



# IT'S TIME FOR A CHANGE: BROADENING THE SNA FRAMEWORK TO ACCOUNT FOR SUSTAINABILITY AND WELL- BEING

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# Background (1)

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- **Lots of criticism on GDP in providing adequate guidance for policy:**
  - Does not appropriately measure **well-being** (including its distribution), or progress of society more generally
  - Does not address **environmental issues** and ecological boundaries
- **GDP  $\neq$  (sustainable) well-being**
- **GDP  $\approx$  measure of economic activity**
- **But that's not enough!**



## Background (2)

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- **Policy questions become more and more multi-dimensional**, not simply focusing on one dimension only (e.g. maximization of economic growth)
- **Example 1: Climate mitigation** => what are the most effective measures?; how do they affect economic activities and employment?; who bears the costs?; what is the impact on government finance?; how does it affect health?
- **Example 2: Ageing society** => what's the impact on health expenditures?; how do we finance old age pensions?; how does it affect unpaid household activities?; what's the impact on (intergenerational) distribution of income and wealth?
- **Integrated policy analysis requires integrated statistics!**



# What to do?

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- **Within the current system of national accounts:**
  - Putting more emphasis on other indicators within the system of national accounts
  - Integrating distributional information
- **Going beyond the current system of national accounts:**
  - Estimating unpaid household activities
  - Implementing System of Environmental-Economic Accounting (SEEA)
- **Measuring (sustainable) well-being using a dashboard of indicators: e.g. OECD How's Life and UN Sustainable Development Goals (SDGs)**
- **More needed?**



# **GDP versus Household Disposable Income**

**“It’s about households, stupid!”  
(paraphrasing President Clinton)**



# Putting people at the centre

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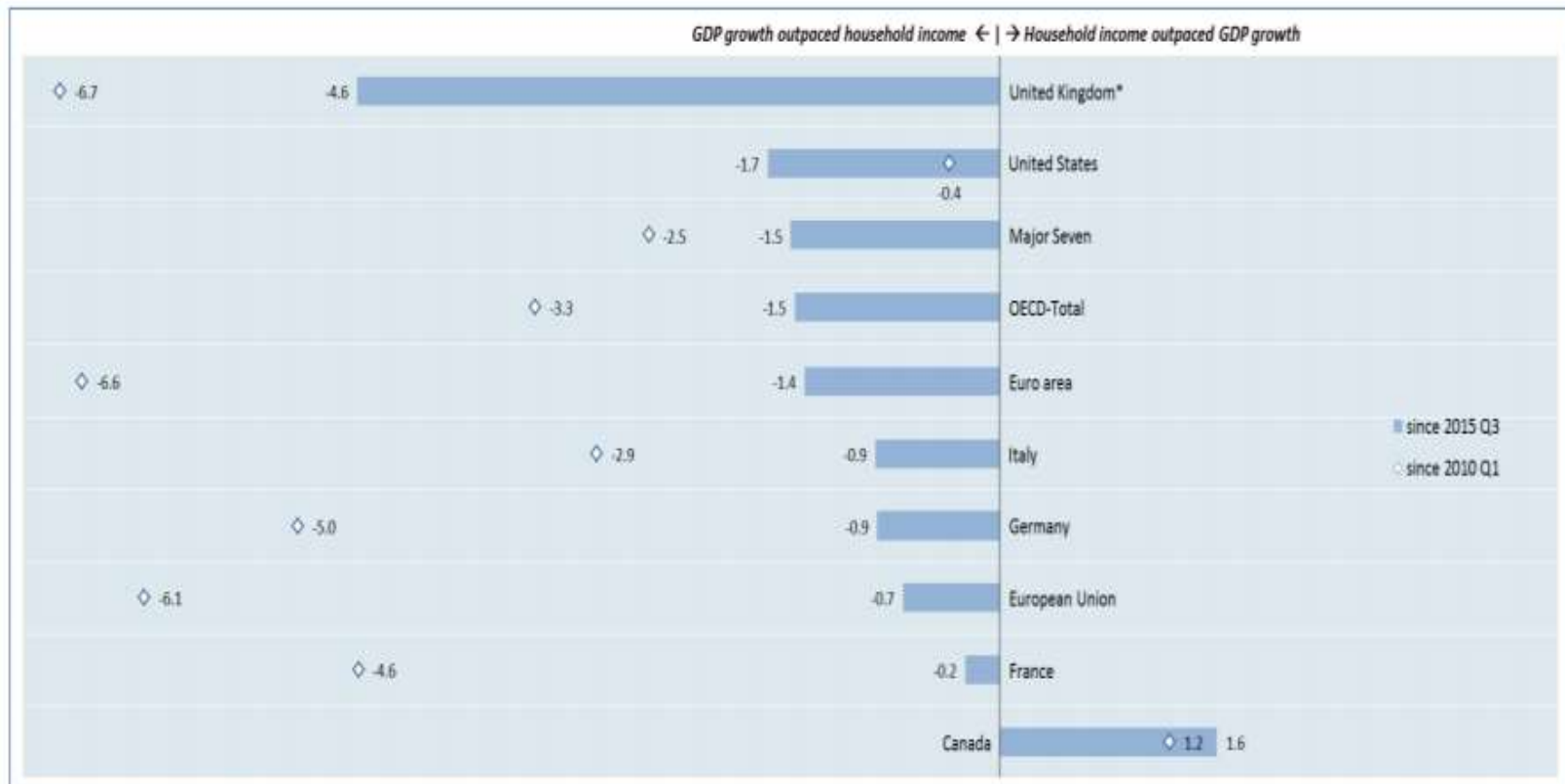
Very valid recommendations made in the **Stiglitz-Sen-Fitoussi Report**, in respect of macro-economic statistics:

1. When evaluating material well-being, **look at income and consumption** rather than production
2. Emphasise the **household perspective**
3. Consider **income and consumption jointly with wealth**
4. Give more prominence to the **distribution of income, consumption and wealth**
5. Broaden income measures to non-market activities



# GDP growth versus real household adjusted disposable income

Growth in GDP per capita has outpaced household income per capita in most OECD countries since 2010  
Percentage points difference in cumulative growth rates of real household income per capita and GDP per capita



\* See country note for the United Kingdom in the technical note.



# Households' Economic Well-being Dashboard

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- Moving beyond GDP to focus on household economic resources ...
  - GDP and household income – 3 indicators
  - Confidence, consumption, and savings – 3 indicators
  - Debt and net worth – 2 indicators
  - Unemployment – 2 indicators
- Updated quarterly approximately 4.5 months after the end of the reference quarter
- A blog each quarter focusing on one country's indicators
- <http://www.oecd.org/std/na/household-dashboard.htm>



Households' economic well-being

GDP and household income Confidence, Consumption and Savings Debt and net worth Unemployment

GDP growth is the most prominent indicator of economic performance, however, it usually does not provide a full picture on the economic well-being of people. The first two charts show how much GDP and household income have grown since the first quarter of 2007. In most OECD countries, GDP dropped sharply at the beginning of the economic crisis, while the impact on household income was less pronounced. One of the explaining factors of the different movement was the impact of government intervention which is shown on the third chart, net cash transfers to households, of this dashboard.



definitions

OECD	Estonia	Israel	New Zealand	Switzerland
Australia	Finland	Italy	Norway	Turkey
Austria	France	Japan	Poland	United Kingdom
Belgium	Germany	Korea	Portugal	United States
Canada	Greece	Latvia	Slovak Republic	
Chile	Hungary	Luxembourg	Slovenia	
Czech Republic	Iceland	Mexico	Spain	
Denmark	Ireland	Netherlands	Sweden	



## **Distribution of Income, Consumption, Saving and Wealth**

**“Every American should have above average income, and my Administration is going to see they get it” (an American president on campaign trail)**



# Distributional aspects

- Sub-classifications per main sector
  - Non-financial corporations: 11
  - Financial corporations: 96
  - General government: 15
  - Households: 7
  - NPISHs: 2

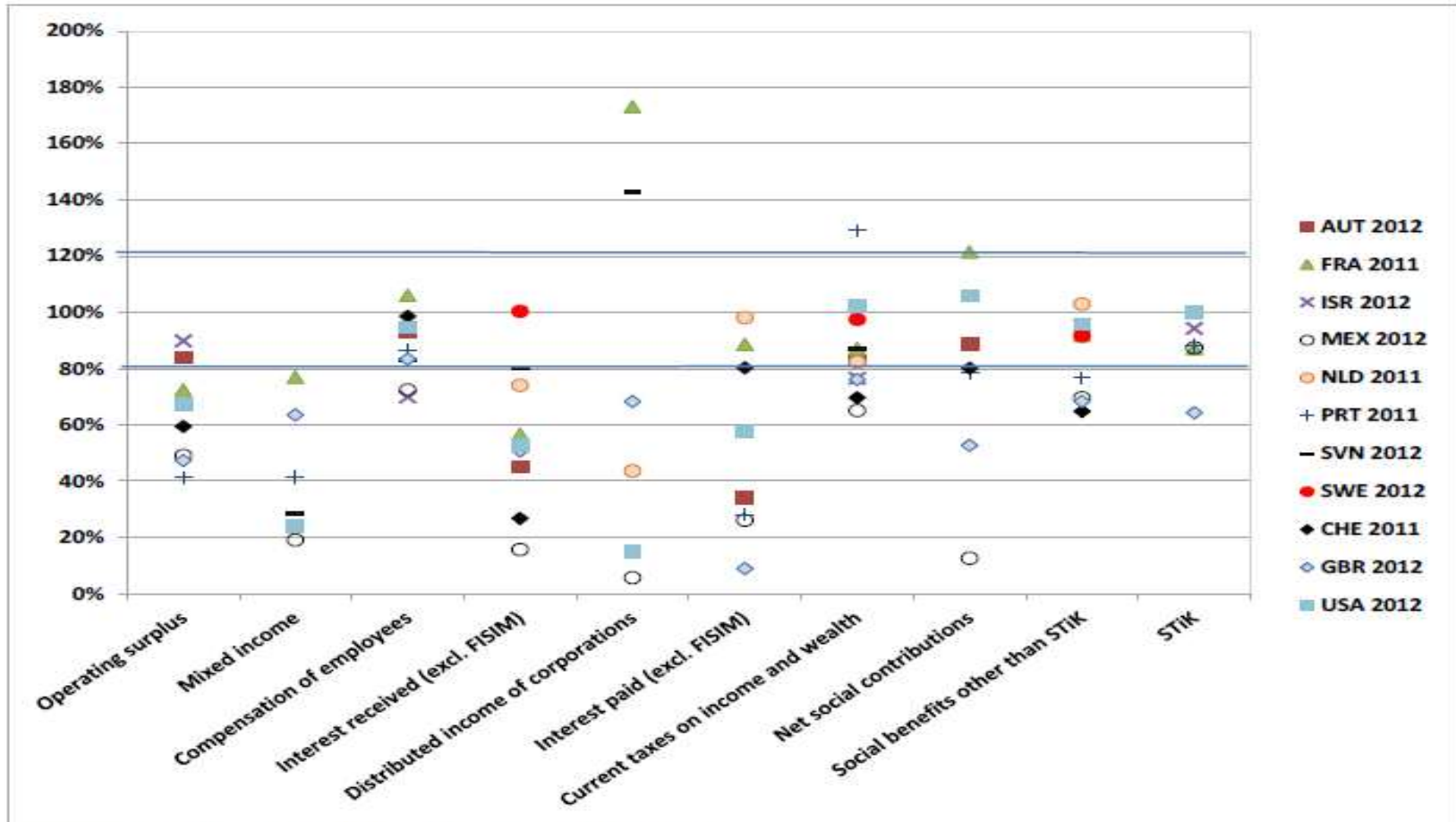


- **Need to integrate micro-data on households, to arrive at consistent and timely distributional information on income, consumption, saving and wealth**
  - More details on households, by income quintile/decile, by type of income, by composition of households
- **Expert Group Disparities in National Accounts (EG DNA)**
- May also improve both micro-data and national accounts



# Coverage rates (micro vs. macro)

*Micro aggregates divided by the adjusted national account totals.*



80-120% interval of relatively good alignment



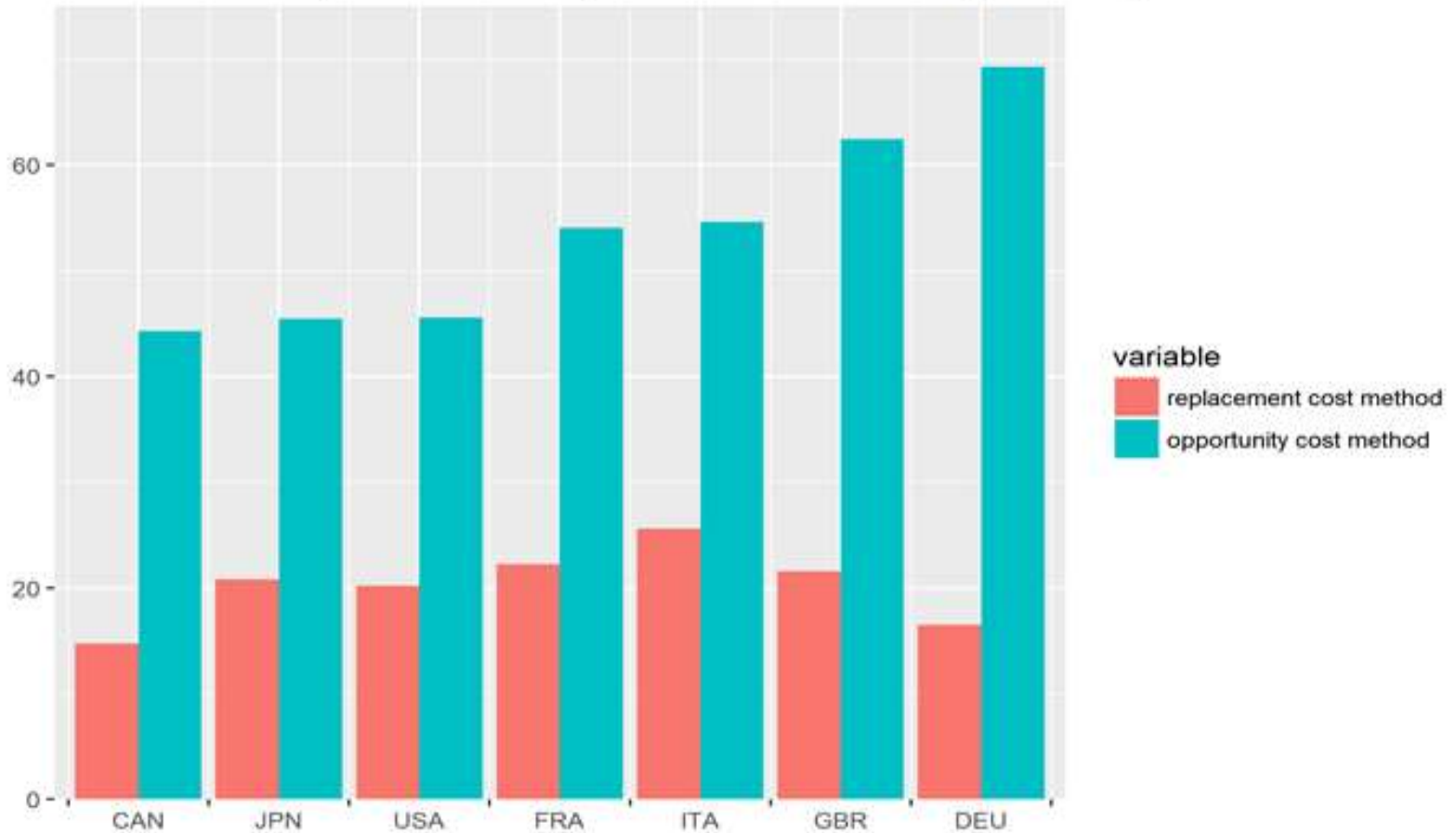
## Unpaid Household Activities

**“Collecting time use data is one way of engendering statistics” (UN Development Fund for Women)**



# Experimental results

Value of own-account production of unpaid household services (% of GDP), 2015





# Impact on growth rates

**Average annual real growth in GDP, excluding and including an imputed value for unpaid household services**

Canada	Period	81-86	86-92	92-98	98-05		05-10	10-15		81-15
	Official	2.39	1.60	4.93	3.31		1.14	2.24		2.39
	Replacement	2.26	1.54	4.57	3.04		1.35	2.02		2.25
	Opportunity	1.98	1.34	3.90	2.51		1.57	1.58		1.96
United Kingdom	Period				95-00	00-05	05-14			95-14
	Official				3.32	2.76	1.08			2.10
	Replacement				3.38	1.92	1.03			1.88
	Opportunity				3.60	0.97	0.99			1.66
United States	Period	75-85	85-98		98-03	03-08	08-10	10-14	14-16	75-16
	Official	3.50	3.26		2.86	2.25	-0.16	2.02	2.17	2.80
	Replacement	3.02	2.96		2.36	1.85	-0.05	1.66	2.32	2.46
	Opportunity	2.60	2.70		1.85	1.47	0.07	1.33	2.46	2.15



## Taking the Environment into Account

**“Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist”  
(Kenneth Boulding)**





# Implementing environmental accounts

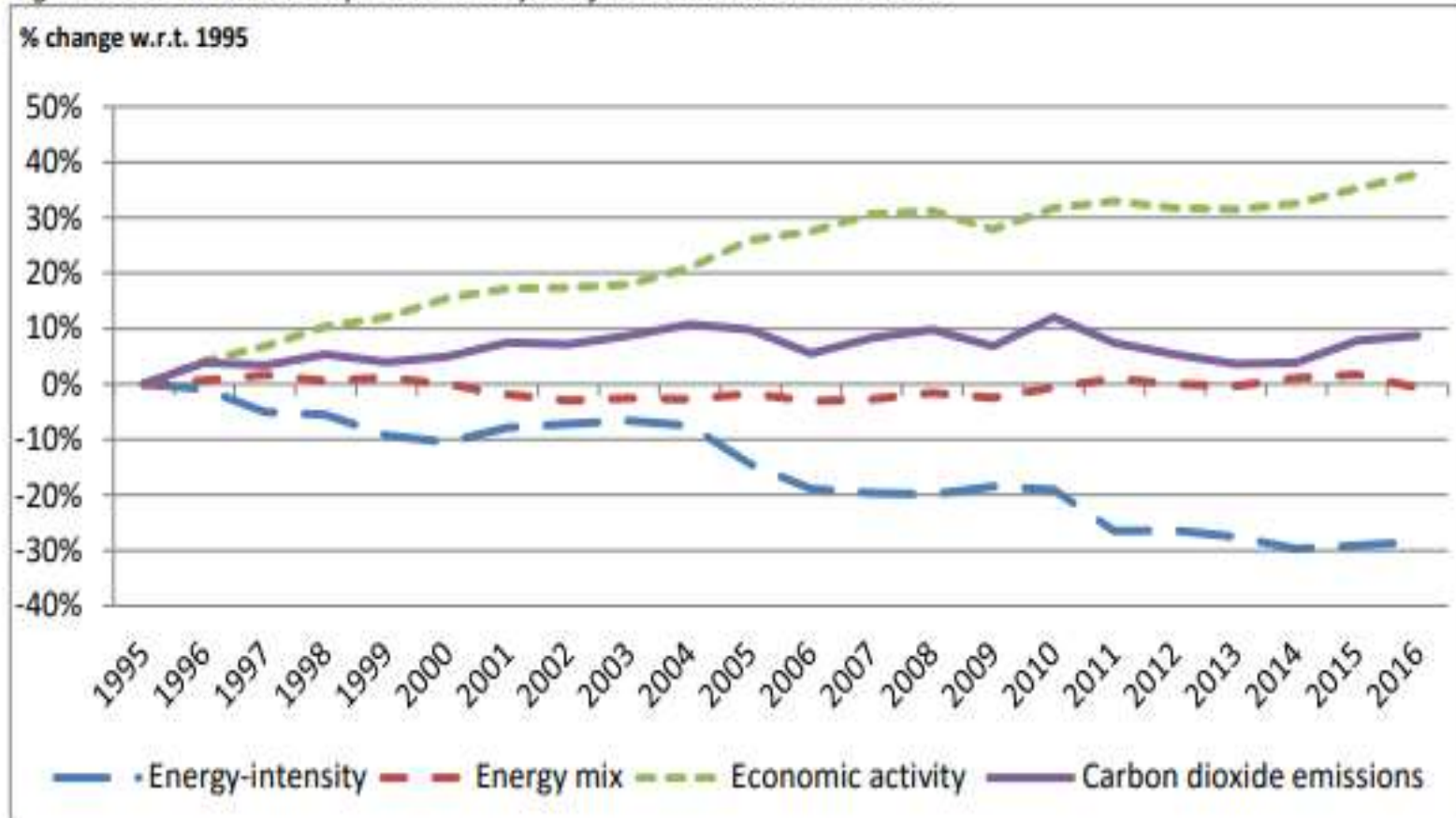
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- **System of Environmental-Economic Accounting (SEEA) Central Framework**
  - Multi-purpose framework describing interactions between environment and economy
  - Links macro-economic data to environmental statistics on e.g. emissions to air and water, includes a broader set of assets
  - Uptake relatively good (goal of 100 countries by 2020)
  - Depletion adjusted GDP/NDP?
- **Accounting for stocks and degradation of ecosystems**
  - Experimental status, but much progress being made and consensus arising
  - Accounting for (degradation of) “free” ecosystems assets within national accounts?



# Decomposition analysis

Figure 2.4.1 Index decomposition analysis of carbon dioxide emissions





## A Vision for the Future

**“So, it has come to this. The global diversity crisis is so severe that brilliant scientists, political leaders, eco-warriors, and religious gurus can no longer save us from ourselves. The military are powerless, but there may be one last hope for life on earth: accountants” (Jonathan Watts)**



# Well-being versus GDP

- Starting point: Well-being is a **multidimensional phenomenon**
- **One single measure not feasible**
- OECD Better Life Index, various dimensions:
  - Housing
  - Income
  - Jobs
  - Education
  - Civic engagement
  - Health
  - Life satisfaction
  - Safety
  - Work-life balance, etc.
- SDG more indicators, but similar approach





# I have a dream!



- Accept and communicate that **GDP is first and foremost an indicator of (monetary) income or economic activity**
- **Continuously educate users**
- **BUT THAT'S NOT ENOUGH! MORE NEEDS TO BE DONE!**
- Need to think in terms of **broader sets of indicators for (sustainable) well-being**
- Need for a **broader accounting framework** that:
  - embeds traditional national (economic) accounts into social and environmental context;
  - provides an improved link between traditional economics with well-being and sustainability;
  - links the various indicators of well-being and sustainability
- Would greatly **enhance** potential for **analysis of win-wins and possible trade-offs, and thus for an integrated policy analysis**



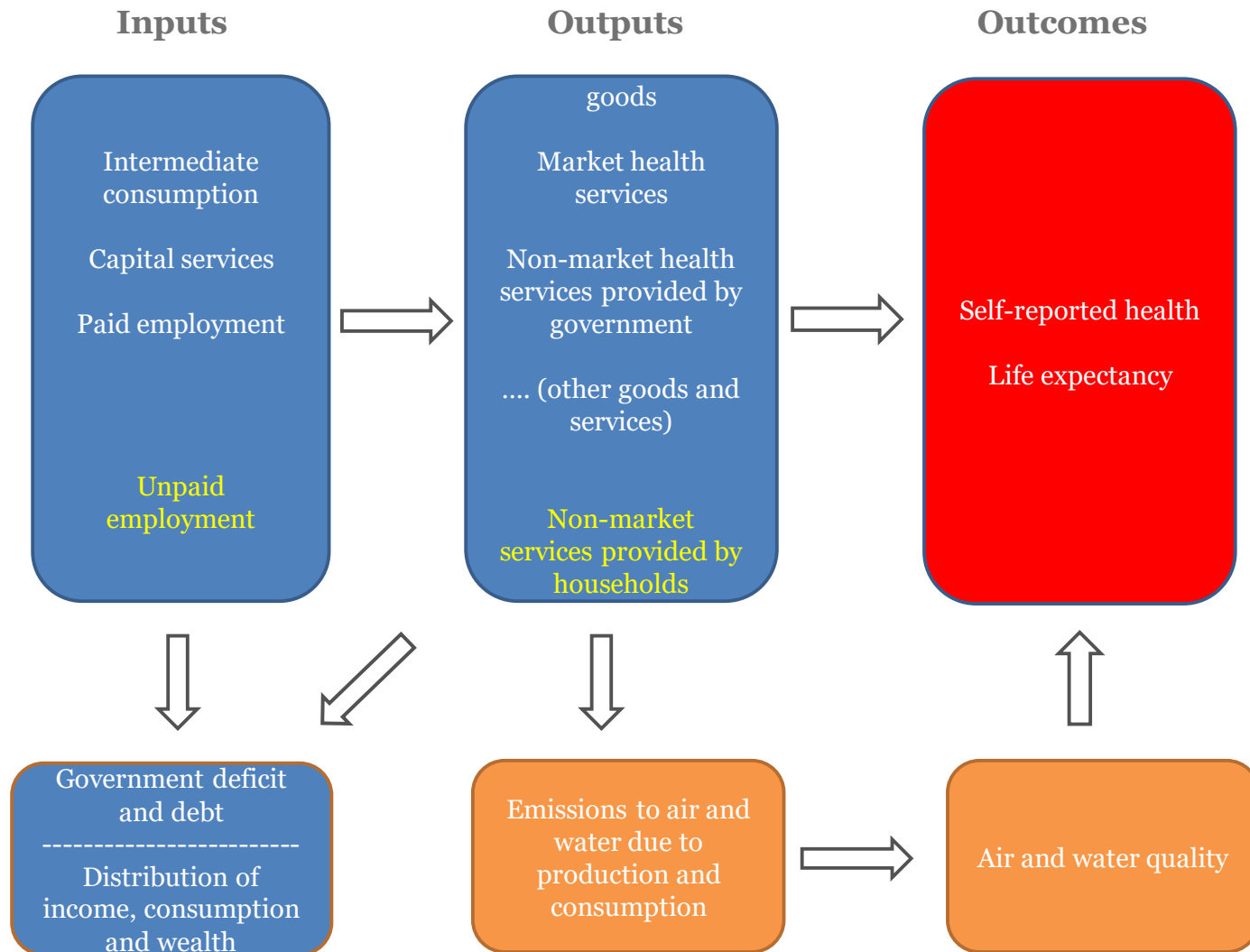
# I have a dream!



- Three priority areas defined for possible update of **2008 SNA**
  - Digitalisation
  - Globalisation
  - **Well-being and sustainability**
- **Mandate of group on well-being and sustainability:** drafting “guidance notes” on broader accounting framework, which includes the following areas, in addition to the traditional set of economic accounts:
  - unpaid household activities
  - environmental-economic accounting
  - distribution of income, consumption, saving and wealth
  - education and human capital
  - health and social conditions



# A simplified graphical example





# Am I a dreamer and/or a fruitcake?

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- **Lots of work has already been done, not only at the conceptual level, but also practical experience**
- **Underlying data often available (exception: time use data?), but it needs linking and integration of various statistics**
- **Not easy! Quite demanding!**
- **Where there is willingness, there is a way**
- **Answer to the question?**





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- **Where there is willingness, there is a way**
- **I hope you'll conclude that it's negative**



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**Thank you for your attention!**

