



MEASURING WELL-BEING WITHIN THE SNA

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Introduction: GDP versus well-being

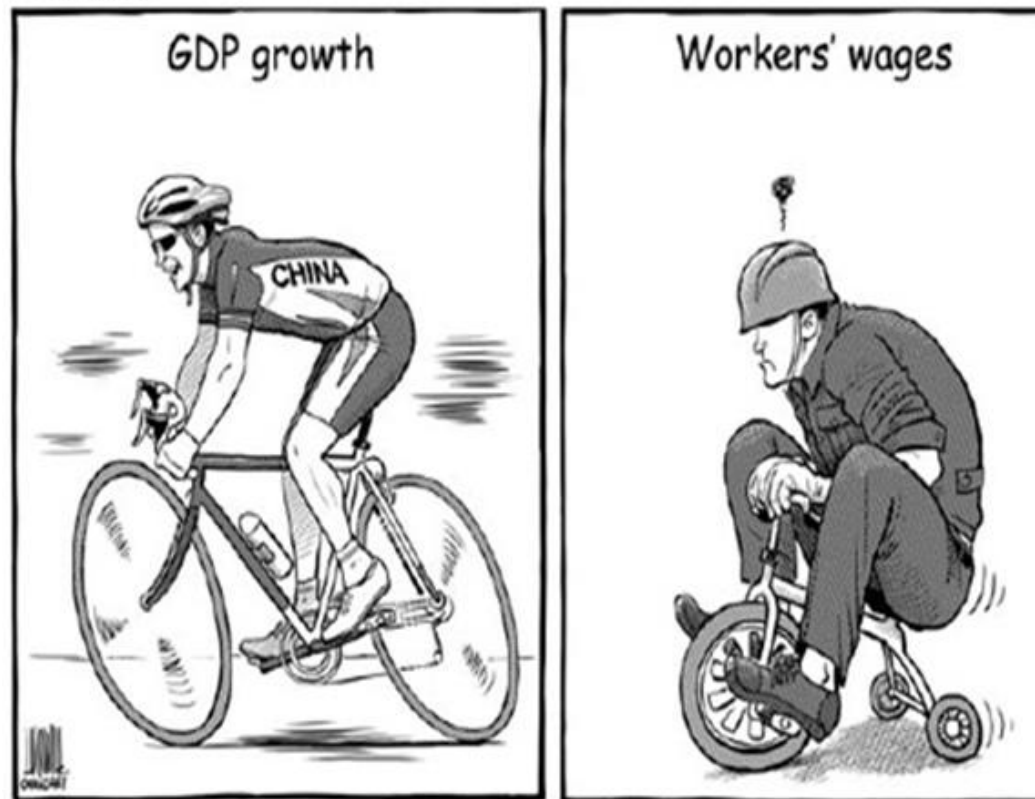
- GDP is an indicator of (the income generated by) economic activities.
- **GDP is not equal to welfare/well-being** which are multi-dimensional phenomena:
 - Environmental issues
 - Unpaid activities
 - (Un)employment
 - Distributional aspects
 - Health
 - Security
 - ...
- 12 recommendations by Stiglitz, Sen and Fitoussi (2009).
- Several initiatives within the System of National Accounts to have more insight in household well-being.



SNA-related measures of household material well-being

OECD's Household Economic Well-being Dashboard

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The OECD Dashboard

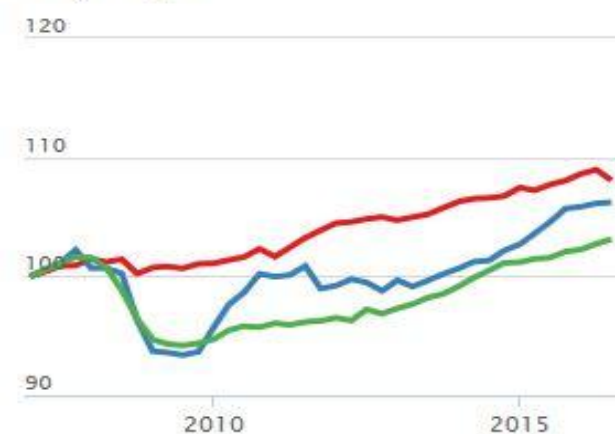
- **Graphical representations** of various indicators related to household well-being, mainly derived from NA data:
 - GDP and household income – 3 indicators
 - Confidence, consumption and savings – 3 indicators
 - Debt and net worth – 2 indicators
 - Unemployment – 2 indicators
- Updated quarterly, 4.5 months after the end of the reference quarter.
- A **country-specific blog** is published each quarter.
- <http://www.oecd.org/std/na/household-dashboard.htm>

Households' economic well-being

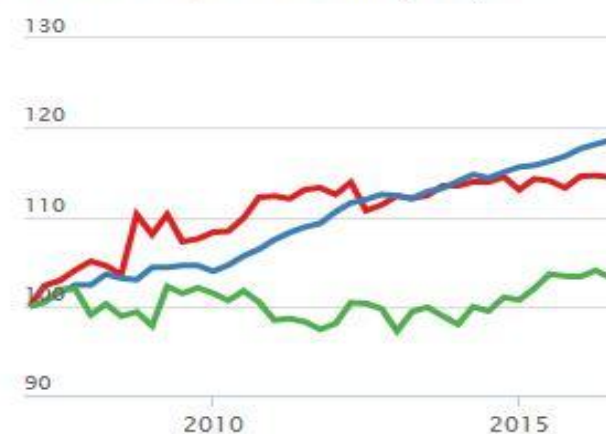
- GDP and household income
- Confidence, Consumption and Savings
- Debt and net worth
- Unemployment

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.

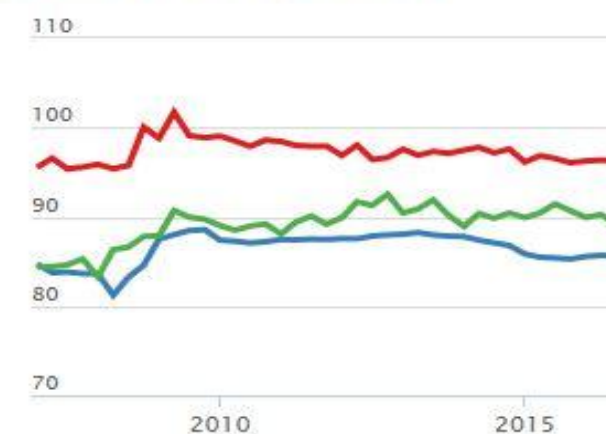
GDP per capita



Household disposable income per capita



Net cash transfers to households



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	



Introducing distribution in the SNA

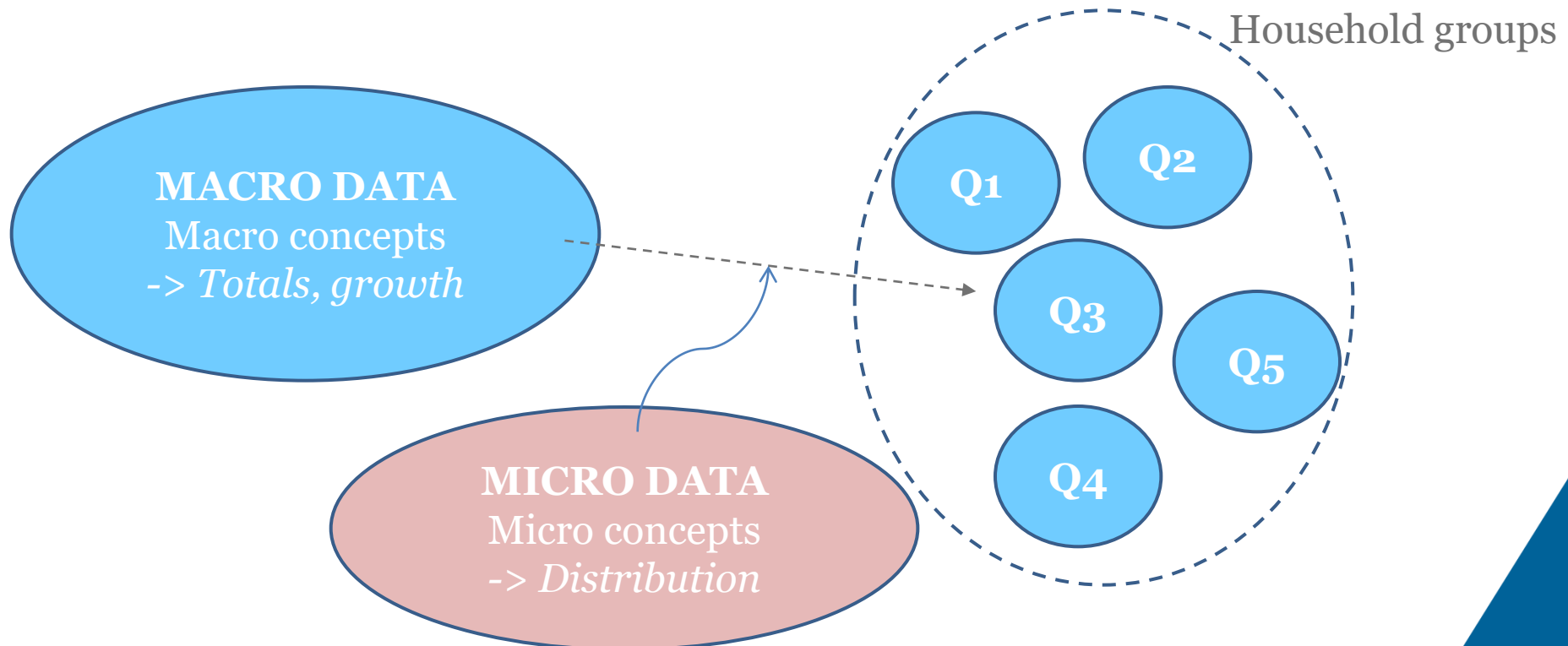
The work of the Expert Group on Disparities in National Accounts





Aim of the project

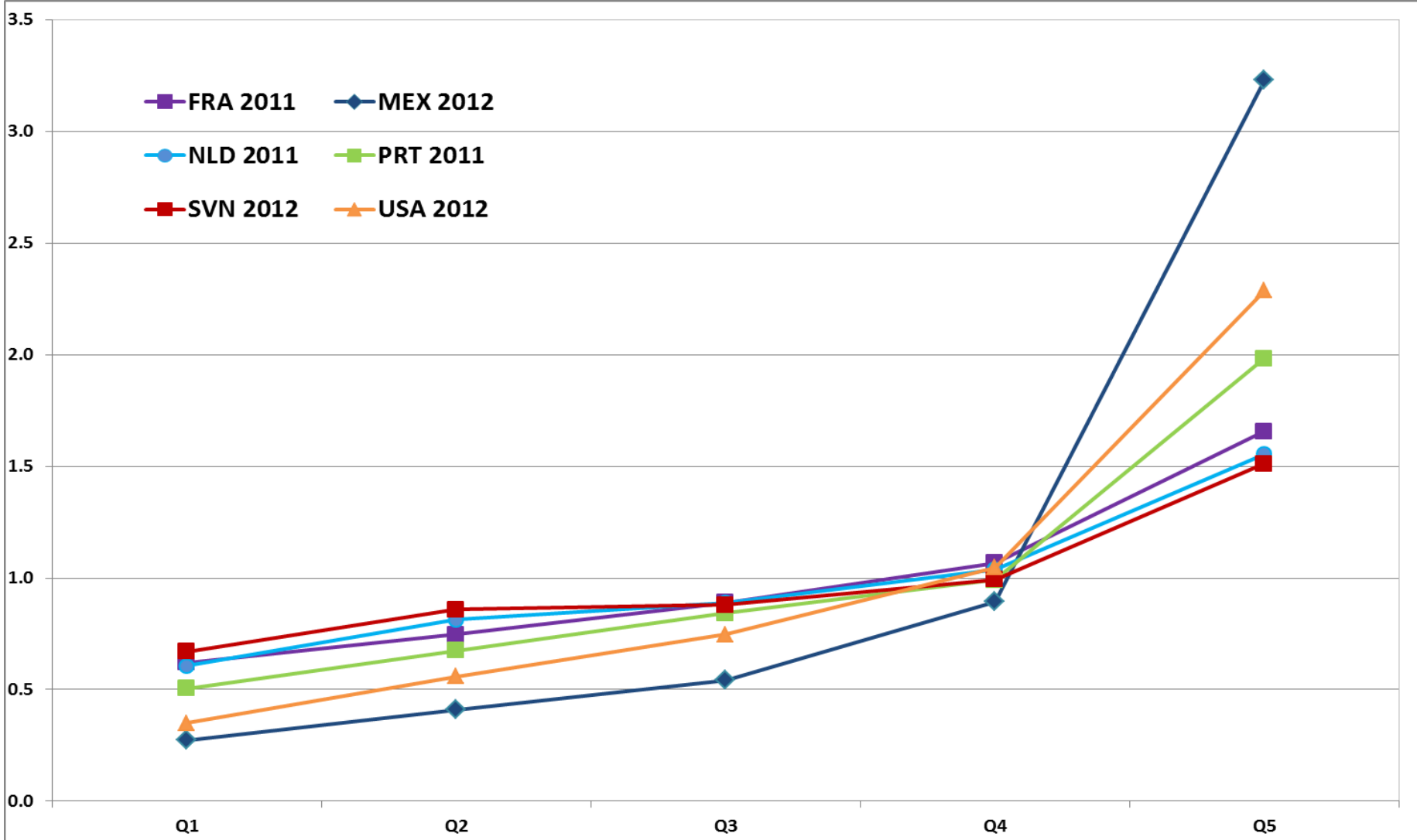
Develop methodology to produce **distributional results** for household income, consumption, saving (and wealth) **consistent with national accounts concepts using micro data sources.**





Results: Ratio to average

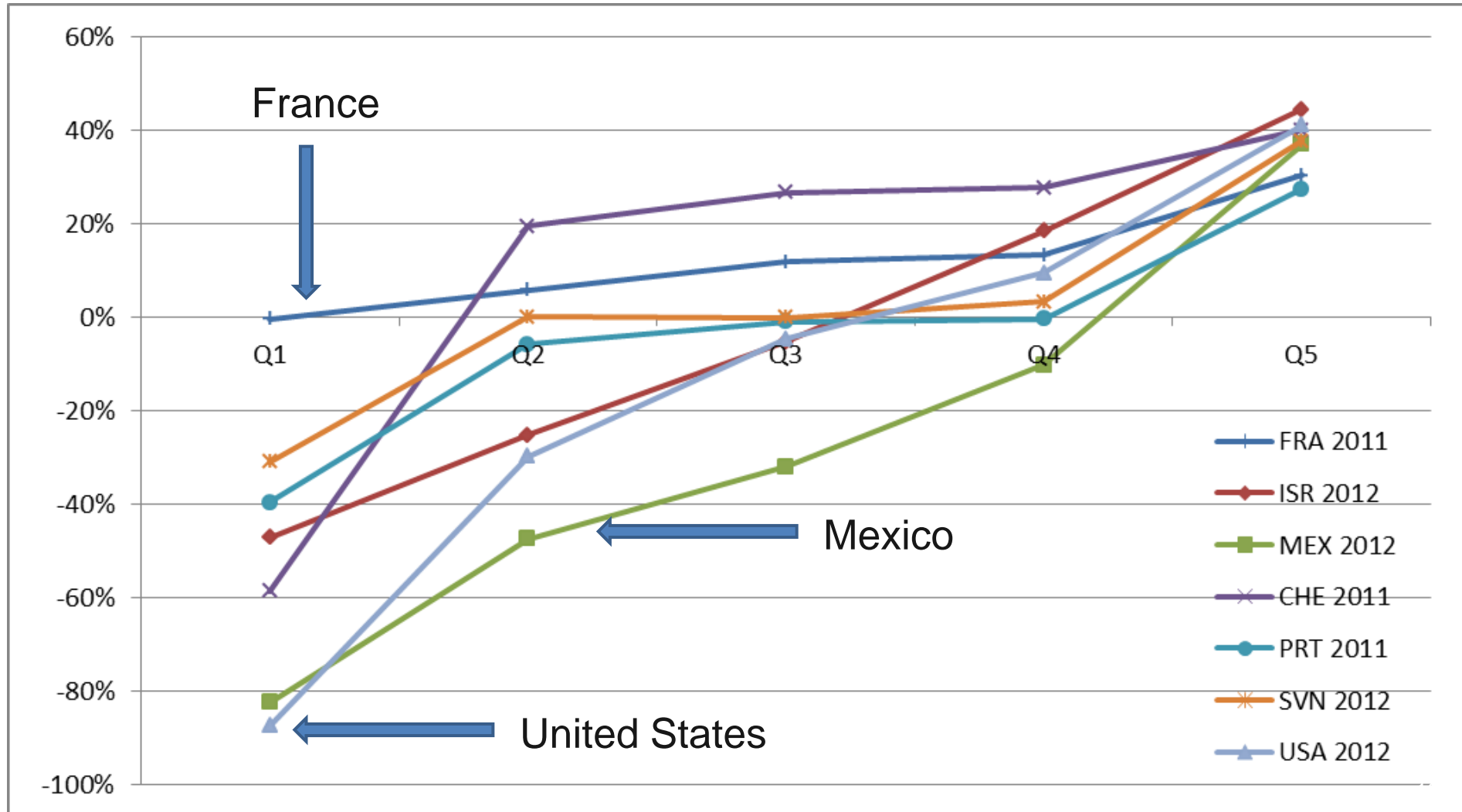
Relative position of each household group compared to the average, for adjusted disposable income





Results: Savings ratios

Saving as a percentage of disposable income by equivalized disposable income quintile





Satellite accounts: Extending the SNA boundaries

1. Unpaid household activities



Unpaid household activities

- **Currently excluded** from central framework.
- May lead to overestimation of GDP growth.
- May hamper international comparisons.

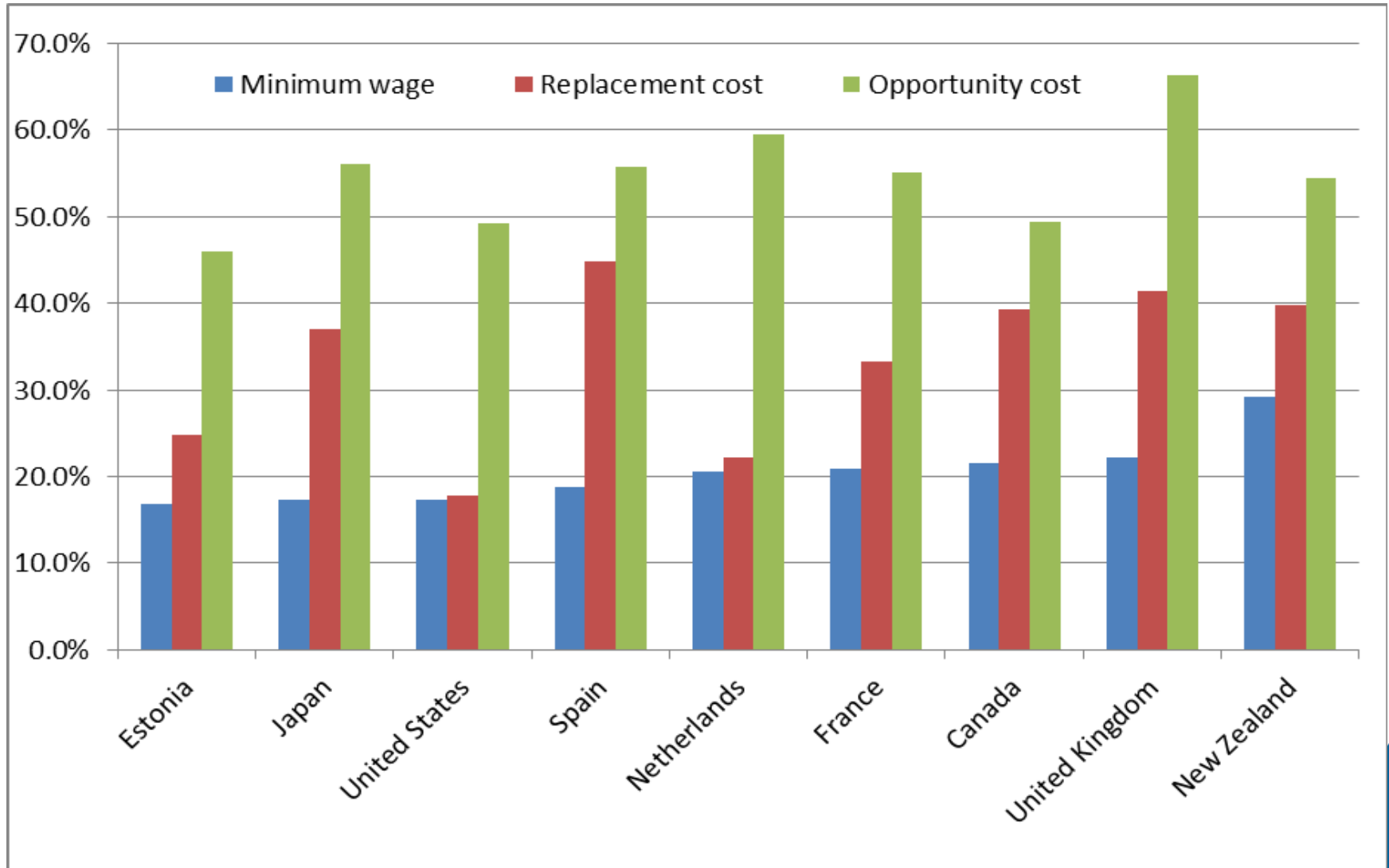
Satellite account to capture unpaid household activities:

- How to value labour, capital and intermediate inputs?
 - Three ways to measure labour input: Replacement costs, opportunity costs, and minimum wage approach.
- How will the various accounts be affected?
 - Not only changes in GDP, but also in household disposable income and final consumption.
- Quality of time use data?
- Note: UNECE Guide on Measuring Household Service Work.



Results: Value of unpaid activities

Value of unpaid household activities as % of original GDP.





Satellite accounts: Including a capital approach

2. Human capital





Human capital

- Labour is an **important production factor**.
- More information is needed on **the role of labour in the economy**, its accrual over time, and who benefits.

Satellite accounts to capture the role of labour:

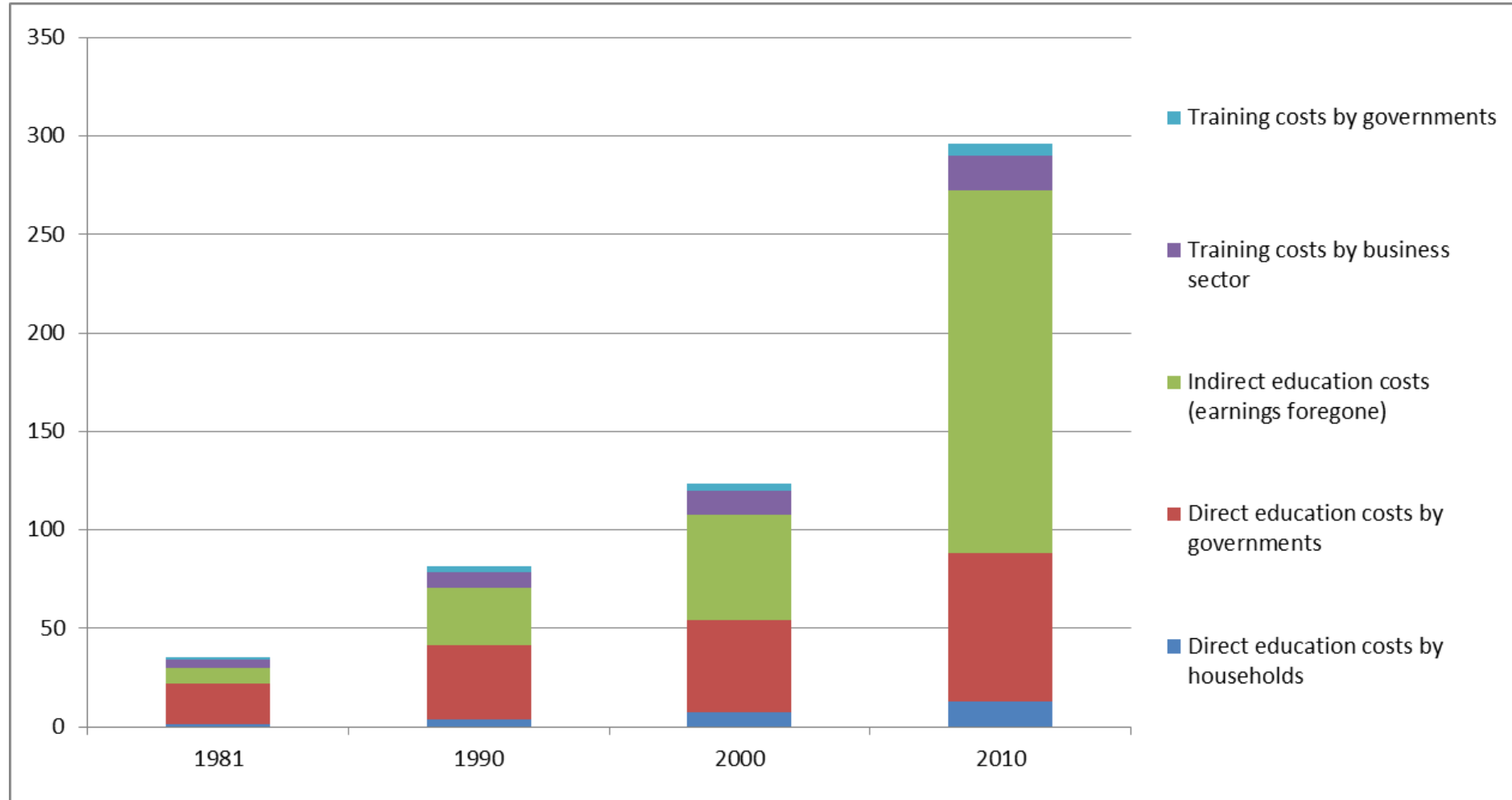
1. Satellite account on **education and training**:
Focus on current expenditures related to education and training.
2. Satellite account on **human capital**:
 - Changes the asset boundary: Human capital as produced asset and its creation as investment – Increases GDP.
 - Valuation: Cost-based approach versus lifetime income approach.

Note: draft UNECE Guide on Measuring Human Capital.



Example: SA on Education and training

Costs of education and training in Canada (billions of dollars).





Satellite accounts: Beyond current material well-being

3. Environmental-Economic Accounting



OLD ECONOMY



NEW ECONOMY



Environmental-economic accounting

- **Many interactions** between economy and environment:
 - Natural resources used as input in production process
 - Well-being depends on sustainability of ecosystems
 - Environment may be affected by economic activities
- A lot of interest in these interactions.

System of environmental-economic accounting.

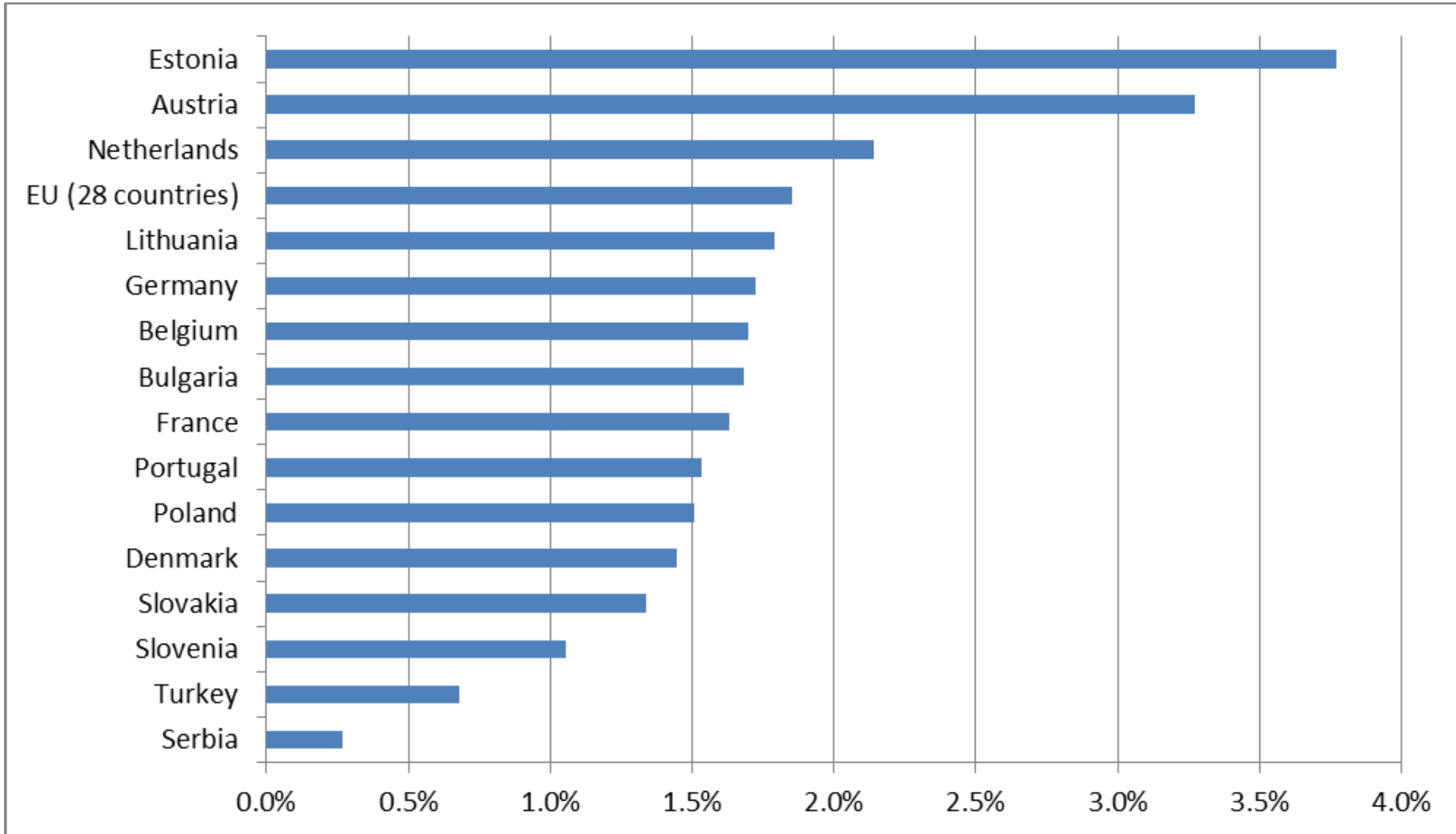
Three sections:

1. Extended SUT that contain information on physical flows.
2. Functional accounts focusing on transactions related to environment (environmental taxes; environmental protection, etc).
3. Measuring capital stocks of natural resources and ecosystems.



Example: Functional information

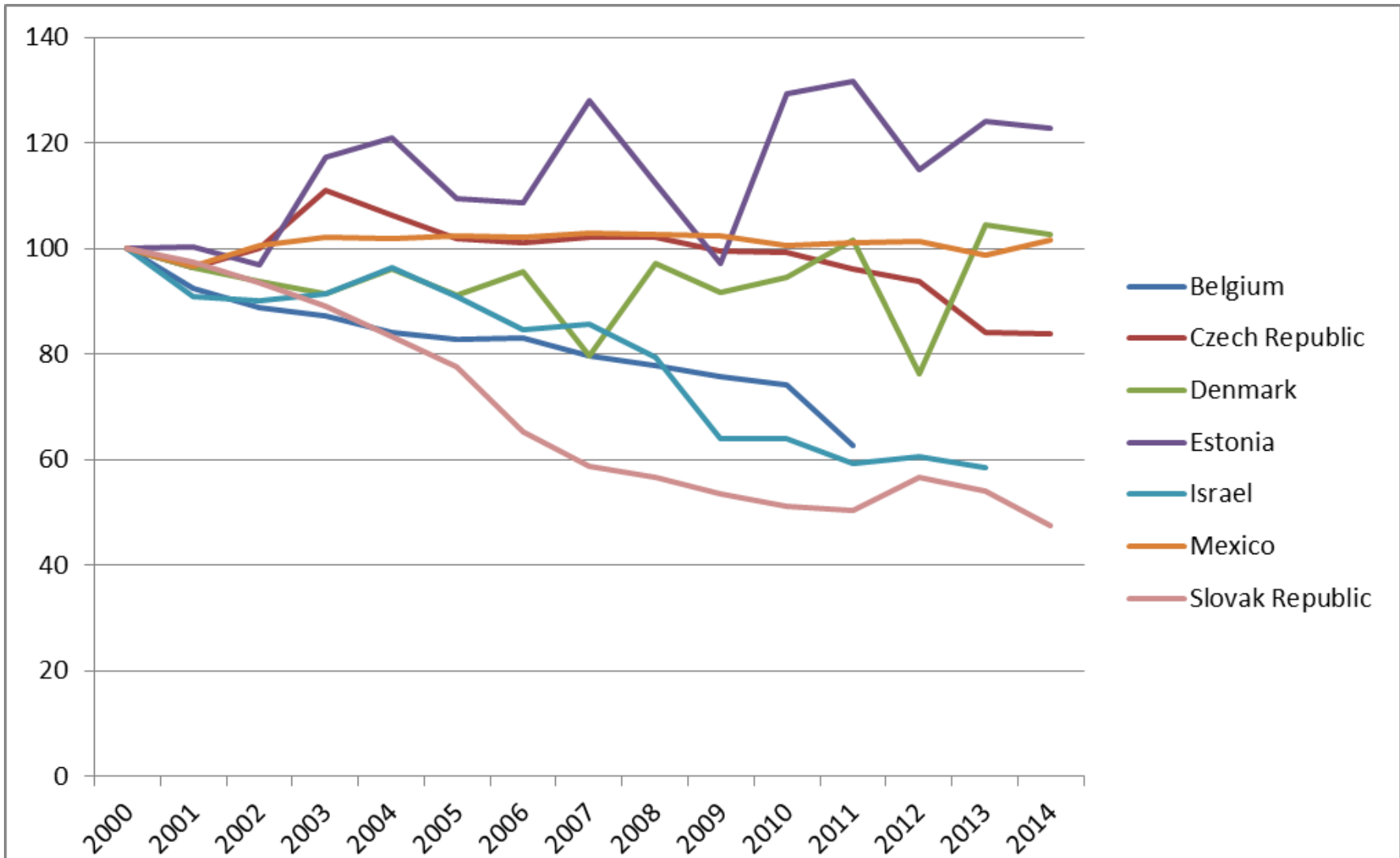
Environmental expenditure as percentage of GDP, 2013.





Example: Change in natural resources

Freshwater abstractions in m³ (index with 2000 = 100).





Conclusions

- Well-being is a multi-dimensional phenomenon that should be analysed on the basis of multiple indicators.
- Valuable information can be derived from the System of National Accounts (including satellite accounts)
- A lot of progress has been made to have more focus on indicators related to household well-being, but a lot of work still needs to be done.



Thank you for your attention

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