

Meeting of the 2016/2017 Bureau
Geneva (Switzerland), 14-15 February 2017

Approved

Item III (c) of the Provisional
Agenda

**TERMS OF REFERENCE FOR THE TASK FORCE ON SATELLITE ACCOUNTS
FOR EDUCATION AND TRAINING**

Note prepared by Statistics Norway and the UNECE secretariat

*The CES Bureau approved the Guide on Measuring Human Capital in October 2016. The proposals for further work in the Guide included pilot testing of satellite accounts for education and training. The Bureau supported the proposal and asked the secretariat to prepare terms of reference for this work for its February 2017 meeting. Statistics Norway and UNECE coordinated the drafting of the terms of reference and consulted them with the members of the UNECE Steering Group on national Accounts, the Task Force on Human Capital which developed the Guide, and countries and organizations that have expressed interest to participate in this work. **The Bureau discussed and approved the terms of reference for the Task Force on Satellite Accounts for Education and Training.***

I. BACKGROUND

1. The idea of viewing human knowledge and abilities as an asset and to estimate its value has recently gained bigger prominence in the context of sustainable development. Measures of human capital are of significant interest to policymakers because they can help to understand better what drives economic growth, to assess the long-term sustainability of a country's development path, and to measure the output and productivity of the education sector.
2. Based on the outcome of a Conference of European Statisticians (CES) seminar in 2011 and the recommendations in the subsequent stocktaking report, CES established the Task Force on Measuring Human Capital in 2013. In 2016, the Task Force completed the *Guide on Measuring Human Capital*, which provides a first attempt to estimate and record human capital in a way that is aligned with the principles of the national accounts and comparable among countries. For estimating the value of human capital stock the Guide recommends the use of the "cost-based" approach or the "lifetime income" approach, or both.
3. The estimates of human capital can be initiated by developing a satellite account on education and training or by going beyond the present System of National Accounts to fully integrate estimates of human capital in national accounts. The Guide encourages countries and international organizations to invest resources in measuring human capital. These efforts should be synchronized to facilitate cross-country comparisons and should lead to better understanding of the role of human capital, hence, requiring improved guidance on data and measurement issues.

4. Because of both data constraints and methodological issues, the Guide recommends, as a first step, to develop a satellite account for education and training. In addition to providing estimate of the total expenditure on education and training, the objective of such a satellite account is also to distinguish and provide breakdowns of the various expenditures, including the identification of the financing arrangements for these expenditures. This account extends the production boundary of the SNA only slightly by recognizing the output from the internal expenditures on education and training by employers.

5. In October 2016, the CES Bureau approved the finalized Guide and supported the proposed future work, including developing terms of reference for the pilot testing of satellite accounts for education and training by a group of countries. Based on the pilot testing, a more detailed compilation guide for such satellite accounts could be prepared. The Bureau also asked the Group of Experts on National Accounts to provide a forum to discuss the implementation of the Guide.

6. Statistics Norway and UNECE coordinated the drafting of the current terms of reference. The document was consulted with the members of the UNECE Steering Group on National Accounts, the Task Force on Human Capital which developed the Guide, and countries and organizations that have expressed interest to participate in this work.

II. MANDATE

7. The Task Force on Satellite Accounts for Education and Training is established under the CES and its Bureau. The Steering Group on National Accounts will guide and oversee the work of the Task Force. The Task Force will be created for two years, after which it will submit a final report.

8. The results of the pilot testing of satellite accounts for education and training will be discussed at the joint UNECE/Eurostat/OECD Group of Experts on National Accounts and other relevant groups. The Task Force will also consult with and inform the Inter-Secretariat Working Group on National Accounts (ISWGNA) and the Advisory Expert Group (AEG) on National Accounts of its work to ensure international coordination. The Task Force should ensure coordination with corresponding work undertaken by UNESCO and Eurostat.

III. OBJECTIVES

9. The objective of the Task Force will be to develop a framework and coordinate the pilot testing of satellite accounts on education and training in countries with different economic circumstances and data availability. Based on the pilot testing, the Task Force aims to develop a compilation guide that will help countries construct internationally comparable satellite accounts on education and training which will lead to improved cost-based measurement of human capital.

IV. PLANNED ACTIVITIES AND OUTPUTS

10. The Task Force will undertake the following activities:
- a) Develop a framework for constructing satellite accounts on education and training, including the breakdowns of the various expenditures on training and education;
 - b) Recommend a classification to be used for costs and products, and link to the classifications used in the national accounts;
 - c) Identify the key variables, and the main and supplementary tables in the satellite accounts;
 - d) Carry out pilot testing of the satellite accounts to test the methodology, data availability and quality;
 - e) Identify best practices, recommend improvements to methods and data sources for developing cost-based measures of human capital; and
 - f) Develop a compilation guide for satellite accounts for education and training.
11. The output will be a report on the results of the pilot testing and a compilation guide for constructing satellite accounts on education and training.

V. TIMETABLE

12. The activities of the Task Force are planned for the period from February 2017 to June 2019, according to the tentative timetable below.

Feb-Mar 2017	Launch the Task Force's work. Confirm participating countries and organizations.
Apr-May 2017	Agree on the work plan and division of work (possible meeting back-to-back with the meeting of the Group of Experts on National Accounts).
Jun 2017 – Feb 2018	Develop the framework for the pilot testing, review data sources, develop experimental accounts
Mar-Apr 2018	Review the results of pilot testing, identify best practices and recommend improvements.
May 2018	Present the first results for discussion at the meeting of the Group of Experts on National Accounts
May-Dec 2018	Finalize the analysis of the pilot testing, draft the report and compilation guidance for the satellite accounts on education and training.
Autumn 2018	Submit the findings to the ISWGNA and/or AEG and other relevant groups for comments
Jan 2019	Submit the report and the compilation guide to the CES Bureau.
Feb-Apr 2019	Finalize the report and the compilation guide based on the feedback received.
Apr 2019	Submit the report and the compilation guide to the CES plenary session for endorsement in June 2019

VI. METHODS OF WORK

13. The Task Force will primarily work via email and telephone conferences. Face-to-face meetings may be organized back-to-back with the meetings of the Group of Experts on National Accounts or other relevant international meetings.

VII. MEMBERSHIP

14. The following countries and international organizations have expressed their interest to participate in the Task Force: Belarus, Canada, France, Israel, Italy, Norway (Chair), Russian Federation, United Kingdom, Eurostat, UNECE, UNESCO and UNSD. Representatives from the Wittgenstein Centre for Demography and Global Human Capital and the academia have also expressed interest to participate. Other interested countries and organizations may join the Task Force.

15. The Task Force could include experts on satellite accounts and the System of National Accounts as well as other subject matter experts.

16. UNECE acts as Secretariat of the Task Force.

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