



Organisation for Economic Co-operation and Development

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

### **OECD/EC Working Seminar – Key Highlights**

**16 October 2017, OECD, Paris**

The working seminar aimed 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. It gathered academics, experts, along with representatives from Eurostat and national statistical offices from countries that had already, or are currently, implementing satellite accounts.

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## 1. Background and objectives

On October 16th 2017, the OECD and the European Commission co-organised a working seminar aimed 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 of satellite accounts for the Social Economy has received high political support in Europe, as highlighted by [the Conclusions of the Council of the European Union](#) on 7 December 2015 (point 19), the [report produced by the GECES](#) (i.e. the Expert Group of the European Commission on Social Entrepreneurship) endorsed in October 2016 that called for Eurostat and national statistical offices to engage in such a process, and was also supported by the [Madrid Declaration](#) signed by 9 European countries in May 2017.

These political demands reflect the need to provide a stronger evidence base in order to design, implement, monitor, evaluate and adapt more efficiently policies, at national and EU levels. This need stems from the lack of harmonised and comparable statistical data on the socio-economic weight and impact of social economy organisations, as well as on their contributions to sustainable development and inclusive growth, and on their economic activity and development trends. The availability of statistical data on the Social Economy, is not simply a technical matter. It is also a necessary tool for effective policy design and implementation, and for improving visibility, strengthening identity and increasing recognition of the social economy also by involving civil society and allowing a dialogue with it.

Both the OECD and the European Commission, as pointed out by [Antonella Noya](#) (OECD/CFE) and Ulla Engelmann (EC/DG Growth) in the Opening Session, have already undertaken first steps and paved the way for developing and testing satellite accounts for the Social economy.

The European Commission:

- in 2006, financed a study for the development of a [Manual for drawing up the satellite accounts of companies in the social economy: cooperatives and mutual societies](#) for use by statistical offices (referred to as the “CIRIEC Manual” in the rest of the document);
- in 2010/11, funded five pilot projects (in Belgium, Bulgaria, Macedonia, Serbia, and Spain), in order to assist national authorities in using the Manual to create satellite accounts for cooperatives and mutual societies. This included the development of indicators for the creation of satellite accounts tables, good-practice and experience sharing opportunities, and the organisation of transnational co-operation;
- was consulted, through Eurostat, as many other institutions and statistical agencies, regarding the 2016 and 2017 revisions of the United Nations Handbook on Non-profit and Related Institutions and Volunteer Work in the System of National Accounts (referred to as the “UN Handbook” in the rest of the document).

The OECD:

- has a long track-record in advising a number of countries on how to establish enabling policy frameworks to support the development of social economy entities, and, in this framework, has constantly raised awareness on the need to build rigorous statistics and harmonised measurement frameworks with the objective of producing comparable data;

- has been engaged for a long time in the development of satellite accounts, not only through its leading role in the establishment of satellite accounts on tourism (currently implemented by almost 80 countries) and by promoting an harmonisation of different methodological approaches,)but also through its work in order to overcome hurdles and maximise opportunities for satellite accounts on culture. As other international organisations, the OECD has been consulted regarding the development of the 2003 UN NPI Handbook, and had an advisory role to the EC-funded Third Sector Impact Project that served as a basis to the conceptualization of the TSE sector of the new UN satellite account handbook.

In this context and in order to provide an opportunity to make a step forward, the OECD and the European Commission decided to bring together around 40 participants including representatives from Eurostat and national statistical offices, policy makers, academics and experts. The working seminar aimed at providing the opportunity for a professional exchange on the conceptual and methodological frameworks available, as well as on the lessons learnt from the design, implementation and use of satellite accounts. The objective was thus:

- to better understand the commonalities and differences of the conceptual and methodological frameworks available to design and implement satellite accounts for the social economy and/or the third sector;
- to start a constructive dialogue on the opportunities and challenges, costs and benefits of implementing satellite accounts, and to identify avenues and practical steps on how the OECD, the European Commission, including Eurostat, and national statistical offices could facilitate the process of implementing satellite accounts.

With this in mind, **Antonella Noya** (OECD) highlighted that “conceptualisation of principles, legal forms and activities and operationalisation of definitions have to be seen as two sides of the same coin. A purpose of this meeting is also to explore how these two sides can best be reconciled.

**Ulla Engelmann** (EC) suggested to focus on feasible ways to translate the political will into action, and to assess the readiness of the key actors (national Governments, Eurostat and national statistical offices), and explore options for incentives the Commission may be able to give.

## 2. Methodologies and procedures for establishing satellite accounts

To start the dialogue, **Andreas Dollt** (National Accounts Methodology Unit, Eurostat) presented an overview on the methodology and procedures for establishing Satellite Accounts<sup>1</sup>. In his view, satellite accounts are:

- a suitable instrument:
  - for users of statistics by making available (time-series of) new statistical data for specific areas; the methodology can extend or deviate from the general methodology for national accounts;

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<sup>1</sup> For more information, please see: <https://www.slideshare.net/OECDLEED/methodology-and-procedures-for-establishing-satellite-accounts>

- for statisticians to test and experiment new concepts and data sources before deciding if and how these eventually enter the core national accounts,
- a feasible instrument, provided that:
  - the user community and the statistical community can reach an agreement on all conceptual aspects (e.g. put down in a manual), and critical mass of users is committed to apply the common rules and criteria;
  - good data sources can be identified, accessed, and preserved;
  - sufficient resources, including political support, to compile the SA on a continuous basis can be obtained and kept;
  - it serves unmet user and policy needs, in a specific area, over time, in many countries;
  - the results provide higher quality, more consistent, and better comparable data on a subject.

Challenges for implementing a satellite account are:

- Clear agreement on the definition of the units;
- Clear procedures to identify the units in data sources;
- Commitments for accessing and capturing of reliable data for the desired variables in the desired breakdown on an ongoing basis.

In implementing satellite accounts, Eurostat's role has been that of a coordinator and promoter for national statistical offices, or of a facilitator for common procedures. In that role, Eurostat could set up a task-force to reach agreements on common conceptual or implementation standards, and play a key role in adapting available methodologies to meet specific European specificities and needs.

### 3. Existing conceptual and methodological frameworks to measure the third sector and the social economy

The first session of the seminar presented three main conceptual and methodological frameworks:

- The UN Satellite Account Handbook on Non-profit and Related Institutions and Volunteer Work;
- The CIRIEC Manual for drawing up the satellite accounts of companies in the social economy: cooperatives and mutual societies;
- The work of ILO and the Committee for the Promotion and Advancement of Cooperatives (COPAC) in developing a conceptual framework for defining and classifying cooperatives for measuring their economic and social contribution.

**Professor Salamon** (Johns Hopkins University), presented the revised Satellite Account Handbook on Nonprofit and Related Institutions and Volunteer Work (henceforth the UN TSE Sector Handbook (2017)),<sup>2</sup> which has been validated by the UN Statistical Division, after consulting international organisations and national statistical agencies around the world.

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<sup>2</sup> For more information please see: <https://www.slideshare.net/OECDLEED/the-un-handbook-on-nonprofit-and-related-institutions-and-volunteer-work>

He highlighted in particular :

- the substantial work and the process that led to the revised and extended UN TSE Sector Satellite Account handbook, now covering not only NPIs, but also a large number of cooperatives, mutual societies, and social enterprises; as well as volunteer work (i.e. work undertaken without pay for persons other than one's family);
- the significant input, insight and conceptual clarification gained from the EU's research project "Third Sector Impact" involving research teams from 11 European universities, and the EMES International Research Network which conducted around 30 stakeholder meetings;
- the conclusion that were drawn from this review process:
  - there is enormous diversity of concepts used to depict what is variously termed the third, social economy, non-profit, or civil society sector across Europe;
  - despite this diversity, there is strong consensus about the existence of a coherent "sector" of society embodying three fundamental features: it is private, primarily committed to public purposes, and non-compulsory; and
  - it embraces not only institutions, but also certain individual activities whether undertaken through organizations or directly for others.
- the possibility to bring these concepts into an identifiable "satellite account" in official statistics by translating these philosophical notions into concrete operational terms that national statisticians can use to identify in-scope entities and activities.
- that , for the institutional components of the resulting "third or social economy (TSE) sector", as defined in the UN Handbook, the operational rules require in-scope institutions to be private, self-governing, non-compulsory, with primarily public purpose operationalized by the prohibition or significant limitation to profit distribution (not based on capital invested or fees paid) and capital lock.
- for the individual behaviour components of the TSE sector, the operational rules incorporated in the ILO Manual on the Measurement of Volunteer Work (2011), as slightly modified in an ILO 2013 declaration, under which volunteering is defined as "work undertaken without pay for persons other than one's family".

**Professors Monzón and Chaves** (SATSE EU CIRIEC) presented the CIRIEC Manual<sup>3</sup> and stressed that it:

- is in line with the European concept of social economy, adopted by European Union institutions (European Commission, Parliament, and Council, Economic and Social Committee, Committee of the Regions), and by the European platforms representing cooperatives, mutual societies, associations and foundations;

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<sup>3</sup> For more information, please see : <https://www.slideshare.net/OECDLEED/the-ciriec-approach-for-drawing-up-the-satellite-accounts-of-companies-in-the-social-economy>

- has been tested through pilot projects in Belgium, Portugal, Macedonia, Serbia, Romania, and Spain;
- considers as in-scope: the market producers of the social economy, i.e. cooperatives, mutual organisations, social enterprises, business groups and companies controlled by the social economy, and associative based companies (s11, s12:);
- considers as out-of-scope:
  - Non-market producers (Households and NPISH (sectors s15 and s14);
  - Market business-foundations (included in s11 and s12) that are not controlled by the social economy
  - Non-profit institutions (s11 and s12) controlled private capital businesses
  - Volunteer work, unless it is done in the framework of a SE organisation (s11, s12)
- Takes democratic decision-making (one person one vote) as an essential criterion for in-scope, whereas the criterion of distribution of profits or surpluses among the members does not constitute an essential feature of social economy market producers, provided that profits or surpluses are distributed according to the economic activities conducted between members and social economy enterprise (e.g. the cooperative activity, the mutual activity), but not in proportion to capital or fees paid.

**Professor Marie J. Bouchard** (Université du Québec à Montréal) presented the ongoing work on developing a [Conceptual Framework for the Purpose of Measurement of Cooperatives and its Operationalization](#) of the Committee for the Promotion and Advancement of Cooperatives (COPAC) Technical Working Group (TWG) on Cooperative Statistics for ILO, which is working towards International Guidelines for statistics on cooperatives (to be adopted at the next International Conference of Labour Statisticians in 2018).

Principles agreed and relevant findings of the TWG:

- Core discriminatory criteria for cooperatives include:
  - Democratic member control (one member, one vote)
  - Economic activity primarily to satisfy the needs and aspirations of members and community, and not at distributing and maximizing profits for shareholders or owners
  - Surplus is mainly re-invested in further development of their activity, but may also be distributed to members in proportion to usage
- If “profit” does not cover what in cooperatives is called “surplus”, then most cooperatives should be covered in the UN Handbook. If “profit” is synonym to “surplus”, this would mean that the UN Handbook covers only part of the cooperatives. According to the ILO, all cooperatives should be regarded as inside the scope of the social economy. Thus, the use of the term “social economy” in the UN Handbook can be misleading as the handbook does not include all cooperatives. According to the TOPAC TWG, including all
- Cooperatives have a “not-for-profit” nature. This is justified by:

- their public- or collective- benefit character, evidenced by the significant limitation in their ability to distribute profits, the requirement to reinvest in the cooperative, and in many cases also a capital lock,
  - the fact that surpluses (not profits) distributed to members have been generated from their own activity as consumers, producers or workers, and are refunded to them in proportion of their usage or activity, not of their investment,
  - their specific economic objective functions of: selling “at cost” to member-clients, buying their inputs at a fair price from member-producers, creating jobs and offering good work conditions to member-workers, insuring the availability and reducing risk to members of managed resources or held assets, or promoting social purpose of general or collective interest (social cooperatives),
  - laws or governance stipulations that place limits on surplus distribution in order to achieve the social mission of preserving the organizations for the benefit of their members.
- Instructions for screening and capturing statistical data need to reconcile the statistical requirements of high quality of data with the political requirements to cover relevant variables, by taking into account the strengths and weaknesses of different methods, notably:
    - administrative registers (good quality, often main source of info, but few variables; double counting, non-registration and inactive coops issues);
    - statistical registers (good coverage, high quality standards, good to establish population, but limited statistical information)
    - surveys (allows comparison with other enterprises, wide range of variables, but risk of sampling errors or of incomplete coverage, double counting issues); and
    - census (good coverage, good quality but very costly).

#### 4. Conceptualisation and operationalisation- where do we stand?

The general debate following the morning and afternoon sessions focused on key issues in conceptualisation and operationalisation of social economy entities.

The collective intelligence and experience, interests and priorities for actions expressed by the participants showed a number of converging, and even common views and positions, which could provide a basis for aligning interests, resources and activities:

- The growing interest and commitment of European Governments in boosting the social economy has increased the need for sound and reliable statistical tools to measure the economic weight and social impact of the social economy, and to design and monitor public action.
- There is a need:
  - to test concepts and operationalisations under different social economy traditions, and legal and administrative frameworks, to provide space for

exploring efficient approaches (cost-benefit) to data collection, data linking, and data aggregation/breakdown.

- to combine or complement different approaches (each of which serves as a spotlight to illuminate third sector/social enterprise entities or activities “in the dark”), to capitalise on the diversity of national traditions and situations.
  - to bridge the gap between the expectations of policy makers and the possibilities of researchers and statisticians to deliver statistical evidence for policy design and evaluation.
  - for clear guidance from the Commission/Eurostat on satellite accounts, including a core definition and core rules that could be common to all EU countries (to allow comparisons), while giving flexibility to accommodate national specifics (such as legislative definitions or lack of access to/availability of relevant data sets) in country specific modules.
- There is a lack of financial resources for the expensive work of setting up satellite accounts for the first time, and for regular updates of the data.

Discussions also revealed differences regarding the suitability, feasibility, and acceptance of the conceptual and methodological approaches to establishing satellite accounts presented, indicating the need for further reflection towards convergence or parallel solutions, in particular regarding the following issues:

- Is the prohibition or significant limitation of the distribution of profits/surplus of an organisation to members (as specified in the UN Handbook) a (relevant) criterion to decide if the organisation is in-scope or out of scope of the social economy?
- Is the democratic governance (one member – one vote) of an organisation (as specified in the CIRIEC Manual, and endorsed by many EU umbrella organisations) a (relevant) criterion to decide if the organisation is in-scope or out of scope of the social economy?
- What about alternative methodologies to satellite account for measuring the economic and social weight and impact of the social economy, in terms of explanatory power, cost-effectiveness, and acceptance by users?
- Will it be possible to have a common operational definition of the social economy (underlying the collection of comparable statistical data) be accepted by national governments and organisations representing social enterprise organisations?
- What are the benefits of having a European manual for satellite accounts for social economy organisations and how to avoid possible losses in comparability of statistical data? How best to avoid the multiplication of satellite accounts while ensuring national, European and international requirements?

The discussion on conceptual and methodological frameworks already provided pointers for the next steps:

- Eurostat could assist in adapting international methodologies and guidelines and codifying suitable, feasible and acceptable “openings”, “options” or “modules” for certain decision rules and criteria, to better meet specificities of EU countries,

without losing international comparability. A first step could be the setting up of a taskforce of experts that would seek to elaborate conceptual and operational solutions on which consensus amongst European stakeholders can be obtained, and to consider cost-effective solutions to implement satellite accounts for EU member states.

## 5. Implementing satellite accounts in Europe – what has been done, what is feasible, what seems possible

The second session of the seminar focused on the implementation phase in Belgium and Portugal.

First, **Hélène Volon** (National Bank of Belgium, NBB) presented the methodology used, activities carried out, and lessons learnt in implementing a Satellite Account for the non-profit sector in Belgium.<sup>4</sup> Belgium was one of the first countries in this field as the project of a Belgian satellite account started in 2001. The National Bank of Belgium, on behalf of the National Accounts Institute, publishes every two years a report on non-profit associations (institutions sans but lucratif, ISBL).

The key implementation features of the Belgium implementation model are:

- At the project start-up, partnership between National Accounts Institute and the Centre for Social Economy of the University of Liège on methodological issues
- Since 2011, partnership with the Roi Baudouin Foundation, which analyses the rich data sets and publishes results
- From the beginning, close link between the central framework of national accounts and the satellite account
- The definition of the Non-profit Sector follows the UN Handbook (2003)
- Data on NPIs is essentially captured through an annual survey of 9% of all NPIs with paid employment and VAT data, complemented by data on annual accounts to be reported by the largest NPIs (20% of the total number of NPIs)
- The methodology has not changed over the last 20 years, which allows a sound analysis of trends (from 2006 to 2008 in ESA95 and from 2009 to 2014 in ESA2010). In 2014, NPIs accounted for 5,4% of GDP, and 12,3% of paid employment in Belgium.

Regarding the future, tight public budgets call for reconsidering methodology and implementation procedures. This may lead to administrative simplification of the data collection and verification work, and might prevent Belgium from applying the revised methodology and the extended scope of the UN Handbook.

In contrast to Belgium, which focused its satellite account on NPIs for over twenty years, Portugal engaged in a continuous development of its satellite account, from NPIs to the social economy. **Carina Rodrigues** (National Institute of Statistics in Portugal) presented the lessons

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<sup>4</sup> For more information, please see: <https://www.slideshare.net/OECDLEED/towards-a-npis-satellite-account-in-belgium>

learnt, highlighting the opportunities and barriers experienced with their implementation approach<sup>5</sup>:

- A step-by step extension of scale and scope of its satellite account over a period of 10 years allows a gradual building up of competence, resources and acceptance, starting with NPISH, extending to all NPIs, then including cooperatives and mutual associations, reaching out to voluntary work, and finally aiming to cover the full social economy as defined in Portugal;
- Linking the satellite account exclusively to SNA data, and therefore not needing to conduct complementary surveys proved to be a cost-effective implementation procedure,
- Strategic partnerships with key stakeholders helped to build acceptance of the results and enhance visibility of the social economy, and therefore Government accepts and uses the results in policy making and review.
- Further work is still needed to improve identification and classification of Social Economy entities, and the quality of data, which includes to consider options :
  - to reconcile the conceptual and operational specifications of the UN Handbook with the definitions of social economy entities in the Portuguese Social Economy Law framework,
  - to access to additional data sources because the simple procedures in place may not cover the total population, and does not delivers all data needed by users and policy,
  - to use the updated and expanded version of the International Classification of Nonprofit Organizations (ICNPO), as proposed in the revised UN Handbook 2017, and to revise the methodology in accordance with the UN Handbook 2017 where feasible, as data capture is restricted to SNA variables.

For the Slovenian Government (represented by two State Secretaries in the Office of the Prime Minister, Mojca Štepic and Tadej Slapnik), establishing a satellite account is seen as a tool not only to increase visibility of social economy enterprises, but primarily to generate sound data that could underpin evidence and justification for the Government’s priority actions to support the “Development of social enterprises, cooperatives and economic democracy”, which is one of the ten strategic actions of the Government.<sup>6</sup> The long-term objective of this priority action is to develop the social economy sector in Slovenia to the comparable level of EU countries. In this context, it is expected that a satellite account could indeed assist Government in monitoring progress, and adjusting governmental action where needed to achieve this ambitious goal. To this end, Slovenia has joined the group of pioneers ready to establish satellite accounts on the basis of the new UN Satellite Account Handbook, and will request assistance from the European Commission.

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<sup>5</sup> For more information, please see: <https://www.slideshare.net/OECDLEED/implementing-a-satellite-account-for-the-social-economy-lessons-learnt-from-portugal>

<sup>6</sup> For more information, please see: <https://www.slideshare.net/OECDLEED/the-role-of-government-in-supporting-the-implementation-of-satellite-accounts-for-the-third-sector-and-social-economy-the-perspective-of-slovenia>

The general debate on implementation focused on the key issues of capacities, budgets, and user needs and benefits, with a focus on the views of statistical offices and users as the main actors concerned.

Statistical offices that already have established satellite accounts face the difficulty of meeting simultaneously:

- decision rules and criteria as laid down in the UN Handbook or CIRIEC Manual,
- international comparability and longer-term continuity of data sets to allow analyses of patterns and trends,
- efficient use of limited resources in staff and budgets, in view of high costs in changing well established IT based identification, allocation and linkage algorithms
- delivering data that are aligned to specific definitions and concepts in national legislation, and to the national perception of the entities of the social economy (such as the total population of cooperatives).

There was consensus that successful implementation of satellite accounts requires:

- explicit political will and commitment,
- suitable and feasible guidance, and
- extra resources

to modify the approaches and procedures in place, or, even more so, to start work on establishing satellite accounts in countries which have not yet established a satellite account.

The European Commission is expected to make first moves and contribute to improving these conditions, with Eurostat having a role in facilitating comparability and aggregation at European level.

In parallel, statistical offices can also improve their capacities and capabilities by:

- following the examples of Belgium and Portugal, and entering into partnerships with:
  - dedicated research teams and foundations to ensure high methodological quality, sound analysis, and effective communication;
  - organisations representing social economy entities which can assist in developing an inventory of the total population (based on registries where they exist), or of a representative sample for surveys
- improving comparability through moving to a modular, transparent and flexible approach, by identifying common core data sets, and complementary statistical data meeting mainly national specifics,
- balancing the scope of satellite accounts with the quantity and quality of the variables measured, and
- experimenting with new ways to measure the impact of social economy entities on economy and society, e.g. by trying to measure their contribution to the Sustainable Development Goals, as suggested in the UN Handbook 2017.

## 6. Conclusions

The constructive dialogue between stakeholders, including statistical offices, has:

- highlighted the potential usefulness of satellite accounts as tools to measure the economic and social weight and impact of the third sector, and of the social economy, provided that user needs and national specificities are taken into account, professional standards and conventions are followed, international comparability and longer-term continuity are secured, and resources are used efficiently;
- confirmed the need for an ongoing open exchange on methodological and conceptual frameworks as well as on implementation issues in order to identify, exchange, and diffuse good practice, taking into account specific legal and administrative frameworks in EU countries;
- emphasised the need for sustainable data production, as well as for comparable data (which could be achieved by a convergence of approaches and methodologies, and by a modular approach);
- reported the intention of Slovenia and Luxembourg as part of a group of six or eight countries to implement rapidly satellite accounts following the UN Handbook on a pilot basis, if supported by the European Commission;
- reasserted the role of the OECD and the European Commission in facilitating and advancing the process of implementing satellite accounts.

In reviewing the results in her concluding remarks,

- Ulla Engelmann, the representative of the European Commission, outlined the steps the Commission intends to make to move things forward, which will include:
  - recognising the crucial role that national statistical offices have to play in implementing satellite accounts;
  - adopting a co-construction approach by proposing to establish a taskforce of relevant stakeholders and committed EU statistical offices ready to go ahead in that field. Discussions will be held with Eurostat on the how;
  - looking for options to foster capacity building, and to provide financial resources; and
- Antonella Noya, the representative of the OECD, stressed the importance of:
  - a common understanding of the methodological and political issues at stake;
  - a common commitment to exchange, cooperation and communication to advance the implementation of satellite accounts as a tool for visibility and effective policies; and
  - a common vision to generate better and more meaningful statistics on the social economy and the entire third sector, not to produce more data.

N.B. For more information regarding the conceptual and methodological differences between the different approaches mentioned in this summary report please refer to the PowerPoint presentations and the concept note of the seminar available in our [dedicated OECD webpage](#).