, tables on education and training, table on human capital, table on full time-use accounting



Development of a broader framework (2)

Important links between areas that need to be considered:

- Health care and education may be provided in the form of unpaid household activities
- Labour accounts and distributional information would benefit from extension to include unpaid household activities
- Environmental-economic issues may affect health (care)
- Changes in health (care) may affect human capital
- All groups aim to have breakdowns by socio-demographic groups
- ...

These links need to be considered in developing the broader framework: **how to best combine all this information?**



Development of a broader framework (3)

Main challenges:

- **How to align** the various proposals?
 - Alignment is needed where area groups propose similar types of breakdowns, e.g., socio-demographic groups
- **How to combine** the various proposals in core tables?
 - Combining all additional breakdowns would lead to very useful information, but is not considered feasible
 - Choices will need to be made what breakdowns to include in the core tables and what in supplementary tables
- **How to present** information?
 - Creating new indicators on well-being and sustainability combining different types of information



Development of a broader framework (4)

Next steps:

- Assessment of new **classification** breakdowns
- Assessment of **links** between five subdomains
- Drafting **proposal** on how to combine this information in core and supplementary tables and define new indicators



Thank you for your attention!

Jorrit.Zwijnenburg@oecd.org