

STATISTICS

Accounting for Wellbeing and Sustainability

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MF Statistics Department – UNECE

Joint Virtual Outreach Seminar on the Updates of the Statistical Manuals (BPM7 and SNA 2025)

Real Sector Division, IMF Statistics Department

AGENDA



Background



Concepts
and SNA
limitations



Existing SNA
indicators of
relevance



Core 2025
SNA
updates



Encouraged
breakdowns
and
extensions

Background

- Institutionalization of GDP as the standard international measure of economic performance over past 70 years has led to its misuse as a general indicator of how well a country and its people are doing, despite expert advice to the contrary
- **External view: SNA=GDP > GDP weak measure of wellbeing > hence SNA has little to offer**
- However, aim for the SNA to support wellbeing and sustainability analysis in two ways
 - Use of existing national accounts aggregates as inputs to wellbeing and sustainability analysis (e.g. income, consumption, savings, net worth...)
 - Use of SNA accounting rules and structures to organize social and environmental data outside of the SNA itself, which may be linked to form extended accounts

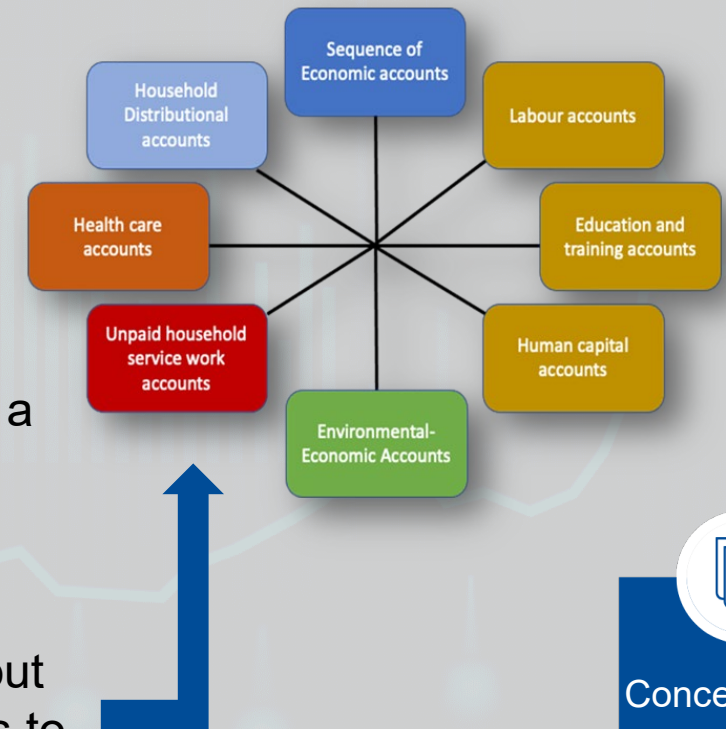


Background

- This summarizes guidance provided in the following new chapters:
 - **Chapter 2: National accounts and measures of wellbeing and sustainability**
 - **Chapter 34: Measuring wellbeing**
 - **Chapter 35: Measuring sustainability**
- **Chapter 2 provides an overview while Chapters 34 and 35 give more detail**
- **Key points**
 - Recognition that the approaches to accounting for distinct aspects of wellbeing are at different levels of standardization and development of compilation practice.
 - Accordingly, chapters are neither prescriptive nor definitive, but encourage the compilation of extended accounts and additional breakdowns by using SNA aggregates with other frameworks and data sources

Concepts and SNA limitations

- Wellbeing and sustainability embody economic, environmental and social dimensions
 - Wellbeing** - material wellbeing of households, impacted by education, health, labor, wealth, social, environmental, freedom and other factor
 - Sustainability** - ability to satisfy the needs of the present without impacting on the needs of future generations
- Sustainability implies a time dimension, where we need an accounting framework to estimate stocks and flows of economic, human, environmental, and social capitals.
- An accounting-based approach addresses the challenges by compiling a set of composite indicators (based on core dimensions) that may not otherwise provide a coherent connection among the dimensions
- SNA captures only some human and environmental stocks and flows, but can exploit linkages (e.g. SEEA, SAET, SHA) and derive new measures to create extended accounts and further breakdowns.



Concepts and SNA limitations

- SNA aggregates only measure part of material wellbeing:
 - *Outputs but not outcomes (e.g. food production and consumption versus overeating)*
 - *Does not cover subjective wellbeing, or related spiritual or environmental preferences*
 - *Includes defensive expenditures, excludes externalities – both affect wellbeing*
- SNA records exchange values, not welfare values - which include consumer surplus > the internalization of all externalities
- Changes in production and consumption therefore linked to wellbeing, but not directly > *utility from consumption of a product ≠ change in wellbeing*
- Also note that present production boundary excludes most HH services
 - *2025 SNA will extend this to include unpaid household services*
- Overall, no framework, SNA or otherwise, can capture all aspects of wellbeing in a single number - *multiple perspectives need to be considered*

Existing SNA indicators of relevance

Income and consumption

- Relate to current measures of wellbeing
- Importance of net rather than gross measures to account for user cost of capital in generation of income (see Chapter 21)
- Key focus on HH (adjusted) final consumption and disposable income, and saving
 - *Must also consider changes in mix of products consumed, types of income earned*
- Also need to consider
 - Impact on wellbeing of expenditures on collective govt services
 - Prices and volume measures to look at wellbeing trends

Wealth

- Relates to current and future wellbeing and hence sustainability
- Accumulation accounts include variety of especially important for HHs
 - *Must consider changes in mix of assets, measures of consumer durables in HFCE*
- Also need to consider
 - Real terms and per capita measures
 - Other broader assets outside SNA but included in comprehensive wealth measures (environmental, human, social – alternate asset boundaries for extended accounts
 - Public infrastructure:
 - roads, schools, hospitals etc.
 - impacts on HH wellbeing



Existing SNA indicators of relevance

Environmental accounts

- While SEEA provides most comprehensive framework, the 2008 SNA already includes measures of:
 - Asset stocks and flows of owned natural assets, including
 - resource rents
 - other changes in value
 - other changes in volume (e.g. mineral discoveries, depletion)
 - Environmental expenditures
 - Environmental taxes and subsidies

Core SNA 2025 updates

Environmental accounts

- 2025 SNA includes updates and additions to these driven by SEEA principles:
 - ✓ Inclusion of stocks/flows of renewable energy resources (revised asset boundary)
 - ✓ Revised approach to measuring natural resource rents
 - ✓ The 'split-asset approach'
 - ✓ Depletion of natural resources to be recorded as cost of production
 - ✓ Moved from other changes in volume account
 - ✓ Clarification of production boundary for biological resources
 - ✓ Including migratory animal/fish stocks
 - ✓ Updated recording of emissions trading schemes and provisions



Core SNA 2025 Updates

Inclusion of unpaid household labor within the production boundary

- Work within and between households that could be performed by another (the ‘third party’ criterion) to be included – covering
 - Caring, cooking, transport, laundry, household management, shopping, volunteering, information services
- Rationale that as per already-included owner-occupied housing and domestic services, inclusion prevents distortions in levels and growth when switches between self and market provision
- Minimum recommendation for such activity to be measured at least every five years as additional element of productive activity in supply and use tables
- Valuation requires (i) time-use information and (ii) appropriate market sector wage rates
- *[NB – Labor accounts form new core element of 2025 SNA – see Chapter 16]*

Encouraged breakdowns and extensions

Distributional accounts

- Relate to current and future wellbeing and hence sustainability
- Need to break down income, consumption, wealth for households by e.g.
 - Gender, age, education level, employment status, geography...
 - ...wealth deciles, home ownership, industry of employment...
- Use of these and other breakdowns depend on analytical questions being asked

Household final consumption expenditure by COICOP Household actual final consumption Unpaid household service work Ecosystem services

All households

Type of household
1st income quintile
2nd Income quintile
3rd income quintile
4th income quintile
5th income quintile



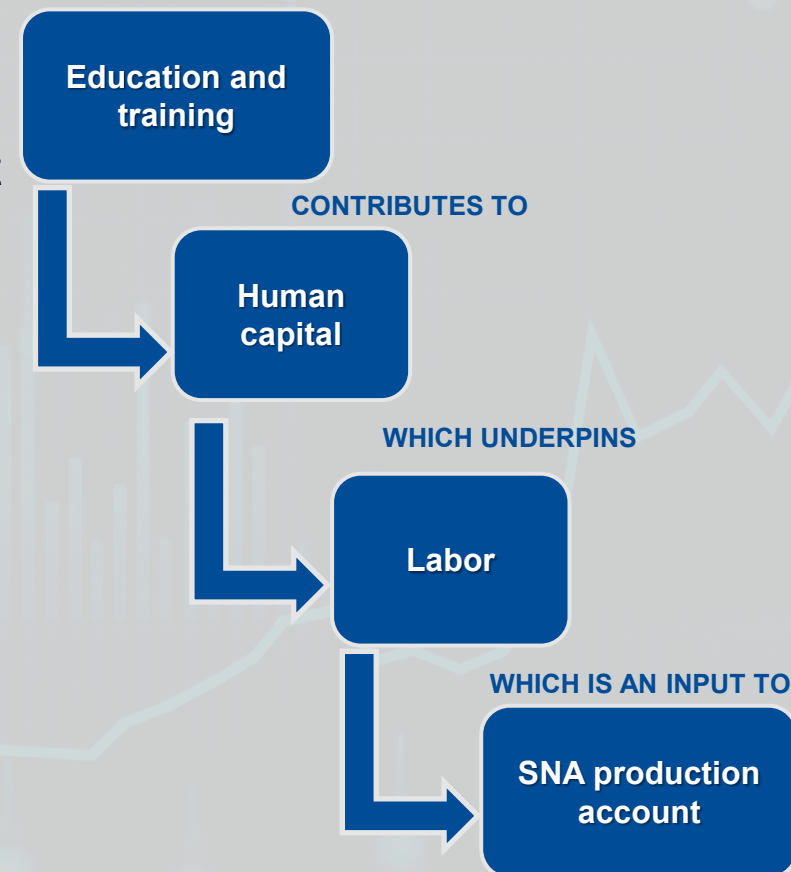
Encouraged
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Encouraged Breakdowns and Extensions

Education and human capital accounts

Human capital is key to wellbeing:

- Outside the SNA asset boundary (self-embodied, nontransferable) but can be considered an asset, and link to the SNA, in an extended account
- Can be estimated via input cost or lifetime income approaches – though no consensus on best models or modeling assumptions so far (See *UNECE 2016 Guide*)
- Education and training form a key input to human capital, labor (Ch.16) and production
 - UNECE Satellite Accounts for Education and Training (SAET) are fully SNA consistent and can be developed to provide a wealth of SUT-type breakdowns



THANK YOU FOR YOUR ATTENTION!

Additional slide – Household Distributional Accounts

- Key balancing items to be broken down are:
 - Primary income; disposable income; adjusted disposable income
 - Final consumption expenditure; actual final consumption expenditure
 - Net worth; net financial worth
- ..though distributional measures also useful for wellbeing topics (health, education etc.)
- Unit of analysis = standard definition of a household (private or institutional) with equivalization - but individual member characteristics should be also recorded
- Estimation requirements will include
 - Maintenance of drill-down links between HH survey data and final NA aggregates
 - Linking of multiple data sources via unique identifiers and matching techniques
 - Allocation of macro items like NOE, FISIM to ensure conceptual alignment
 - Appropriate deflation by HH type
 - Inclusion of estimates of consumer durable ownership by HH

Additional slide – extensions to the consumption and production boundaries

- Boundary already includes own-account production/storage and self-consumption of goods –food, clothing, tools, energy – important to wellbeing measures
- For wellbeing analysis can be extended to include:
 - **(Core) Unpaid household service work** on health, education, maintenance, transportation, care of others etc. Monetary value and time-use measures required (see UNECE 2017 guide; ICATUS classification)
 - **(Extended) Non-productive activities undertaken by individuals** such as sleeping, eating and leisure. No monetary values, but time spent key to wellbeing
 - **(Extended) Ecosystem services** including provisioning of crops, livestock and timber; cultural services such as recreation; and regulating services regarding air, water, soil climate and noise quality

Additional slide – social capital

- Social capital is generally understood as the combination of formal and informal institutions and networks that support the functioning of our societies and economies.
- Measurement of social capital is a developing area but, as yet, its measurement from an accounting perspective is has not well progressed in practice and hence the 2025 SNA does not include any core recommendations or guidance regarding extended or thematic analysis
- Future research may identify ways in which social capital can be effectively defined and measured for accounting purposes.