Progress of the Network of Economic Statisticians on Beyond GDP
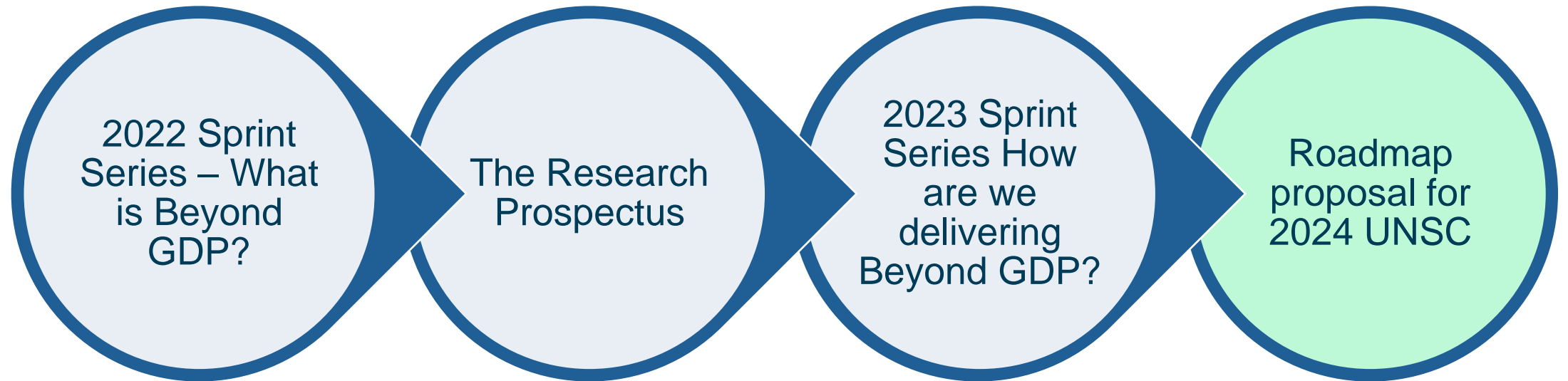
Richard Heys

Background

The UN's "Our Common Agenda":

- makes explicit reference to the needs to take collective actions to meet the challenges of our time

- mobilizes stakeholders to identify a complement or complements to GDP that will measure inclusive and sustainable growth and prosperity

- Challenges member states to identify and agree on pathways for national and global accounting systems to include additional measurements

The Network:

- has been working towards bringing together the *Our Common Agenda* with recommendations of the Friends of the Chair Group on economic statistics

- Achieving this by better networking and establishing user-centred partnerships; by challenging the system through use cases in co-production and co-investment; and by better documenting the international conceptual and practical guidance on methodological standards and collective scaling of the capacity building and training

Our Journey

2022 Sprint Series – What is Beyond GDP? → The Research Prospectus → 2023 Sprint Series How are we delivering Beyond GDP? → Roadmap proposal for 2024 UNSC

2022 Beyond GDP Sprint – objectives and findings

Broad aim was to scope the work done internationally, identify best practices, and propose areas of high priority for research on an integrated statistical system.

Key findings:

1. There is a rich and long history which shapes our options

2. There has been a huge amount of work – the problem is not a shortage of available options, it's a failure to come together behind a core set of metrics, particularly in two core dimensions

3. But we are held back from identifying a core set of metrics by

    1. Variation in available data – very few countries consistently produce everything

    - Lack of a common language –
        - o "*Wellbeing is not a subset of health*" (Nancy Hey)
        - o "*I never realised my work on wellbeing was part of what you call Beyond GDP*" (anonymous sprint attendee)

    - Very different ways of viewing the question of how to measure Beyond GDP
        - o Wellbeing / Inclusiveness / Sustainability
        - o Dashboards / composite indices
        - o Subjective wellbeing / objective drivers of wellbeing

4. Users would like to see a map / have a means of navigating through the options
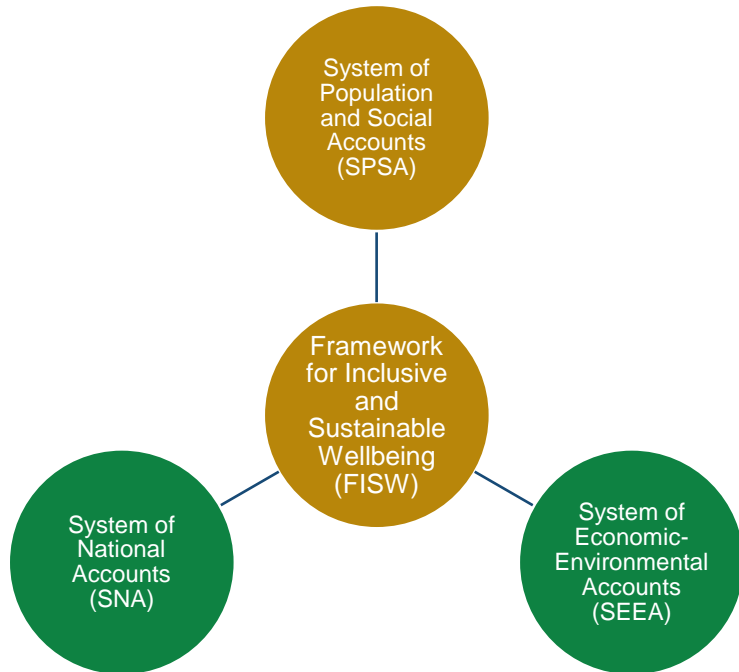
The 2022 Research Prospectus

- Sprint led to a series of concrete proposals summarised in a Prospectus
  - Identified the need for an integrated system for inclusion and sustainable well-being,
  - Complement and build on existing standards (the **System of National Accounts** and the **System of Environmental-Economic Accounting**) with a **System of Population and Social Accounts** and a **Framework for Inclusive and Sustainable Wellbeing**.

- Proposals fit with other work done by the ISWGNA and the Advisory Expert Group on NA on enhancing and broadening of the national accounts framework to better account for elements related to well-being and sustainability;

The 2022 Research Prospectus

Development of a **System of Population and Social Accounts (SPSA)**, which can be integrated with the SNA and SEEA, that brings together the various extended SNA accounts and other existing socio-demographic accounts and promotes their potential use

System of Population and Social Accounts (SPSA)

Framework for Inclusive and Sustainable Wellbeing (FISW)

System of National Accounts (SNA)

System of Economic-Environmental Accounts (SEEA)

- Development of a **Framework for Inclusive and Sustainable Wellbeing** including:
  - a comprehensive dashboard, linked to the SDGs, of core wellbeing indicators and potentially new composite indices, drawn from a coherent framework,
  - distributional breakdowns of aggregated and disaggregated accounting and wellbeing indicators,
  - measures of flows and stocks, considering a wider landscape of capitals than those covered by the SNA, with a focus on consistency of measurement for the derivation of 'objective' composite indices.

- Presented in the Network's Report to the UNSC's 54th meeting: The Commission supported the "*exploration of the feasibility of a research agenda for a new integrated statistical framework for measuring inclusive and sustainable well-being in accordance with the research prospectus, in collaboration with the [Social] Friends of the Chair group*"

2023 Sprint One

First session explored initiatives to measure and monitor inclusive and sustainable wellbeing and quality of life

- **Francesca Grum** (UNDESA) and **Ivo Havinga** (UNNES) explored the usefulness of a Framework for countries to organize their social and demographic statistics. The historical precedents for this work, and the creation of a new Friends of the Chair Group on Social and Demographic Statistics to review, national practices in conceptualizing, organizing and producing social statistics, and to provide related recommendations for more granular and timely data in support of SDGs and beyond.

- **Catherine van Rompaey** (World Bank) and **Jorrit Zwijnenburg** (OECD) explored the work undertaken under the SNA 2008 update and mapped the links between a number of these with previous activity, including previous vintages of the SNA as it expanded its scope to orientate more towards welfare, and established what are now mature satellite account frameworks which include both monetary and physical dimensions.

- **Steven MacFeely** (WHO) and **Rafael Diez de Medina** (ILO) explored the historic links of their frameworks and the potential benefits of both mapping coherence with SPSS and and the harmonization and reconciliation with other SPSS subsystems and the SNA

- **Oliver Chinganya** (UNECA) highlighted that data availability and quality is still scarce for many countries and the need to focus on indicators for special population groups and SDGs while broadening coverage of indicators. Progressively, African countries may take up the challenge to implement a broader range of social and population statistics and indicators beyond the traditional coverage of the SPSS subsystems of population, housing, labor, education, health, and distribution.

2023 Sprint Two

The second webinar provided a picture of key advances made with respect to measuring well-being, and showcased examples of combining existing metrics to track well-being

- **Anu Peltola (UNCTAD)** presented a summary of the UN-led process, drawing on the Secretary General's Our Common Agenda' and the recent 'Valuing What Counts' research paper. She outlined the strategy around the 'Summit of the Future' in September 2024 and the need to focus on 10-20 indicators.

- **Rutger Hoekstra (Leiden University)** provided an overview of Horizon programme and the new www.beyond-gdp.world website, showcasing their capacity to compare and contrast different metrics.

- **Jonathan Barth (Zoe Institute)** provided an update in Europe and the Zoe's Institute research on the strengths of GDP and the four levels of factors which preserve GDP's hegemony.

- **Gerard Eding (Statistics Netherlands)** provided an update on progress in the Netherlands, the importance of involving Parliamentarians and stimulating demand from key users, and the strengths of using the 'here and now', 'now and future', and 'now and elsewhere'.

- **Cliodhna Taylor (UK Office for National Statistics)** provided an update on the measurement of the wider landscape of capitals, including the environment and human capital, and how we could imaginatively combine these.

- **Graciela Marquez (President, INEGI)** provided an update on the satellite accounts developed in Mexico and how these are deployed to engage users and demonstrate what is feasible to meet Beyond GDP needs.

2023 Sprint Three

The third session tackled the progress made in the development of the standards to measure Environment, Social and Governance performance

Richard Barker (International Sustainability Standards Board (ISSB)) presented three different lenses to corporate

reporting (corporate financial reporting, corporate reporting including environmental reporting such as low-carbon transition plans and social capital reporting on diversity of the workforce) The International Sustainability Standards Board (ISSB) provides guidance on metrics to report on, in the ESG realm, with standards related to climate change been finalized and released last June.

Vincent Siegerink (OECD) focused on leveraging the concept of well-being and related metrics at the macro and micro-level to align with ESG concepts. The OECD has also developed a pilot employee well-being survey to measure working conditions and well-being outcomes.

Helen Slinger (Accounting for Sustainability (A4S)) overview of the business accounting community perspectives on these new non-financial measures and the tools that could support this transition from conventional financial reporting to the inclusion of sustainability information.

Jan-Emmanuel De Neve (Well-being Research Centre, University of Oxford) presented the work of a crowdsourced survey developed to measure employees experiences at work and to calculate its Work Happiness Scores. The results were then linked to financial and stock market performance to show a positive correlation of employee well-being to firm value, return on assets and profits.

Samir Trabelsi (Brock University) presented the concept of linking GDP with ESG metrics to ensure the effects of climate change and well being are properly accounted as well as to ensure a comprehensive view of a country's long term economic sustainability. Highlights the need for comparability and universal agreed upon standards.

Sonia Raizenne (Statistics Canada) presented Statistics Canada's experimental ESG dashboard by leveraging existing data. Next steps include developing a benchmarking tool, whereby companies can enter their own data into the dashboard and compare with other companies within their industry.

2023 Sprint Four

The fourth webinar provided examples of the current state of domestic wellbeing dashboards, their uses and impact on policy making; many common challenges were identified

- **Diana Cook,** The Treasury New Zealand and Marilette Lotter, Statistics New Zealand presented New Zealand's well-being frameworks, which include their Living Standards Framework, a shorter Treasury framework and He Ara Waiora to represent indigenous populations. They also outlined how these frameworks are used in the development of their Well-being objectives and budget.

- **Eleanor Rees (ONS)** outlined the history measuring national well-being in the UK, focussing on the recent review of the measures which extended their set to 60. This review has put a greater emphasis on the measurement of inequality, on ensuring timely measures and coherence.

- **Dasho Karma Ura, Centre for Bhutan Studies and GNH Research** spoke on the Bhutanese Gross National Happiness index, sharing how a national survey capturing 33 measures through 9 domains defines a respondent on a scale from deeply happy through to unhappy. They also noted a happiness sufficiency level, below which they do now want the population to fall.

- **Kari Wolanski, Statistics Canada** gave an overview of Canada's Quality of Life framework, including its development. Kari promoted Canada's Quality of Life hub which presents Canada's 85 measures through its 5 domain framework.

- **Carrie Exton (OECD)** shared the OECD's Better Life Index, including how they emphasise inequality and capture sustainability through measurement of the 4 capitals. The second part of Carrie's presentation outlined their analysis of the increased frequency of inception of well-being frameworks, including the differentiation in size and topic included in frameworks dependent on the developing organisation, and their policy use.

- **Amit Yagur-Kroll, Israel Central Bureau of Statistics** shared the results from the recent UNECE in-depth research on the measurement of current well-being. He noted the most common domains included income, subjective well-being and health. Although 20 of the 39 responding countries had legal basis for their measurement framework, around a third had no knowledge of policy use. Amit outlined the recent inception of a task team to develop guidance on well-being measurement as a consequence of this review.

2023 Sprint Five

The fifth session covered the synergies among the different distributional frameworks used for measuring economic inequality

- **Alexia Fürnkranz-Prskawetz (Vienna Institute of Demography)** discussed how National Transfer Accounts integrate demography (age and gender) into National Accounts to analyse consumption, earnings, and redistribution at the individual level understand how demographic change affects the economy and public redistribution, how individuals at different ages are affected by economic change, and how the roles of men and women differ for public and private reallocations.

- **Jorrit Zwijnenburg (OECD)** spoke on Household Distributional Accounts which produce distributions of income, consumption, and wealth for groups of households and are fully consistent with National Accounts. These simultaneously measure inequality across income, consumption, and wealth to understand how household groups have been affected by specific events (e.g., GFC, COVID), assess household vulnerability (e.g., inflationary pressures), and evaluate the impact of policies on specific household groups.

- **Lucas Chancel (Paris School of Economics)** discussed Distributional National Accounts (World Inequality Database) which provide income and wealth distributions for 140+ countries since the 1980s and 1990s – as well as a longer time-series for large countries and regions since the 1820s, using all available sources: tax data, household surveys, national accounts, rich lists, etc. to evidence that wealth inequality is extreme everywhere and inequality after-tax is mostly due to inequality pre-tax.

- **Yanchun Zhang (UNDP)** focussed on the Human Development Index. There is an increasing demand for disaggregated human development indices. Two examples. The Human Climate Horizons Platform projects impact of climate change globally and at the hyperlocal level (24,000 regions) to identify where people are most at risk. The HDI at hyperlocal levels at 0.1 by 0.1 degrees based on satellite imagery and machine learning.

- **Piedad Urdinola (Director General, DANE-Colombia)** noted commonalities: great collaborative efforts, partnerships with academia (economists, demographers, environmentalists), focusing on greater granularity and timeliness of data, highlighting two key additional dimensions of inequality: gender and climate change and the need for a vision of inequality that includes gender – noting the key roles it plays both in population aging and climate change. Climate change is a global issue that requires very detailed local data. The catalytic investment needed to increase the use of these frameworks is investment in technical capacity of NSOs to apply to data already available.

- **Eduardo Rios-Neto (Professor, Federal University of Minas Gerais)** compared the 3 accounting frameworks (NTA, DNA, and DINA) with suggestions on exploiting synergies. All three fit the aggregation of their micro-data to National Accounts. DNA and DINA measure distributions (e.g., quintiles of income), while NTA stratifies by population group (age, sex, education, family status). DNA measures consumption, income, & wealth distributions; DINA measures income & wealth distributions; and NTA measures average consumption, income, & reallocations by population group. They differ in focus: DNA – Households, DINA – Adults, NTA – Individuals.

2023 Sprint Six

The second last meeting discussed the relative benefits and trade-offs between dashboards and composite indices

- **Richard Heys (ONS)** spoke on the big questions around composite indices with a focus on the key alternatives of developing objective weighting methods beyond using market prices, including accounting prices, time and wellbeing-years (WELLBYs)

- **Leonard Nakamura (Federal Reserve Bank of Philadelphia)** focussed on the key methodological issues around using Time to Weight a Wellbeing Index, recognising time is a democratic metric and allows a way to explain productivity through time savings.

- **Khalid Abu Ismail (ESCWA)** presented the latest progress on the World Development Challenges Report and how to develop this further using two principles: using indicators with intrinsic value and a low correlation with GDP.

- **Amit Kapoor, Institute for Competitiveness (India)** discussed the geographical challenges of disaggregating the Social Progress Index across India and the opportunities this gives to understand wellbeing in this context.

- **Cliodhna Taylor, UK ONS** presented Inclusive Income in the UK, which generates a new composite index in consistent monetary terms from GDP, Environment Accounts, Unpaid Work data and human capital satellite accounts

- **William Muhwava, UNECA** discussed how data from the MPI, alongside a variety of microdata was used to calculate the Multidimensional Measurement of Poverty in Africa and the need to collect more data and add employment variables to data collected so that it can be used to calculate economic activities by member countries.
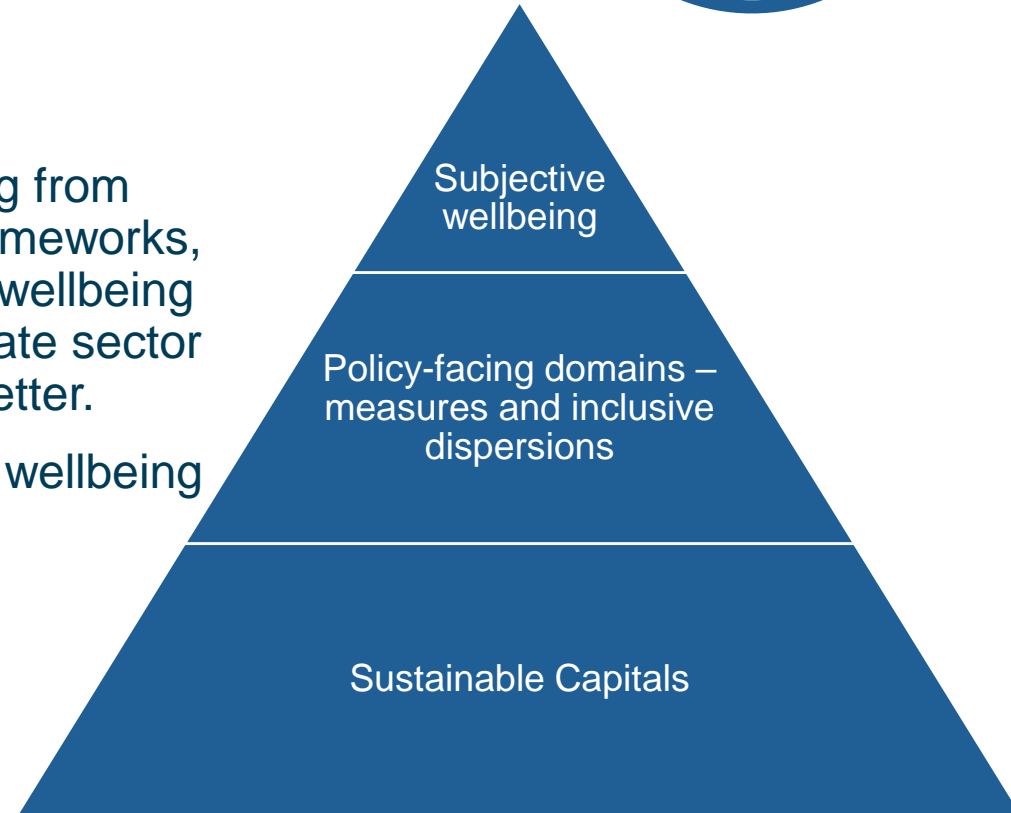
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2023 Beyond GDP Sprint – objectives and (draft) early findings

Deeper dives into key topics, focussing on how existing methodologies and guidance exist to support the development of a framework of inclusive and sustainable wellbeing measurement, building upon the SNA, SEEA, and SPSA.

Early findings:

- A rich variety of models of national wellbeing Dashboards, ranging from 10-20 metrics to 60+, but these are often shaped around local frameworks, tailored to domestic need. The majority of these are focussed on wellbeing in the <u>here and now,</u> but we need to consider how to capture private sector Environment, Social and Governance performance (ESG) data better.

- There is a growing acceptance of the measurement of subjective wellbeing as a developed scientific discipline.

2023 Sprint Series "How are we delivering Beyond GDP?"

Subjective wellbeing

Policy-facing domains – measures and inclusive dispersions

Sustainable Capitals

2023 Beyond GDP Sprint – objectives and (draft) early findings

- There are three front-running distributional frameworks (DNA, DINA and NTA) which have clear similarities but subtle differences, which give us a perspective of <u>inclusive wellbeing here and elsewhere</u> (domestically)

- There are three front-running measures of capital (national accounts, comprehensive wealth and inclusive wealth), which do exhibit material differences, but which are often caused by transparent differences in methods and scope. This provides a perspective on <u>wellbeing now and in the future</u>.

- Both dashboards and composite indices struggle with the common challenge of understanding and presenting trade-offs. New research on the synergies between viable weighting metrics may assist.

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