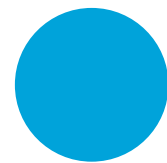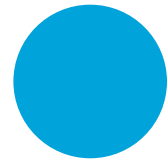# Network of Economic Statisticians

Session 5

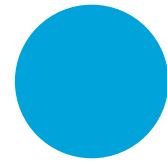Richard Heys, UK Office for National Statistics
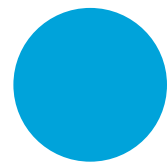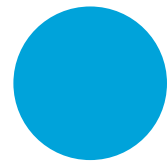
Objectives and drivers

Illustrative detail

Key findings from the sprints

Timelines and Next Steps

Proposed Route Forward
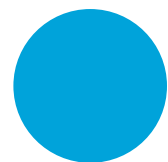
Core Proposal

Towards an integrated statistical system for inclusive and sustainable well being

High level objectives

"What we measure affects what we do. If we have the wrong metrics, we will strive for the wrong things."

(Stiglitz, Fitoussi & Sen 2010)

While the Stiglitz Report set the dimensions of the global debate around 'Beyond GDP', it was not prescriptive of specific approaches or measurement. Since then, many approaches, frameworks, and specific measures have been put forward.

The Network ran a series of sprint's to review the potential to agree an extended framework for measuring all aspects of economic activity, in a way which is compatible with GDP / national accounts, but captures key elements excluded from that measure.

Why do we need a new approach to Beyond GDP?

- **Different users have different needs** – the current SNA process demonstrates how difficult it is to try and reach a compromise between those who wish a pure / narrow 'economic' GDP for use in economic policy and those who seek a broad 'inclusive' wider perspective.

- UN SG's 'Our Common Agenda' recognises **the need for a wider-ranging set of complements to GDP and the traditional economic measurements**, including reaching out beyond the economic statistics domains.

- The answer for all questions should not and cannot always be changing the core SNA accounts. We need to build on SNA, SEEA and other manuals.

Key findings from the sprints (1)

"Beyond GDP" is not just an economic question – it explicitly requires us to break down barriers between data and statistics to better understand trade-offs through integrating across different domains.

- *"The interesting thing about the sprints is realising that I am part of what you call the 'Beyond GDP' community. I just didn't see the connection before."*

Terminology matters: inter-changeable 'technical' terms like 'well-being' 'welfare', 'Beyond GDP', 'inclusion' and 'cohesion' can mean very different things to different audiences.

Society

Trade-offs between the three domains

Economy

Environment
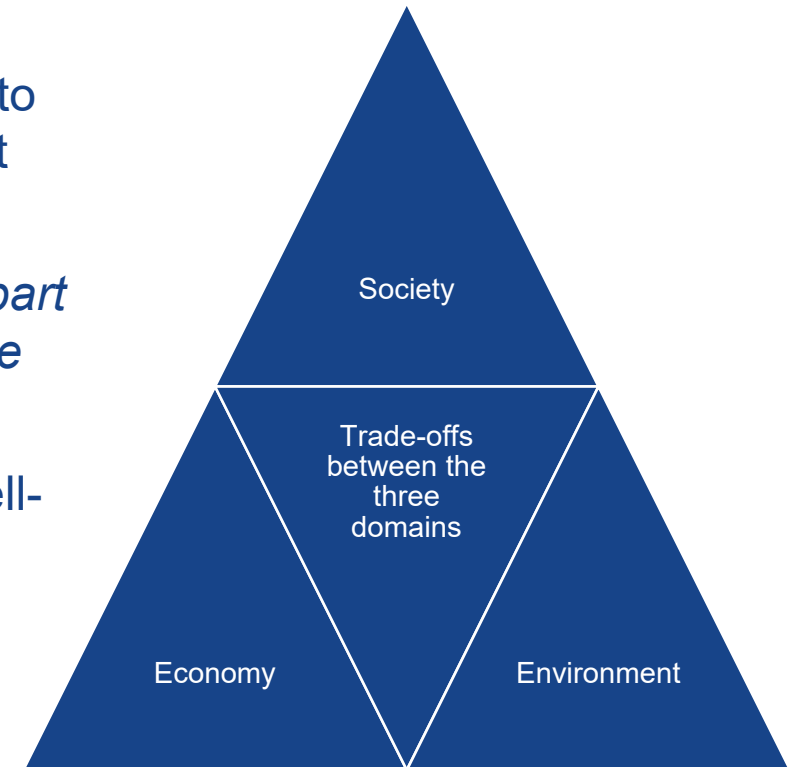
Bringing together complex landscapes

Domain 1: Demographic & Social Statistics	Domain 2: Economic Statistics			Domain 3: Environment & Multi-Domain Statistics	
1.5 Income & Consumption	1.9 Culture	2.2 Economic Accounts	2.3 Business Statistics	2.9 Science technology & innovation	3.1 Environment	3.3 Multi-Domain Statistics
Household Satellite Account	Theatres, Cinemas	Integrated Economic Accounts	Acquisition & Disposal of Capital	Human Capital	Environment	Information Society
	Museums & Libraries	Flow of Funds & Capital Services				Entrepreneurship
	Books					
Household Durables	Cultural Capital	Financial and Non-Financial Capital		Human Capital	Natural Capital	'Uncapitalised' Intangible Capital

Key findings from the sprints (2)

Guide on Measuring Human Capital

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

Guide on Measuring
Human Capital

Prepared by
the Task Force on Measuring Human Capital

United Nations
New York and Geneva, 2016

- **Building upon, not rebuilding existing work**

- Example: Human Capital

- Strong starting position:
    - UNECE manual
    - Existing clarity on exclusion from SNA
    - Satellite Account Model

- But what if we want to integrate and really think about these data in a joined-up fashion?

- Two options
    - Highly unlikely we will bring human capital within scope of core SNA accounts
    - Presenting augmenting information to explore the data more fully without disrupting other statistics, building on the satellite account model, but also filling gaps in outputs (depreciation, revaluation, depletion etc).

Key findings from the sprints (3)

- **Users find the current landscape overly complex** – both in terms of metrics, but also types of metrics:
  - *Composite indices* – OECD WISE, ONS
  - *Distributional accounts and Disaggregation accounts* – NTA, NTTA, DINA, Democratic weighted models
  - *Capabilities Models* - Human Development Index
  - *Multi-dimensional frameworks* – SDGs, vulnerability indices, wellbeing indices,
  - *Wealth-based measures* – Comprehensive and Inclusive Wealth
  - *Satellite Accounts*
  - *Time-Use methods*

- Key requirements:
  - *Map existing landscape*
  - *Identify (and fill) gaps*
  - *Identify methods to signpost users to the best metric for their needs*
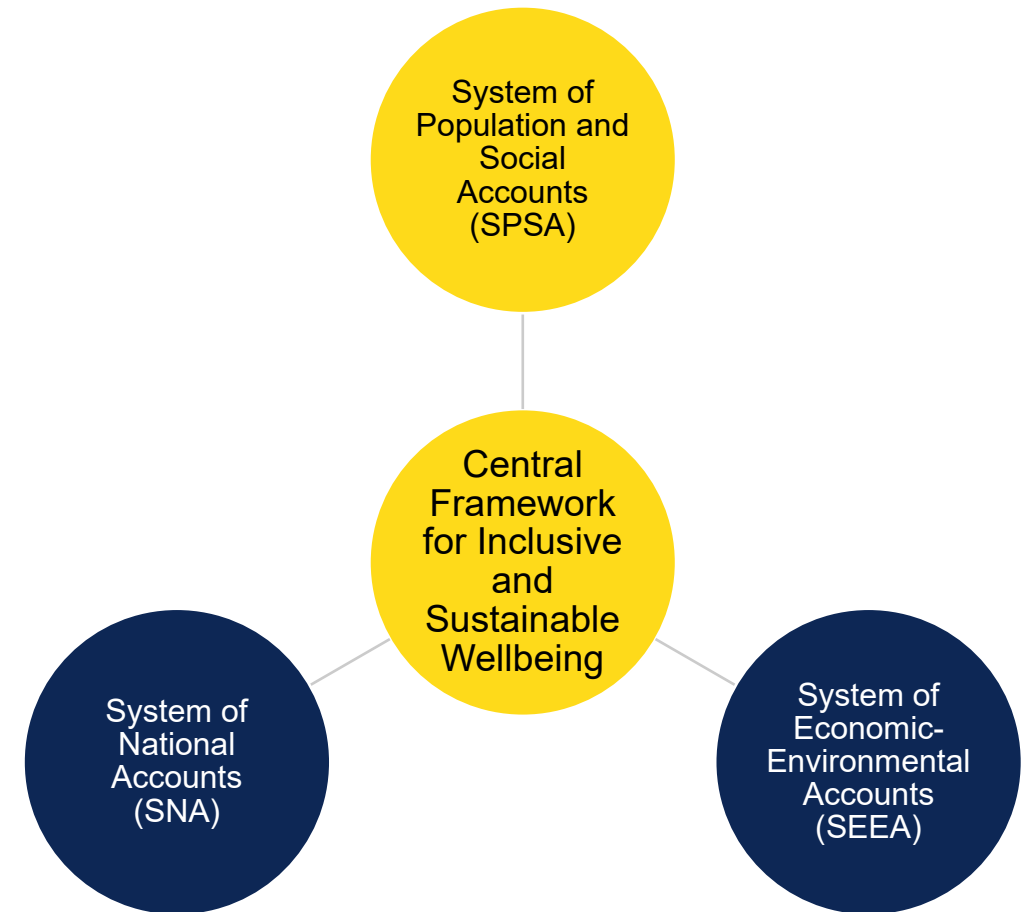
Proposed Route forward

The requirement is for a '**system of systems**' or integrated statistical system which gives clarity around how the range of statistical standards and outputs can be utilised to give a comprehensive picture of the modern world, and deliver a coherent framework within which users can utilise different data in varied ways to meet complex policy questions.

The objective is to develop a framework to integrate across the economic, environmental and social spheres:

- Highlighting consistent methods and outputs to aide bringing together a clearer picture of wellbeing in a cross-disciplinary way.

- Extending existing methods where efforts to integrate *within* a domain may have constrained these.

- Mapping and filling gaps between existing Standards / Manuals

- Recycling materials wherever this is efficient.

Core Proposal

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

- The development of a **Central Framework for Inclusive and Sustainable Wellbeing** that includes:

  - a comprehensive dashboard, linked to the SDGs, of core wellbeing indicators and potentially new composite indices,

  - distributional breakdowns of aggregated and disaggregated accounting and wellbeing indicators,

  - measures of flows and stocks, building on measures obtained from comprehensive and inclusive wealth accounting, 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 to provide a fuller landscape of the trade-offs involved in achieving economic welfare and people's wellbeing (now and later).

System of Population and Social Accounts (SPSA)

Central Framework for Inclusive and Sustainable Wellbeing

System of National Accounts (SNA)

System of Economic-Environmental Accounts (SEEA)

System of Population and Social Accounts

	Outside World, Births and Net Immigrations	Domestic country				Closing Stocks
		Age 0-15 (Not at School)	Age 0-15 (At School)	Age 16+ (Not at School)	Age 16+ (At School)	
Outside world and Deaths	8	3	2	-	269	23,318
Age 0-15 (Not at School)	436	1,586	122			2,144
Age 0-15 (At School)	5	396	3,753			4,144
Age 16+ (Not at School)	-	-	106	91	-	197
Age 16+ (At School)	20	140	115	107	16,751	17,133
Opening Stocks	23,141	2,125	4,098	198	17,020	

Entry level building block - two dimensional (age and school status) simplified presentation) of Stone's 1984 example.

"Demographic accounts, like any other type of account, are based on the equality of inflows and outflows over a period of time"

Key to decide which characteristics matter most – age, gender, income, ethnicity, disability status, and the level of detail required.
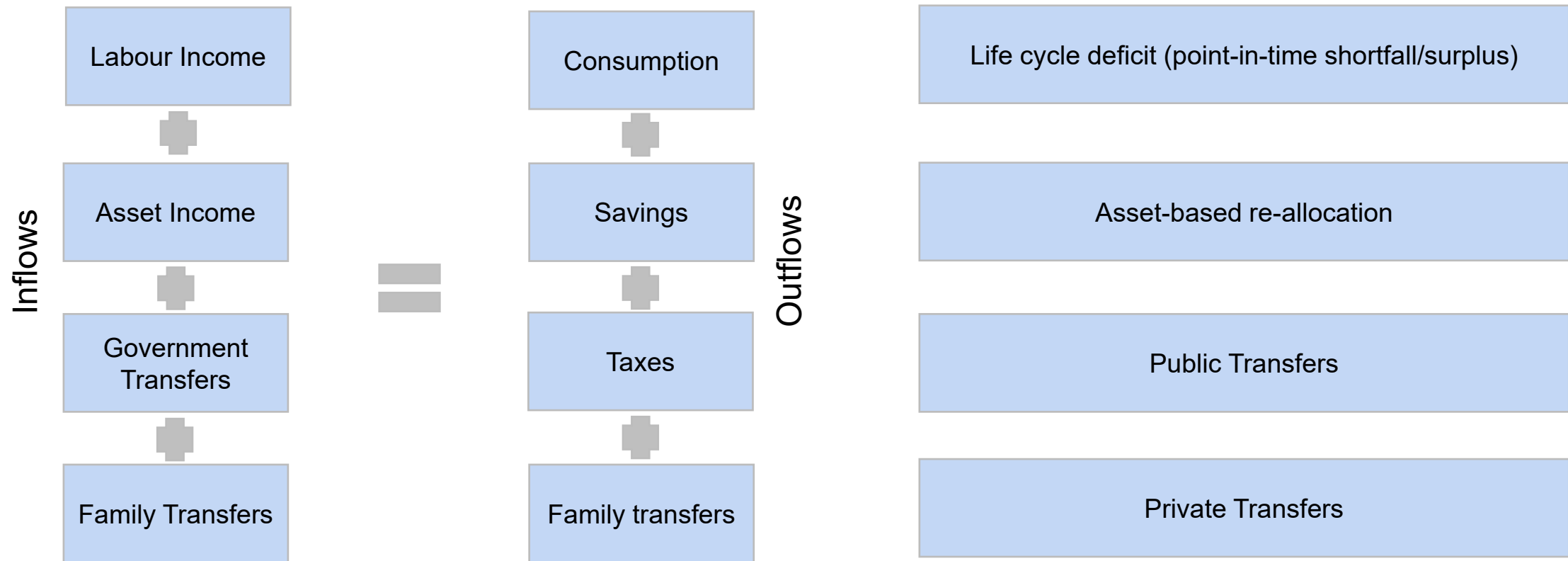
Need to recognise and understand barriers from 1980s and 1990s and utilise new data and technology to overcome.

How to bring together with different data?

Example component - National Time Accounts

- Individual is the unit of analysis.

- Examines inflows and outflows of economic resources between individuals according to their age and sex.

- Includes economic flow of resources between family members (e.g., care of children, support for older parents).

- Accounting framework consistent with National Accounts (with notable exceptions of unpaid care work and family transfers – not currently measured in SNA).

- Natural interface with population dynamics, long-run perspective, life cycle perspective.

- NTA implemented in 82 countries and NTTA in 20 countries in all world regions.
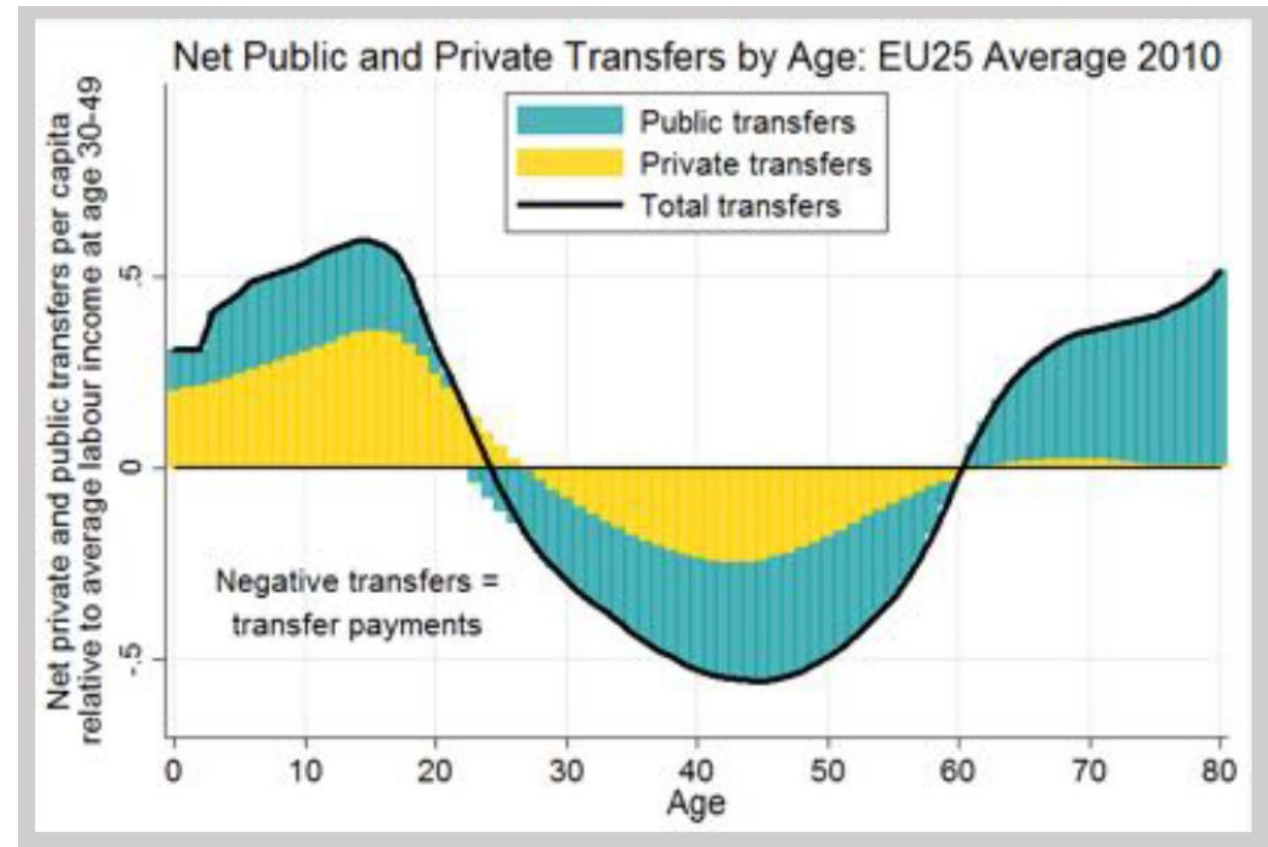
National Transfer Accounts – linking demographic and economic data

Inflows		Outflows	
Labour Income		Consumption	Life cycle deficit (point-in-time shortfall/surplus)
+		**+**	
Asset Income	**=**	Savings	Asset-based re-allocation
+		**+**	
Government Transfers		Taxes	Public Transfers
+		**+**	
Family Transfers		Family transfers	Private Transfers

Net public and private transfers in Europe

Public transfers (SNA)

Private transfers (Non-SNA)

Net Public and Private Transfers by Age: EU25 Average 2010

- Public transfers
- Private transfers
- Total transfers

Negative transfers = transfer payments

www.agenta-project.eu

Central Framework for Sustainable and Inclusive Wellbeing

Hubs around four key aspects:

o **Mapping and harmonising** the various **domestic dashboards** used around the world, in terms of what types of measures we bring together, by proposing core metrics which all countries would benefit from using, whilst giving space for **domestic tailoring**, capturing the central themes of inclusion and sustainability, and utilising new composite measures.

o Laying out a **map for all the various 'Beyond GDP' metrics**, measures, dashboard and indices to understand the vast quantity of work undertaken over the past 20 years, including detailing and explaining the differences between different outputs

o Using the map to **provide a framework to help users navigate** between the different options and identify the best fit for their policy question, and,

o Using the map to **provide statistical providers clarity on gaps** in the offering we as an international collective are making, to **permit targeted development** where we currently aren't meeting policy needs.

Potential Sources

- Where do accounts, statistics, and indicators exist which can **form the basis** for SPSA and Central Framework, including:
- Chapters from forthcoming **2025 SNA** draft which do not relate to core SNA framework
- **National Transfer Accounts (NTA**) (2013) and related manuals on National Time Transfer Accounts (2022) and National Inclusion Accounts (NIA) (forthcoming) – disaggregation by age, gender, and education using gender, non-market work, and time accounting practices
- **WHO System of Health Accounts** (health expenditure accounts)
- **UNESCO National Education Accounts** (education expenditure accounts)
- **Time use indicators and accounts** and other socio-demographic indicators
- **ILO Labour Statistics**
- **UNICEF Child Statistics**
- **World Bank – Comprehensive Income**
- **UNEP – Inclusive Income**
- **Human Development Index**
- Other existing metrics as mapped in Network's 'Beyond GDP' Sprint on wellbeing, cohesion (distributions), and sustainability (capitals such as social and human capital)

Proposed Timeline

- **Aim:** <u>a direction of travel in terms of the requirement</u> and <u>a proposed model for international collaboration</u> to achieve it.

- **Constraint 1:** We have to recognise the international commitment to deliver the SNA/BPM etc

- **Constraint 2:** Data integration needs the data to exist and for us to understand how best to integrate it

- **Current draft proposal:** We need to reach *across and beyond* the economics statistics community, both in terms of statistics institutes, international organisations, experts and academia. Breaking the work into two stages, up to 2025 and thereafter:

- 2022-2025, the economic statistics community concludes its SNA / BPM process, the social statistics community takes ownership through their Friends of the Chair Group of a process to create SPSA, and the Network develops guidance on components of Central Framework through Network events

- 2025 onwards – the social statistics community populate the SPSA and we (in its widest sense) establish a joint commission from the three communities (economic, environmental and social) to integrate their respective data and populate the Central Framework

Immediate Next Steps

- Do you support the progress and strategic direction of travel of the Sprints?

- Do you have specific suggestions for new topics for Sprints? Potential contenders include:
  - Comparing inclusive and comprehensive wealth – how different are the assumptions being made?
  - Comparing distributional accounting methods (e.g. DINA) and disaggregating accounting methods (NTA) – how to best relate these to each other?
  - Mapping and characterising existing Beyond GDP frameworks.
  - The potential scope of the SPSA, what materials already exist, where the gaps are what to include in a draft list of chapter headings

- Do you have specific suggestions for the engagement of the Global South and North?

THANK YOU!