Labour Accounts

SNA Update Workshop
Kunming September 2022

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Why is this area important?

Crucial policy questions that hinge on a better understanding of the links between the labour market, human capital, production and income include:
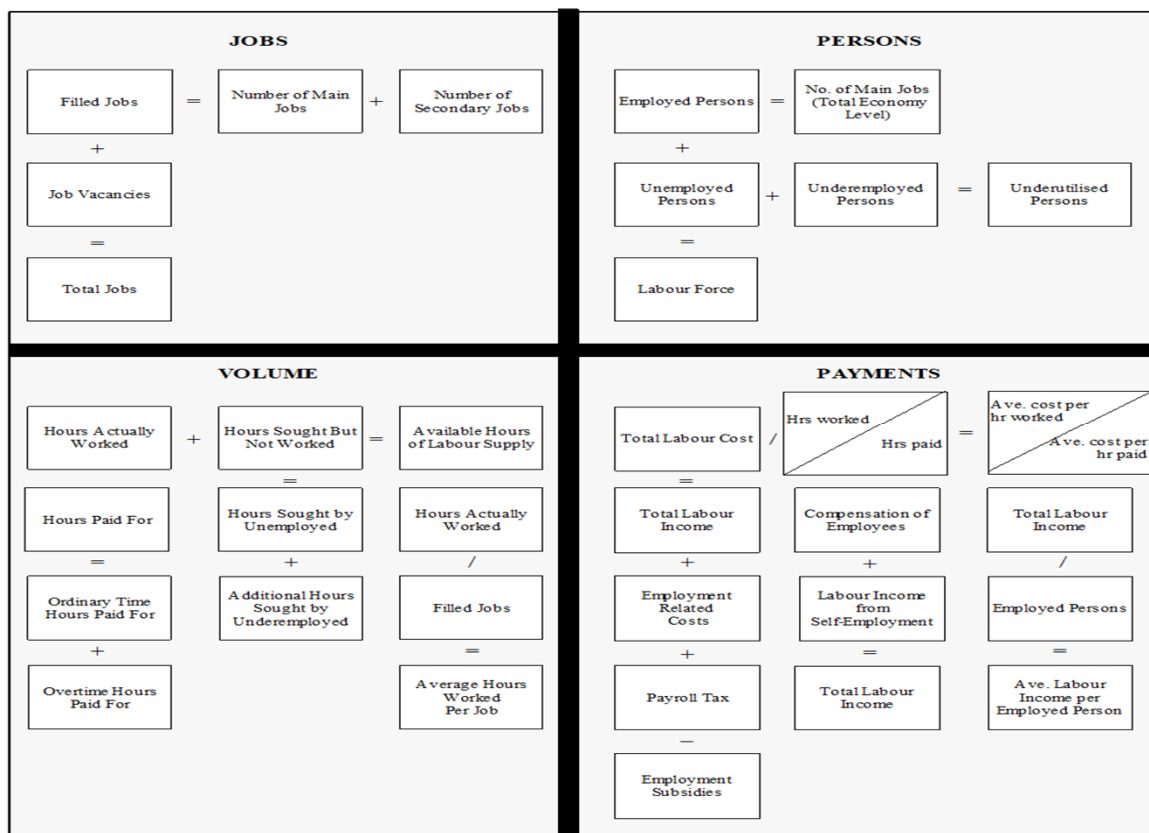
▶ Human capital as a driver of innovation and economic development

▶ Measurement of productivity and the ability to deliver real income growth to households

▶ Issues of inclusive growth, equity and the distribution of income

▶ Impacts on the labour market and the changing nature of 'work' from changes in production arrangements, including those changes caused by digitalisation and globalisation

Current Situation

Labour is at the heart of production, forming a primary input alongside capital, but, unlike capital, is recognized only indirectly in the *SNA* through compensation of employees, mixed income and informal production. The *SNA* references that labour statistics form an important adjunct to the accounts in brief [*2008 SNA*, paras 2.156-2.158], and some of the linkages to population and productivity are set out in Chapter 19.

The *SNA 2008* sets out its position to exclude human capital from production in Chapter 1. The central premise is that it is not consumption of education and training services in and of themselves that may form human capital assets, but rather the assembly of these inputs by the persons consuming them into productive knowledge, skills, competencies and attributes.

Labour Accounts

JOBS

Filled Jobs = Number of Main Jobs + Number of Secondary Jobs

+

Job Vacancies

=

Total Jobs

PERSONS

Employed Persons = No. of Main Jobs (Total Economy Level)

+

Unemployed Persons + Underemployed Persons = Underutilised Persons

=

Labour Force

VOLUME

Hours Actually Worked + Hours Sought But Not Worked = Available Hours of Labour Supply

=

Hours Paid For = Hours Sought by Unemployed = Hours Actually Worked

=

Ordinary Time Hours Paid For + Additional Hours Sought by Underemployed = Filled Jobs

+

Overtime Hours Paid For

=

Average Hours Worked Per Job

PAYMENTS

Total Labour Cost / Hrs worked / Hrs paid = Ave. cost per hr worked / Ave. cost per hr paid

=

Total Labour Income = Compensation of Employees = Total Labour Income

+

Employment Related Costs + Labour Income from Self-Employment / Employed Persons

+

Payroll Tax = Total Labour Income = Ave. Labour Income per Employed Person

—

Employment Subsidies

Why Labour Accounts

▶ Synthetise various data sources

  – Households, Business, Admin

▶ Lots of new data sources on labour have become, or are becoming, available

  – No longer as dependent on traditional household survey

▶ How do we make best use of all available data?

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Labour Accounts: Existing material & practice

Many NSOs currently produce, or are now establishing, labour accounts (some have been producing these accounts for decades): Netherlands, Norway, Denmark, Switzerland, Australia, Iran, Malaysia + more

A range of other NSOs use some form of labour accounting to support their productivity estimates: USA, Canada +

ILO have considered the topic at two Conference of Labour Statistician meetings
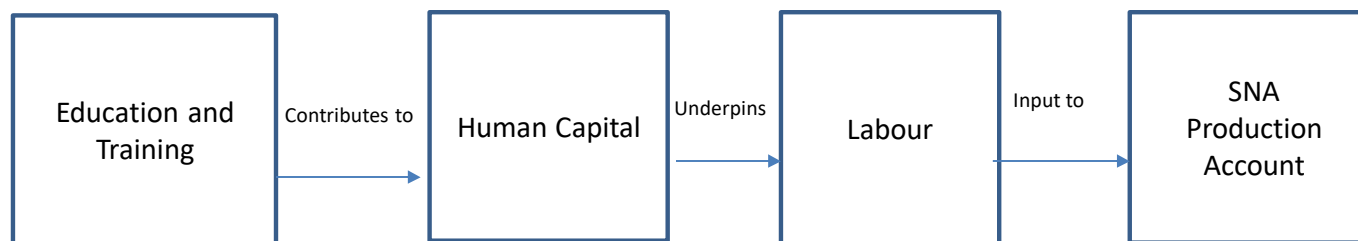
Labour Accounts at the ABS

Currently used as source of labour data for:

– Input-Output Tables
– Productivity estimates
– Tourism Satellite Accounts
– Future satellite accounts

Future use of Labour Accounts:

– Starting point for 'Work Accounts', adding data from time-use survey to get complete view of 'work'
– Distributional and household characteristics links to production and income
– Link in occupation to start informing issues such as 'skill gaps'

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Labour, Education and Human Capital Stylized Relationship

| Education and Training | Contributes to → | Human Capital | Underpins → | Labour | Input to → | SNA Production Account |

SNA Update Recommendations

1. Labour accounts should be included within the central framework in the update to the 2008 SNA. This places labour in the same position as other inputs into the production process, and supports extensions to the accounts for valuing human capital

2. These accounts would be described in a new additional chapter of the SNA, placed between current chapter 9 "The use of income accounts" and chapter 10 "The capital accounts". This would replace some elements currently covered in chapter 19.

3. The labour accounts will be based on the SNA production boundary and would, at a minimum, cover the labour domains of jobs, people, volume (hours), and payments. They should also include demographic breakdowns by gender, age and educational attainment

Education Accounts

The goal of the account is to compile the total expenditure on education and training consistent with the framework of the national accounts in a set of tables: the supply and use tables and the financing/cost tables by education and training purpose

The account would also include educational attainment of the resident population and the number of students and graduates and participation in vocational training and lifelong learning

And extended to provide additional demographic and labour detail related to education and training that can be used to show the distribution of investment across groups of individuals (gender & age)

Education: Existing material & practice

Substantial guidance material already developed:
- – UNESCO Methodology of national education accounts
- – UNESCO-OECD-Eurostat Manual for data collection on formal education
- – UNECE Satellite account for education and training
- – SNA, OECD, Eurostat guidance on measuring volumes of output

Many NSOs have produced some version of an education account, many of them as part of initiatives organised by international agencies

A number of education accounts have been produced in conjunction with estimates of human capital

Education and Training Recommendations

1. Extended accounts for education and training should be developed. These accounts would build on existing material, particularly the Satellite Accounts for Education and Training (SAET)

2. The Education and Training Account would be an extension on the central framework in that it includes (i) both monetary and non-monetary data; (ii) own account (in-house) training; and demographic breakdowns by gender & age

3. Consider values for unpaid household educations services (in conjunction with other task teams)

Human Capital

The idea of viewing human knowledge and abilities as an asset – as human capital - and to estimate its value is not new, but has gained more prominence in recent years, especially in the context of sustainable development

Policymakers are calling for ways to understand and quantify human capital, in order to better understand what drives economic growth and the functioning of labour markets, to assess the long-term sustainability of a country's development path

Devising a robust methodology for the monetary valuation of the stock of human capital is especially crucial as studies suggest that human capital is the most important component of the total capital stock in advanced economies

Human Capital: Existing material & practice

UNECE *Guide on Measuring Human Capital*

There are six major measures of human capital, each of which covers at least 130 countries. Of these, two are monetary measures, one by United Nations Environment Programme (UNEP) and Kyushu University Urban Institute, and the other by the World Bank

A number of NSOs have produced experimental estimates of Human Capital

Human Capital – Initial Steps

- ▶ Human Capital represents a major new field of study and research for national statistical organisations

- ▶ It is a critical area of economic measurement that needs to be addressed. We need to start engaging with the topic

- ▶ What are the sensible first steps we can take on what will be a lengthy development path?

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Human Capital Recommendations

1. That pragmatic and achievable steps are taken in developing extended accounts for human capital outside of the core SNA. These first steps would consist of:

   a) Developing cost-based education measures, in accordance with the recommendations under Education and Training above

   b) Produce income-based monetary stock measures with gender, age, and education detail (consistent with the labour accounts structure)

2. It is expected that some countries will feel they lack the capacity to produce human capital estimates. However, the critical importance of human capital to economic development and progress means it is essential that we begin to engage on the topic. And this proposal would appear to be a sensible starting point.
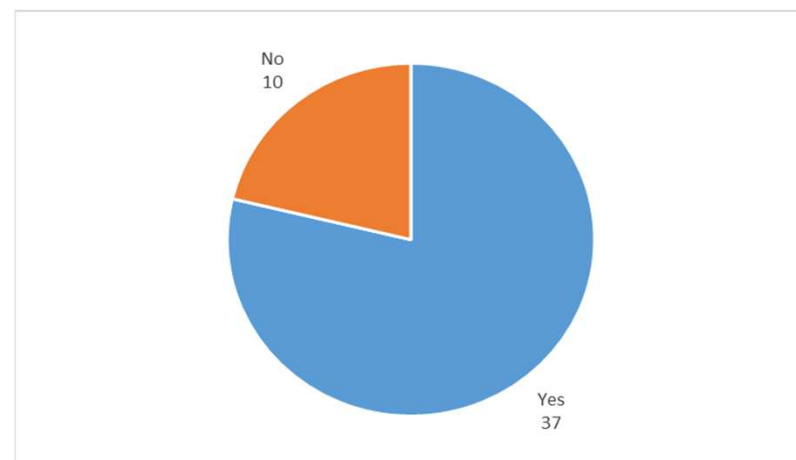
Is this topic relevant for your country?

88% agree it is relevant (medium or high)

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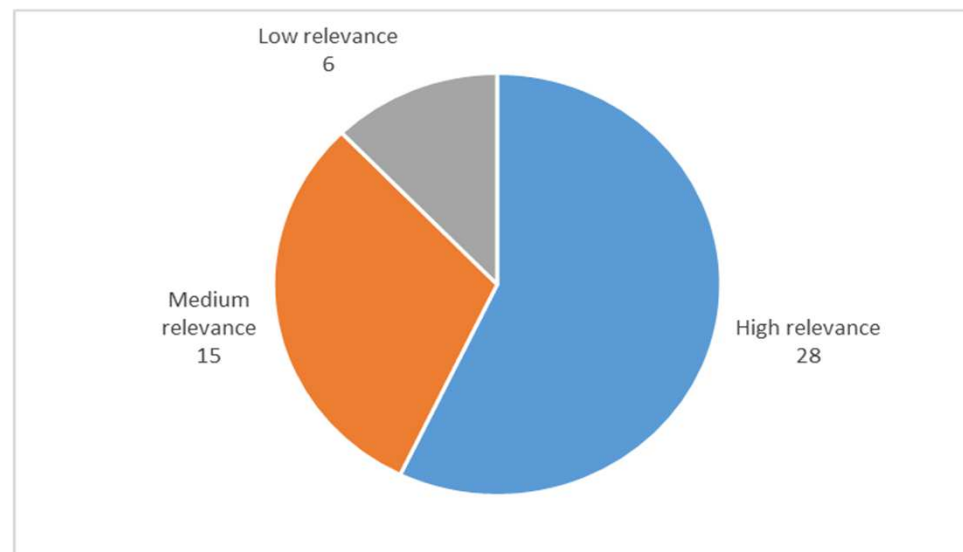
79% agreed

Reasons for not agreeing:

- Data quality or availability concerns (4)

- Already have a robust set of labour measures (1)

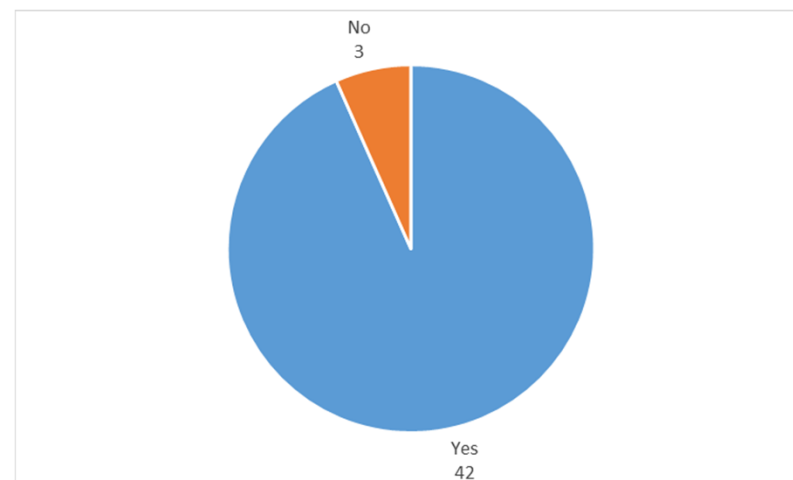- Introduction of quantities violates national accounts presentation rules (1)

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93% Agreed

Reasons for not agreeing

- Data quality or availability (1)
- Question relevance of the jobs concept (1)

No
3

Yes
42

84% Agreed
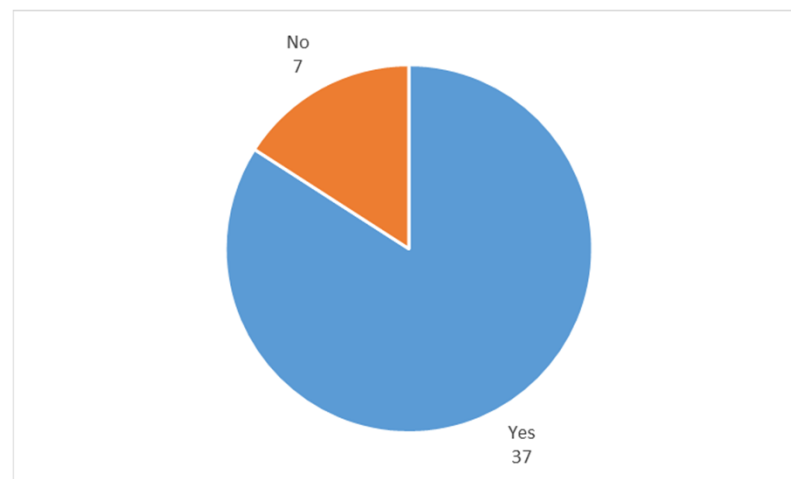
Reasons for not agreeing:

- Data quality or availability (3)

- SNA should focus on macro measures (1)

- Breakdowns not relevant (1)

- Desire different breakdowns by skills & region (1)

Thank You

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