

Working seminar co-organised by the European Commission and the Organisation for Economic Co-operation and Development

## **Towards Satellite Accounts for Third Sector and Social Economy: challenges and opportunities**

# CONCEPT NOTE

OECD, Paris October 16<sup>th</sup> 2017



## ■ Date, time and venue

16 October 2017, OECD headquarters, room D  
2, rue André Pascal, 75016, Paris, France



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### **Objectives of the working seminar:**

The working seminar aims at reviewing the state of the art and exploring the challenges and opportunities of developing national satellite accounts for the Third Sector and the Social Economy. The creation and implementation of satellite accounts has received high political support as highlighted by the conclusions adopted by the Council of the European Union on 7 December 2015 and by the Madrid Declaration signed by 11 European countries in May 2017.

Moreover, this was reinforced in the report produced by the GECES (i.e. the [Expert Group of the European Commission on Social Entrepreneurship](#)), which was endorsed in October 2016. It highlighted in particular the need for national statistical offices to engage in the creation of satellite accounts for the Social Economy.

The key objectives of the working seminar will be to:

- Raise awareness and visibility about the use of satellite accounts as statistical ways to identify the total population and measure the economic activity of the Third Sector or the Social Economy as well as volunteer work across countries.
- Exchange information and concrete experiences on the opportunities and challenges of implementing satellite accounts, based on existing practices.
- Promote an open and constructive discussion on conceptual and methodological frameworks that can be adopted to measure the Third Sector and the Social Economy, as well as volunteer work.
- Discuss the interest and challenges of implementing satellite accounts for these organisations and activities.
- Discuss the role that international organisations (OECD, UN), European (European Parliament and Commission, Eurostat, European Economic and Social Committee) and national institutions can play to facilitate the process of implementing satellite accounts.

The working seminar will gather academics, experts, along with representatives from Eurostat and national statistical offices from countries that have already, or are currently, implementing satellite accounts.

The discussions will notably build on the work undertaken by:

- the Johns Hopkins Center for Civil Society Studies, in cooperation with the United Nations Statistical Division, specifically on the Handbook [Satellite Account on Nonprofit and Related Institutions and Volunteer Work](#) (2017).<sup>1</sup> The Handbook will be approved and published in the fall 2017 after a final review by the UN Statistical Commission. The Handbook aims to support the development of Third or Social Economy (TSE) Satellite Accounts, with a focus on organizations and individual activity, embodying three key concepts (privateness, primacy of public purpose, and free will) as manifested in (a) non-profits, (b) cooperatives, mutual societies, and social enterprises that operate with significant limitations on their distribution of profit as well as (c) volunteer work, i.e. work undertaken without pay for persons other than one's family.

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<sup>1</sup> Available on-line through the portal of the United Nations Statistics Division at: [https://unstats.un.org/unsd/nationalaccount/gclItemSA\\_NP\\_Vol.asp](https://unstats.un.org/unsd/nationalaccount/gclItemSA_NP_Vol.asp).

- the CIRIEC International (International Centre of Research and Information on the Public, Social and Cooperative Economy), specifically on the [Manual for drawing up satellite accounts of companies in the social economy: co-operatives and mutual societies](#) (published in 2006) and on the report on [The recent evolutions of the Social Economy in the European Union](#) (2017) commissioned by the EESC. This last report aims, among other objectives, to clarify the debate on measuring the economic weight of the Social Economy and provides quantitative data on social economy organisations (with a focus on cooperatives, mutual societies and associations).
- the International Labour Organization (ILO), specifically on the [Manual on the Measurement of Volunteer Work](#) (2011) developed by the Johns Hopkins University Center for Civil Society Studies at the request of the Statistics Office of the ILO; as well as on the [Conceptual framework for the purpose of measurement of cooperatives and its operationalization](#) (2017), published following the Resolution III adopted in 2013 which recommended improving national statistics related to the number and characteristics of cooperatives. This report addresses conceptual and methodological issues concerning the identification and classification of cooperatives and boundary areas and provides a conceptual framework for defining and classifying cooperatives for statistical purposes.

## Background

Non-profit sector, third sector or social economy are distinct but interconnected concepts, that partially overlap, and are sometimes used as synonyms (OECD, 2003; Salamon and Sokolowski, 2014). These concepts have different socio-political origins - as they are rooted in different cultures and traditions - and different academic origins, and serve different analytical purposes. The emergence of new actors, such as social enterprises, which pursue a general interest goal but have some features of the corporate sector, lead to revisit these concepts in order to grasp the new reality, including from a statistical perspective. In this context, particular attention is also paid to redefining and classifying cooperatives for statistical purposes, as these are special entities sharing features of conventional enterprises but with a benefit-for-members or general interest orientation and democratic governance.

Although third sector and social economy organisations, in particular social enterprises, are developing at a fast pace around the world, contributing to sustainable development and inclusive growth, measuring their economic weight and impact still remains challenging, both at national and international levels, due to the very nature of these organisations - that are multiform and permeable with other sectors - and to the variety of legal forms and different definitions existing across countries. Nevertheless, drawing a clear picture of their weight and contribution to the economy and society is essential.

### ***Policy-makers' growing interest for satellite accounts for the third sector, social economy, and volunteer work***

Designing and implementing efficient public policies, targeted to support the development of social economy and third sector organisations as well as volunteer work, will benefit from strong evidence-base shedding light on the actual size and scope, range of forms and business models, and economic and social contribution of these organisations.

On the 7th December 2015, EU Ministers responsible for employment and social policies, health and consumers affairs (the so-called EPSCO Council), meeting under the Luxembourgish EU Council Presidency, adopted a clear political message to the European Commission and EU Member States in order to promote social economy and develop an appropriate institutional, legal and financial ecosystem for all social economy organisations. One key recommendation was the development and implementation by Eurostat and national statistical authorities of satellite accounts to document the role of social economy. This key message was reiterated in the declaration "[The Social Economy, a business model for the future of the European Union](#)" signed by 11 EU Member States in Madrid in May 2017.

## **The role of satellite accounts**

The System of National Accounts 2008 (SNA) and its European equivalent, the European System of Accounts 2010 (ESA), consist of a comprehensive and coherent set of macroeconomic accounts, balance sheets and tables which are based on internationally agreed concepts, definitions, classifications and accounting rules. The SNA has been developed and regularly refined under the joint responsibility of the United Nations, the International Monetary Fund, the European Commission, the OECD and the World Bank.

The system, unanimously approved by the Statistical Commission of the United Nations, has become the international standard for the compilation of national accounts in order to promote the integration of economic and related statistics.

It is intended to meet the needs of government and private-sector analysts, policy makers and decision takers. It is designed for use in countries with market economies, whatever their stage of economic development, and also in countries in transition to market economies.

Moreover, SNA acknowledges the value of satellite accounts<sup>2</sup> and more targeted handbooks to offer additional guidance and technical advice to national accountants, statisticians, and other users of national accounts on specialized topics that, for one reason or another, may not be specifically addressed in the central framework of the SNA but are nonetheless important for policy or programmatic purposes. This is exactly the case of data concerning third sector and social economy organisations as well as related direct volunteer work.

## **Methodological approaches to measure the third sector, the social economy and volunteer work**

Building statistical evidence on third sector and social economy organisations, became an important issue in the late nineties. Both the Johns Hopkins Comparative Non-profit Sector Project (Salamon et al., 1999) and other scholars associated with the CIRIEC (Defourny and Mertens, 1999) played a key role in producing the first international estimates on the economic weight of these institutions (OECD, 2003).

### *The UN Statistics Division / Johns Hopkins approach*

In order to improve the national and international coverage of the non-profit sector, a step further was needed. In that endeavour, the *UN Handbook on Non-profit Institutions* (UN, 2003), linked to the SNA, presented the first formal proposal to build satellite accounts for non-profit institutions. The Handbook included guidelines aimed at helping national statistical agencies to improve data coverage and incorporate paid and unpaid work into national economic statistics. This methodology has been effectively used by a growing number of statistical offices throughout the world to portray the

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<sup>2</sup> According to the OECD, "satellite accounts provide a framework linked to the central accounts and which enables attention to be focussed on a certain field or aspect of economic and social life in the context of national accounts; common examples are satellite accounts for the environment, or tourism, or unpaid household work". Source: <https://stats.oecd.org/glossary/detail.asp?ID=1718>

economic activities of non-profit institutions.<sup>3</sup> It was further validated by the 2008 revision of SNA, which incorporated key provisions of the *2003 NPI Handbook* into the SNA in ways that should facilitate the production of third sector satellite accounts.

More recently the UN Handbook on *Satellite Account on Nonprofit and Related Institutions and Volunteer Work* (2017) extended the scope of the 2003 UN Handbook on Nonprofit Institutions. It now embraces not only non-profits but also:

- a) A broad set of social economy organisations such as cooperatives, mutual societies and social enterprises that meet a test of being primarily oriented to public purpose. This public purpose criterion is operationalised by the significant limitation on their distribution of profit.
- b) It also includes volunteer work carried out either through organizations or directly for individuals or households outside one's family.

This new version takes into account the extensive work of the FP7 EC funded project "Third Sector Impact", which produced, among others, a renewed concept of the third sector encompassing the European realities which were not fully taken into account by the 2003 version of the *UN NPI Handbook*.

#### *The CIRIEC approach*

In order to build on and complement the UN 2003 handbook, the CIRIEC published in 2006 the *Manual on the Satellite Accounts of Cooperatives and Mutual Societies*, commissioned by the European Commission (CIRIEC, 2006). The purpose was to obtain homogeneous, accurate and reliable data on social economy organisations, by including cooperatives and mutual societies that were not covered by the 2003 UN Handbook, as these may distribute profits.<sup>4</sup> Conceived as an aid to statistics offices, the Manual also suggests new sources of data and new tools for collecting statistically useful information on social economy companies such as ad-hoc surveys and observatories.

However it should be noted the 2017 UN Handbook adopts a wider scope that partially captures the organisations covered by the CIRIEC Manual, hence creating more convergence between the two approaches.

The main differences between the two approaches are as follows:

- The limited profits distribution criterion:  
According to the 2017 UN Handbook, to be considered in-scope, organisations must primarily serve a public purpose, which has been operationalised for statistical purposes as being either completely or significantly limited (by law, governing document, or settled custom) to distribute profits to their members, directors, or investors. This criterion is then further operationalized through a series of specific indicators, such as a requirement for a lock on retained assets.

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<sup>3</sup> The UN Handbook 2003 has been implemented in Belgium, Brazil, Cameroon, Czech Republic, France, Portugal, Poland, Israel, Australia, Brazil, Canada, Denmark, Germany, Italy, Japan, Kyrgyzstan, Mexico, Morocco, Mozambique, New-Zealand, Norway, Philippines, South Africa, Sweden, Thailand, and the US.

<sup>4</sup> The CIRIEC Manual has been implemented in Belgium, Bulgaria, Macedonia, Romania, Serbia, and Spain.

In the 2006 CIRIEC manual, on the other hand, organisations that redistribute profits are not excluded from the scope as long as the profit is not proportional to the capital or to the fees contributed by the members.

- **The democratic governance criterion:**  
In the 2006 CIRIEC Manual, the only organisations considered in-scope are those adopting democratic governance (one person = one vote). In the 2017 UN Handbook, the democratic criterion is not discriminatory for organisations to be considered in-scope.
- **The self-help/mutual benefit criterion:**  
The CIRIEC Manual limits coverage to companies with a mutual benefit objective in which “the members and the users of the activity in question are usually one and the same”. However, this does not prevent social economy organisations from undertaking solidarity actions in much wider social environments, transcending their membership base.  
On the other hand, the self-help criterion is however not discriminatory in the UN Handbook.

Although the UN Handbook 2017 and the CIRIEC Manual 2006 differ in terms of scope, both projects aim to overcome the limited, fragmented and non-comparable statistical data on the organisations and activities aforementioned by applying a common approach to data collection on the basis of the System of National Accounts. It should be noted the 2017 UN Handbook (compared to its previous versions) adopts a wider scope that partially captures the organisations covered by the CIRIEC Manual, hence creating more convergence between the two approaches.

**Questions to be addressed during the working seminar:**

- **Suitability of conceptual frameworks and methodologies:**
  - Which are the main conceptual differences, advantages and disadvantages between the two methodologies in identifying social economy and third sector organisations and related activities and establishing satellite accounts?
  - Regarding the social enterprise spectrum, which type of social enterprise is out of scope for the methodology of the new UN Handbook, and which one for the CIRIEC methodology?
  - What are the main obstacles towards a convergence between the two methodologies and how can these obstacles be overcome?
  - What suitable, feasible and acceptable alternatives to satellite accounts exist to identify the total population of social economy organisations and social enterprises?
- **Interest for and feasibility of establishing satellite accounts for social economy and third sector :**
  - How can awareness and demand be created to establish Satellite Accounts by Governments, Statistical Offices, and Stakeholders in

countries?

- What is the role of networks and associations of social economy (including social enterprises) and third sector organisations in such a process?
- What needs do statistical offices have to support effectively the establishment of Satellite Accounts in their countries ?
- What could be the role of European Institutions, and in particular that of EUROSTAT?
- What could be the role of the OECD?
- What would be the most relevant, and the most critical activities to lay the ground for piloting the establishment of satellite accounts in European countries? What resources would be needed ?

## ***On the involvement of the European Commission and Member States in the development of satellite accounts on the third sector and social economy***

The European Commission has carried out specific work promoting the development of satellite accounts on the social economy. Indeed it has contributed and supported both the UN Handbook development and the CIRIEC Manual development.

More particularly, Eurostat has been involved in the development and revision of the United Nations Handbook on Nonprofit Institutions in the System of National Accounts as a member of the Technical Experts Group.

In 2006, the European Commission awarded a contract to CIRIEC for the development of a "[Manual for drawing up satellite accounts of cooperatives and mutual societies](#)" for use by statistical offices. The aim was to provide policy-makers and relevant stakeholders with comparable and systematic indicators and data on the role of social economy organisations including social enterprises to foster informed policy decisions.

Following that and in order to assist national authorities in developing satellite accounts, the Commission published a call for proposals to develop statistics for cooperatives and mutual societies, for the development of indicators, creation of basic satellite accounts tables, development of transnational co-operation, exchange of experience and good practices.

Five pilot projects were financed in Belgium (BE), Bulgaria (BG), Former Yugoslavian Republic of Macedonia (FYROM), Republic of Serbia (RS) and Spain (SP). They were finalised in July 2011.<sup>5</sup>

## ***On the work done by OECD***

The OECD has developed substantive work on the [social economy](#), [social enterprises and non profits](#). In its publication from 2003, *The Non-profit Sector in a Changing Economy*, the OECD specifically addresses the issue of satellite accounts for the non-profit sector in order to create awareness and disseminate knowledge on this tool. It also presents a concrete example of the implementation of a satellite account for the social economy in Belgium, and discusses the methodological and concrete implications of such implementation (OECD, 2003).

In addition, the OECD has been involved in the advisory committee overseeing the development of the 2003 UN *NPI Handbook*, and served in a similar advisory role to the EC-funded Third Sector Impact Project that led to the conceptualization of the TSE sector that has been incorporated into the new UN satellite account handbook.

Finally, the OECD is currently working on the issue of measuring the impact of businesses, including social enterprises and social economy organisations, on people's wellbeing. This is an expansion on the OECD's experience and knowledge on [measuring well-being at the national level](#), and is based on the understanding that businesses contribute significantly to people's well-being. Although there are many frameworks and initiatives

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<sup>5</sup> For more information, please see: [http://ec.europa.eu/growth/sectors/social-economy\\_en](http://ec.europa.eu/growth/sectors/social-economy_en)

focusing on the impact of business on people's lives, there is no conventional knowledge or agreed framework as to how we can measure these impacts. To this end, the OECD has started to work on this, beginning with a [workshop](#) held in February 2017, and currently with a [call for papers](#) and initiating a stocktake of existing frameworks.

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