

## COVID-19: How to Record Government Support to Employers, Self-employed and Households

### Statistical Advice

<b>Government intervention</b>	<b>Proposed National accounts recording</b>
<p>1. Government to support employers (private and public) maintaining their business, and keeping their employees on the payroll, with a view to having a quick return to production.</p>	<p>Recorded as other subsidies on production (D.39) from the government to the employer and continued payments of remuneration by employer to employees as wages and salaries (D.11).</p>
<p>2. Government to support households to maintain their income, payable as social benefits.</p>	<p>Recorded as social security benefits (D621) or social assistance benefits (D.623) from the government to households; no subsidies on production (D.39) and no remunerations in the form of continued wages and salaries (D.11) from employer to employees for the reduced working hours.</p>
<p>3. Government to support households to maintain their income, not payable as social benefits.</p>	<p>Recorded as miscellaneous current transfers (D.75) from the government to households; no subsidies on production (D.39) and no remunerations in the form of continued wages and salaries (D.11) from employer to employees for the reduced working hours.</p>
<p>4. Government support to self-employed with the view to supporting their business operations.</p>	<p>Recorded as other subsidies on production (D.39) from the government to the self-employed.</p>

# RECORDING OF GOVERNMENT SUPPORT TO EMPLOYERS, SELF-EMPLOYED AND HOUSEHOLDS TO COPE WITH THE IMPACT OF THE COVID-19 PANDEMIC<sup>1</sup>

## 1. Introduction

1. In response to the global COVID-19 (coronavirus) pandemic, many governments have implemented a wide range of support measures to mitigate impacts on the economy and society.

2. Whilst many of the measures are not new, the events that trigger them and the scale at which they are taking place are both unprecedented, raising questions about how they should be recorded in the accounts, and, in particular, whether current accounting guidelines may lead to outcomes that reflect form over substance.

3. This note focuses on government measures related to supporting employers<sup>2</sup> and their employees, as well as support to the self-employed (unincorporated owner-operators) and provides guidance on how these should be recorded in macro-economic statistics (including government finance statistics, labour force statistics and national accounts). The note also considers some of the implications on volume measures.

4. **The pace at which these measures are being introduced requires timely guidance.** Therefore, this note presents guidance on the basis of information that is currently available on these schemes. **Further deliberation will be needed as the situation evolves**, particularly given the varied range of instruments and mechanisms being adopted by governments. **In that sense, the guidance provided in this note should be considered as provisional.**

5. Further clarification notes will be developed in the coming weeks addressing challenges that arise in other areas of the macro-economic accounts. Countries are encouraged to use the collaborative dedicated community space to raise these challenges (<https://community.oecd.org/community/official-stats-workspace-covid19/overview>).

## **Summary**

6. A variety of support mechanisms are currently being implemented across countries. Some arrangements reimburse employers for payments already made to employees, while others provide employers with transfers calculated using formulas based on historic employee salary information. Some are only for furloughed workers, while others apply both to furloughed workers and/or workers on significantly reduced hours. Some are completely new schemes, while others are (usually considerably) amplified versions of existing schemes. Some pay the funds directly to employers while others pay the funds directly to employees. Some government payments are considered 'taxable benefits', others are not.

7. It is unclear if all variants should lead to a different recording, or if they should be seen as mere variants of basically the same type of government intervention, for example to mitigate the impacts of orders to stop production for (public health) policy reasons.

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<sup>1</sup> This note has been prepared by the Intersecretariat Working Group on National Accounts (ISWGNA) in collaboration with the Advisory Expert Group on National Account (AEG), Government Finance Statistics (GFS) experts and the International Labour Organization (ILO).

<sup>2</sup> This may include corporations, unincorporated enterprises, and government units.

8. The note provides preliminary guidance on the recording of government support for the most widely known schemes currently being implemented. In doing so, it considers the intent of these schemes, namely whether they are mainly designed to support employers and self-employed in maintaining their business as a going concern and, in case of the employers, to keep their employees on the payroll, or whether they are mainly designed to help households cope with temporary income losses; notwithstanding the fact that, in the main, the key objective is compensation for a government order to cease business activity.

9. While the guidance is intended to be as universally applicable as possible, it **cannot at this stage be viewed as prescriptive for all cases**. It is clear that there cannot be a one-size fits all approach that can be universally applied to every specific form of intervention and as such the guidance should be viewed as a tool, that sets out broad parameters that can help compilers assess what recording to apply in relation to specific cases of government support in their country.

10. The guidance aims at addressing a number of questions of importance for users and compilers alike. What is the main purpose of the government expenditure in question, and its nature, and how should these be recorded in the accounts of market producers and non-market producers?

11. Following a consultation process among the members of the ISWGNA, the AEG on National Accounts, GFS experts and the ILO the following recommendations reflect the majority position. A more detailed description of the issues are set out in the main body of the note.

- When the support is mainly to support employers and self-employed maintaining their business, and in case of the employers to keep their employees on the payroll, with a view to having a quick return to production, support should be recorded as **other subsidies on production (D.39)** with the continued payments of remuneration by the employer to its employees recorded as wages and salaries (D.11) (also taking into account related social contributions (D.12) which may often also be covered by government support). This applies to both private and public employers, in order to ensure a consistent approach. Other subsidies on production (D.39) in these circumstances should also be recorded under *general labour affairs* (COFOG 04.12).
- When, in contrast, the support is predominantly supporting the income of households, it should be recorded as a **current transfer by government of the type of social security benefits (D621) or social assistance benefits (D.623)** (dependent on whether the support is provided as part of an existing social security scheme), **or, otherwise, as miscellaneous current transfers (D.75)**. Such payments should also be recorded under *social protection/unemployment* (COFOG 10.5).
- In the case of support to the self-employed, the same criteria set out above should be adopted, except the corollary of a receipt of a subsidy, instead of wages and salaries (for employees), is recording of mixed income (for the self-employed). An important criterion for recording flows under the subsidy approach is that the beneficiary is still recognised as self-employed.
- When the support is directly aimed at households in order to help them cope with the consequences of the crisis, government support should be recorded as social security benefits, social assistance benefits (dependent on whether the support is provided as part of an existing social security scheme), or as other miscellaneous current transfers from the government to households consistent with the recording above.

- It is expected that the COVID-19 situation will lead to a reduction in the number of actual hours worked, as employees who have been placed on leave during the closures cannot be treated as on “downtime”, which will lead to potentially steep increases in the implicit price of labour input per hour, in adopting a ‘subsidy’ approach, but not in implicit prices of labour input per employee. Unit labour costs will be less affected as these would deduct other subsidies on production related to the employment costs. On the other hand, if support is recorded as a current transfer, hourly labour costs will be less affected (as compensation of employees will fall in line with the fall in actual hours worked), but labour costs per employee (assuming the affected individuals remain on the ‘payroll’), will see steep falls. Labour productivity in both cases would be the same.
- Volume estimates of non-market producers, calculated using a sum of costs approach, will be the same if the support is treated as a subsidy or as a current transfer. In both cases, volume measures of compensation of employees should move in line with hours actually worked. Measures of non-market output that directly track the volume of output will also be equivalent if the support is treated as a subsidy or as a current transfer.

## 2. Recording options

### 2.1 Criteria to consider

12. When examining the various recording options that may be applicable and the rationale to select the most appropriate recording, a number of criteria should be considered, in accordance with the fundamental principles underpinning the System of National Accounts (SNA).

13. The first principle of recording transactions is to meet the analytical perspective of the user and analyst. Therefore, the recording in the accounts and tables should reflect the nature of the transactions and their policy intent. In the same vein, beyond the obvious requirement to ensure consistency in recording across industries, sectors and accounts (the national accounts being an integrated system), it is widely agreed that the appropriate recording should avoid unduly distorting key balancing items, such as gross operating surplus or saving.

14. Secondly, one needs to take into consideration the consistency with other statistical fields, such as labour statistics, for example the consistency between compensation of employees and data on employment (in persons and hours worked), and indeed other indicators such as labour productivity or hourly compensation paid. This is all the more important given that key employment data are replicated within the national accounts’ system. Equally, one needs to take into consideration, where possible, the consistency between compensation of employees and social benefits on the one hand, and volume data on employed and not employed persons on the other.

15. Third, substance over form may call for looking beyond the specific scheme’s details, in order to capture the real economic effects at play. This in turn implies trying to identify the intent of the scheme, such as primarily helping households or helping businesses. In this evaluation, while the decision should generally not be, unduly, influenced by cash flow arrangements, the latter may become important where these provide valid indicators of the underlying policy intent.

16. In addition, while the principle of rerouting/rearranging transactions is well established in general and explicitly foreseen by the SNA (for example, social contributions are seen as part of compensation of employees, although most often directly paid by businesses to social insurance schemes), adopting a recording that follows cash flows can also have merits on the grounds of simplicity. On the other hand, rerouting/rearranging may sometimes be needed to accurately reflect the intent of the scheme. In that case, the important issue is that no relevant information is lost in applying the rerouting/rearranging, e.g. on the relevant units that are involved in the process. In that

regard, rerouting in the SNA normally involves adding steps rather than removing actual transactions (see para. 3.62 of the 2008 SNA).

17. In general, ensuring comparability of national accounts recording may call for looking through the large variety of arrangements being put in place by countries. Aiming at harmonising the recording across schemes would be an ideal goal, but this should only be sought where the economic substance and intent is the same across schemes.

## 2.2 Implications and challenges to consider

18. It seems clear that the payments from governments under review in this note are not to be considered as exchange (i.e. quid pro quo) transactions, but as transfers (i.e. governments get nothing in return). From this, a number of possible different recordings could be envisaged: other subsidies on production (D.39); social benefits to households (D.62); miscellaneous current transfers (D.75) to either households or employers; and other capital transfers (D.99) to either households or employers.

19. Recording these payments as other capital transfers (D.99) does not seem appealing, despite their exceptional and irregular nature. They cannot be seen as capital transfers to households because the transfers are largely meant to support household income, and such a recording would seriously distort household savings. Similarly, they can neither be seen as capital transfers to employers, as this implies unduly deteriorating their savings and/or gross operating surplus (or in the case of unincorporated enterprises, mixed income). None of the members of the AEG or ISWGNA supported this proposal.

20. Support in the statistical standards for other subsidies on production (D.39) can be found in para. 7.106a of the 2008 SNA (and GFSM 2014, para. 6.90a) with a specific reference to subsidies on payroll or workforce. This option would imply continuing to record compensation of employees (D.1) by the employer to the employee. Furthermore, this would also reflect that the employer may continue to pay employers' contributions and the employee continue to pay employees' income tax and social insurance. This recording avoids distorting the gross operating surplus (or mixed income) of the employers.

21. That being said, it is important to recognise challenges this may present with regard to other parts of the macro-economic accounting framework, not least with respect to measures of average compensation per actual hour worked, where further clarification may be needed, in particular with respect to measures of actual hours worked recorded in the SNA and in labour force statistics.

22. With respect to the system of national accounts, 2008 SNA, para. 19.51c includes within the concept of 'actual hours worked' 'downtime' that may have arisen from 'temporary interruptions of a technical, material or economic nature'. Similarly the ICLS recommendation of working time, includes within the concept of actual hours worked 'downtime', where downtime is defined as: *time when a person in a job cannot work due to machinery or process breakdown, accident, lack of supplies or power or Internet access, etc., but continues to be available for work. This time is unavoidable or inherent to the job and involves temporary interruptions of a technical, material or economic nature.*

23. In this sense, both the SNA and the ICLS recommendation are consistent but, equally, they are consistent in the sense of ambiguity around how 'temporary interruption' should be interpreted. Emerging evidence from countries is that the current 'interruptions' caused by COVID-19, will not be viewed as 'temporary'. Most countries interpret 'temporary' in this sense as related to interruptions during a working day, whilst they are typically 'at work' (i.e. at the work premises) but not able to work, and not absences of days or weeks when they are not 'at work', as is the case in the current

situation<sup>3</sup>. Hours worked by employees, who are able to work outside of the work premises, are, of course, included within measures of hours actually worked. This note recommends that countries follow this interpretation for measures of hours actually worked.

24. As such, in practice, the impact of recording the intervention measures of government as subsidies and, in turn, the continued payments as compensation of employees will lead to potentially significant increases in implicit measures of average hourly pay, in combination with the drop in actual hours worked. On the other hand, unit labour costs statistics would be less affected as in theory labour costs would also deduct other subsidies on production related to employment costs. For the latter purpose, compilers should split subsidies on production into those related to employment costs and those not related to employment costs. Measures of average pay per employee would be largely unaffected.

25. The idea that wages and salaries continue to be paid and recorded is consistent with the principles governing labour force statistics, and in particular distinctions between persons employed and persons not employed. In this respect, para 29 of the resolution of the 19<sup>th</sup> International Conference of Labour Statisticians states the following: *“Employed persons on ‘temporary absence’ during the short reference period refers to those who, having already worked in their present job, were ‘not at work’ for a short duration but maintained a job attachment during their absence”*.

26. ‘Employed persons, not at work’ are employed persons on temporary absence and include absences that do not question the continued existence of a job attachment, especially where there is continued pay from the employer/income-generation, or an expectation of return to their position. It is important to note that the continued existence of a job attachment, means that the threshold used to determine ‘temporary’ as in ‘temporary absence is necessarily longer than that used to determine ‘temporary interruption’. Temporary absence uses a period of three months as a threshold.

27. It is difficult to be prescriptive in the application of criteria that determine whether subsidies on production meet both the form and substance of the government intervention. Some have argued that the government payments in question are made to essentially compensate for the stoppage in production rather than to influence the production process, and so prefer viewing the employer merely as an agent acting on behalf of the government to distribute current transfers to households.

**Box.** *Recording of payments of remuneration to employees during temporary periods of reduced working hours where there is no government support*

It is instructive to recall how payments to employees should be recorded for temporary periods of reduced hours according to the SNA in cases where there is no government support. There are two options to record the payments to employees in case of a temporary reduction in working hours:

Wages and salaries (D.11): Para. 7.44c of the 2008 SNA explains that one of the components of wages and salaries concerns *“wages or salaries payable to employees away from work for short periods, for*

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<sup>3</sup> Regarding the ICLS recommendation, it has also been elaborated that critical for the inclusion as part of hours actually worked is that the worker continues to be available for work. Specifically, this would mean for workers in paid employment to continue to be at the disposal of their employer, and for the self-employed to continue to be at their workplace or at the disposal of clients. During current conditions, time not worked due to closures particularly where the worker cannot be at the disposal of their employer due to restrictions or in a position to receive clients, orders, etc. (even if personally available) should therefore not be counted as part of “hours actually worked”.

*example, on holiday or as a result of a temporary halt to production, except during absences due to sickness, injury, etc.”*

Social benefits (D.62): Para. 8.17 of the 2008 SNA explains that social benefits are “*current transfers to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances*” with the specific example, provided in para. 8.68, of situations in which the income reduction is due to “*temporary layoffs and short-time working*”.

It is important to note that in the case of recording the continued payments as social benefits, this would assume, when there is a collective agreement, an underlying social insurance scheme, which would then require the imputation of social contributions. These imputed contributions will show up as part of compensation of employees in the generation of income account (payable by the employer) and in the allocation of primary income account (receivable by the employee). In addition, imputed social contributions as well as the imputed social benefits (D.622 only) will be recorded in the secondary distribution of income account, as transactions between the employer and the employee (see for further information para. 17.104-17.108 of the 2008 SNA).

In this respect, it should be noted that social benefits relate to payments made out of social insurance schemes (whether explicit or implicit). As such, in considering which of the two options should be adopted, it mainly comes down to whether the remuneration should be regarded as a social risk that employees are protected against as part of those schemes or whether it concerns a continued payment of wages and salaries in time of a temporary halt of production.

28. Support for the recording of social benefits (D.62) can be derived from para. 8.68c of the 2008 SNA, providing the example of payments for “*temporary layoffs and short-time working*” as social benefits. At the same time, it appears difficult to consider these payments as part of social insurance (either social security or other social insurance) when the arrangements do not transit via existing insurance schemes. Even when they do, the size of the payments made is such that in most countries the schemes must receive support from government. Therefore, it is debatable whether the transactions would qualify as social insurance benefits. In addition, in most countries, terms of existing schemes have been radically altered (loosened) in the context of the crisis, so that contributions made in the past may not be considered to qualify as participation in a scheme regarding the expanded measures.

29. In these cases, a more promising avenue is to recognise a social assistance benefit (D.623), although para. 8.111 and 8.140 of the 2008 SNA (and GFSM 2014, para. 6.103) explain that social benefits do not include current transfers in relation to natural disasters. A question that stems from this is whether the COVID-19 qualifies as a natural disaster. Although a pandemic may not be explicitly listed among natural disasters, in the SNA, the list of events provided that qualify as natural disasters is indicative and not exhaustive.

30. Support for the recording of government payments as miscellaneous current transfers (D.75) can be justified when they are viewed as compensatory payments, either in the context of a natural disaster (as explained in the previous paragraph) or, alternatively, as a compensation for a government order to stop production activity. Under the latter view, the transfer can be viewed as directly payable to households, and interpreted in a way that the government order is primarily targeted to benefit employees (who are banned from going to work), with a compensation paid by government to support

the income of employees and self-employed out of work. In that regard, in tort law, lost income belongs to ‘special damage’ that can be claimed.

31. Alternatively, the government order could be considered as targeted to employers that are ordered to shut down, which in turn would be paying compensatory damage to their employees who are ordered by them to stay home. Routing the transfer in such a manner through the employer may have the advantage of recognising a government intent to support business income as well as household income, and may have the advantage of following the cash flows in some schemes. Although such current transfers from corporations to households are rare, this could be an option to capture the large transactions expected during the COVID-19 crisis. When the current transfer of government is seen as a resource of employers, the matching use to be recorded in their accounts is also a current transfer rather than compensation of employees in order to avoid distorting gross operating surplus (or mixed income) of employers. This would better align measures of compensation of employees with the number of working hours (see above) but not with the number of employees.

### 2.3 Three alternatives

32. Based on the elaborations above, three broad alternatives for the recording of these exceptional government interventions to support employers, employees, self-employed and households can be conceived:

- A. Recording the **payments to employers** as other subsidies on production (D.39) and the payments by employers to employees as wages and salaries (D.11) (also taking into account the related social contributions (D.12) which may often also be covered by government support), while government **payments to households** would be current transfers, either social benefits (D.62) or miscellaneous current transfers (D.75).

Some of the benefits of this approach are as follows:

- It acknowledges the benefits that employers gain from government funding, and, in particular, the fact that their output ceases as a result of government orders (regulations), and the desire of government that production is able to return rapidly once those orders are relaxed.
- It follows the cash flows, and is thus relatively simple to apply.
- It allows recognising the continued employer-employee relationship in line with para. 19.23 of the 2008 SNA and avoids a sharp and temporary decline in compensation of employees (D.1).
- It would lead to an increase in average hourly pay, reflecting the fact that the employer is still paying its employees, despite the reduction in the number of hours worked. Measures of average pay per employee would obviously be less affected. Equally, measures of unit labour costs would be less affected, as other subsidies on production related to employment costs<sup>4</sup> would also be adjusted for.

- B. Recording the payments as transfers to households irrespective of the way payments are carried out, thus rearranging the transactions where the government arrangement involves payments routed through employers.

Some of the benefits of this approach are as follows:

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<sup>4</sup> Compilers should split subsidies on production into those related to employment costs and those not related to employment costs

- It takes the view that the ultimate recipients are employees and, as such, that governments are making the payments predominantly to support household income.
  - It leads to a common statistical recording of most measures implemented by countries regardless of the route by which government may make the funds available.
  - If government transfers are made under the strict condition that employers continue to pay the same amounts to employees as before (or a set ratio thereof) and thus employers have little discretion with respect to the use of the fund, the employers could be seen as merely acting as agents for government.
  - It shows compensation of employees decreasing in line with the drop in output.
  - It provides for a measure of average hourly pay that does not lead to a precipitous fall, but average pay per employee would fall significantly.
- C. Applying a variant of B, by recording the payments by government as current transfers to employers with matching transfers from the employers to households, when the government payments transit through employers.

This option would have the merit of capturing the income support to both employers and households alike. It would also avoid imputations but on the other hand also record current transfers from business to households, which does not appear to meet the criteria of substance as the payment from businesses is not unconditional.

### 3. Guidance for COVID-19 arrangements

#### 3.1 Recording of government support to employers

33. As described above, a common type of government support being offered are payments to assist employers in retaining staff during periods where employees are either idle or facing significantly reduced hours, due to a COVID-19 induced downturn in activities. In most cases these funds will be paid out to employers, but in some cases it may also be arranged in a way that the funds are directly paid to the employees (for example to avoid any delay that may be caused by liquidity problems that some employers may face). Whilst the details of these schemes may differ from country to country, all schemes share common goals of:

- a. compensating for a government order to cease activity in order to protect the income of households as well as of employers (including avoiding additional costs for redundancies);
- b. seeking to avoid large scale lay-offs of workers (and the associated problems for households and society that such lay-offs would bring); and
- c. maintaining employer-employee relationships, where possible, to allow employers to quickly return to 'business-as-usual' after the pandemic.

34. Following the arguments set out above, namely that the intervention targets employers, and, in particular, incentivises them to keep employees on the payroll, which is typically an explicit condition attached to receiving the support, leads to a recording of government support as a subsidy on production. Employers receiving this support are expected to continue to pay wages and salaries to their employees (and in some cases, government support is capped at a certain percentage and/or level) and, typically, employees continue to pay income tax and social contributions on those earnings. In turn, payments from the employer to employees should continue to be recorded as wages and salaries.

35. Under this option, *other subsidies on production* (D.39) would be recorded. Para. 7.106 of the 2008 SNA (and GFSM 2014 para. 6.90) defines these as "*subsidies other than subsidies on products that resident enterprises may receive as a consequence of engaging in production*". This, for example,

includes “subsidies on payroll or workforce, consisting of subsidies payable on the total wage or salary bill, or total work force, or on the employment of particular types of persons”<sup>5</sup>. Although, somewhat counter-intuitive, as the payments in question are in most cases payments made by governments to compensate businesses for ceasing production, the interpretation would be that the intention is to make sure that production can resume quickly when ‘lock-down’ measures are eased. The recording as other subsidies on production will also help to ensure that estimates of operating surplus (or mixed income) in the accounts of employers accurately reflect these subsidies and employers’ continued payments of wages and salaries to employees.

36. Whereas the subsidy approach is quite straightforward in the case of market producers, it may raise questions about whether this can also be applied for government units in their role as employers. However, the arguments set out above may apply equally to support provided to different branches of government, for example central government providing support to local government employees (although many employees may be protected by status). In turn, to maintain consistency, a similar approach should be applied to payments made by central government to central government employees. Para. 4.36 of the ESA 2010 clarifies that non-market producers can receive subsidies on production for their non-market output if the payments “depend on general regulations applicable to market [...] producers as well”<sup>6</sup>, which indeed seems to be the case with the current COVID-19 situation.

37. In addition to ensuring a consistent treatment, the recording as subsidies would also help to provide users with a better view of the impact of this specific measure, especially as it would lead to an explicit fall in non-market output (being based on the sum of costs), as it seems more likely than not that government units would continue to treat on-going payments to employees as wages and salaries.

38. An alternative proposal is to record the flows under a different view of substance, namely that the support is a means of targeting support to households and merely uses employers as a practical means to deliver this support, which would argue for the flows being recorded as a current transfer from government to households. This is an appropriate recording when the employer is merely a ‘conduit’ used to convey government support to households. This may notably be the case when the employers have no discretion in the way they can use the proceeds received from government.

### 3.2 Volume considerations

39. The way that flows are recorded will also necessarily impact on price and volume measures, and in particular the way they should be interpreted. It should be noted upfront, however, that this section only addresses some broader concerns around the volume measurement of non-market output.

40. When the continued payments to employees are recorded as wages and salaries, the use of estimates of actual hours worked to generate volume estimates is likely to lead to a steep increase in the implicit price of labour input (hourly wages). Under these circumstances, it will be important to ensure that users do not misinterpret these results as pointing to a significant rise in pay, but accurately understand these as an increase in the cost per hour worked. **Average salaries per employee, of course, will be unaffected as all the relevant individuals remain on the payroll** (and remain recorded as employees in LFS).

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<sup>5</sup> Please note that other subsidies on production would also cover payments to employers for compensation of output/revenue loss due to the government order to stop production.

<sup>6</sup> Please note that this clarification is not included in the 2008 SNA.

41. For non-market producers, volume estimates of compensation of employees, based on actual hours worked would also lead to large implicit price changes for the cost of hourly labour. However, regarding their non-market output (based on a sum of costs approach), the subsidies on production would lower the value of non-market output in current prices.

42. Volume estimates of non-market producers, calculated using a sum of costs approach, will be the same if the support is treated as a subsidy or as a current transfer. In both cases, volume measures of compensation of employees should move in line with hours actually worked. Measures of non-market output that directly track the volume of output will also be equivalent if the support is treated as a subsidy or as a current transfer. As current price measures of government output will also be the same whether the support is treated as a subsidy or as a current transfer, so too will be the implicit price change of government services.

### 3.3 Recording of government support to self-employed

43. Governments may also provide support to the self-employed. The main question is whether this should also be regarded as an other subsidy on production in relation to productive activities (as discussed in section 3.1), or whether it should be regarded as a transfer to compensate for the income loss that the self-employed person is suffering.

44. With respect to employers, a key motivation for the support is to maintain employees on the payroll, which is not the objective for the self-employed. However, an additional objective is to ensure that workers (whether employed or self-employed) are able to return to production as soon as lockdown measures are eased, and in this sense the same rationale holds such that compensation for the self-employed should follow the same recording as compensation to employees, i.e. as an other subsidy on production which contributes to the mixed income of the self-employed. Such an approach also helps to avoid borderline issues concerning sole-proprietors who are incorporated (i.e. not self-employed) and those that are not, i.e. unincorporated.

45. On the other hand, it is recognised that the support to the self-employed is not dissimilar to arrangements that governments may make to households directly, in the form of current transfers, as the support to the self-employed is arguably designed to maintain their income during the crisis (due to lack of work) and not necessarily to support the business. This could justify following an alternative recording. But the fact that these arrangements by government specifically target the self-employed, rather than households in general, suggest that the recording of support by government as an other subsidy on production is not just a question of form but also of substance.

46. An important condition for this recording is of course that the beneficiaries continue to be regarded as self-employed. If this would no longer be the case, but, conversely, they are regarded as not employed the support can no longer be seen as ensuring a quick return to production after the lockdown and a recording as an other subsidy on production would no longer be suitable. For this reason, it is also very important to assess how the relevant units are treated in Labour Force Statistics during the lockdown period and to ensure consistency with the recording of the government support; see also the considerations of the 19<sup>th</sup> International Conference of Labour Statisticians in section 2.2.

### 3.4 Recording of government support to households

47. It is also useful to consider packages of support that should be recorded as current transfers to households. Governments may indeed provide support to households directly, regardless of any form of employment, in order to cope with the consequences of the crisis. In these cases, the support should be recorded as a direct flow from the government to the household, in the form of social benefits or other current transfers.

48. As explained above, social benefits (D.62) are “*current transfers to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances*” (see 2008 SNA para 8.17). Social benefits may be in the form of social insurance and social assistance<sup>7</sup>. Social insurance benefits require participation in a specific social insurance scheme, which usually manifests itself via social contributions, whereas this is not the case for social assistance benefits. Given the special circumstances and the magnitude of the COVID-19 crisis, it can be argued that in most countries any support to households to cope with the consequences will most likely not be covered by a standard social security scheme. However, if this is the case, a recording as social security benefits (D.621) would be appropriate. For this purpose, it may also be relevant to assess whether additional and substantial payments from central government to the social insurance scheme have taken place or are foreseen. If the support is not provided as part of an existing social insurance scheme or in case the government has to provide substantial additional payments to support such a scheme, the benefits should be recorded as social assistance benefits (D.623).

49. It could be argued that, alternatively, the transfers should be recorded as miscellaneous current transfers (D.75), in the context of natural disasters. In this regard, para. 8.111 of the 2008 SNA (and GFSM 2014 para. 6.103) explains that “*social assistance benefits do not include current transfers paid in response to events or circumstances that are not normally covered by social insurance schemes [...] [such as] transfers in response to natural disasters such as drought, floods or earthquakes*”. In this case, the support could also be regarded as mere payments of compensation, such as for a government order banning going to work, as these transfers amongst others consist of “*payments made by government units or NPISHs in compensation for injuries or damages caused by natural disasters*” (see para. 8.140 of the 2008 SNA).

#### 4. Provisional guidance

50. This note discussed the recording of government support to cope with the consequences of the COVID-19 crisis, to provide provisional guidance that may serve as a tool to help compilers assessing what recording to apply in relation to specific cases of government support in their country. It has to be stressed that, while the guidance discussed in this paper is intended to be as universally applicable as possible, it cannot at this stage be viewed as prescriptive for all cases.

51. The note distinguished three different types of support:

1. government support to employers;
2. government support to self-employed; and
3. government support to households.

52. The note explained that the appropriate recording largely depends on the specific setup of the support and the main goal of the policy intervention:

- When the support is mainly aiming to support employers and self-employed maintaining their business, and in the case of employers to keep their employees on the payroll, with a view to having a quick return to production, a recording as other subsidies on production (D.39) from the government to the employer and self-employed is recommended, with the continued remuneration of the employer to its employees recorded as wages and salaries (D.11) (also taking into account related social contributions (D.12) which may often also be covered by government support). This would apply to both private and public employers, in order to

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<sup>7</sup> While social insurance benefits require participation in a social insurance scheme, which usually manifests itself via social contributions, this is not the case for social assistance benefits.

ensure a consistent approach. When recording other subsidies on production (D.39), such payments to support businesses should be considered as having the main purpose of general labour affairs (COFOG 04.12).

- When, in contrast, the support is predominantly supporting the income of households, a current transfer by government of the type of social security benefits (D621) or social assistance benefits (D.623) (dependent on whether the support is provided as part of an existing social security scheme), or miscellaneous current transfers (D.75) would be applicable. Such payments to support households should be considered as having the main purpose of social protection/unemployment (COFOG 10.5).
- In the case of support to the self-employed, the same arguments, as those set out above, should be applied, except the corollary of a receipt of a subsidy, is instead of compensation to employees, a corresponding payment of mixed income. An important condition for a treatment of support as a subsidy is that the beneficiary is still recognised as self-employed.
- When the support is directly aimed at households (i.e. not channelled through employers or the self-employed as described above) in order to help them cope with the consequences of the crisis, government support should be recorded as social security benefits, social assistance benefits, or as other current transfers from the government to households consistent with the recording above.

53. The appropriate recording will thus largely depend on the specific setup of the support and the main goal of the policy intervention, aside from the main intention to compensate for a lockdown. In that regard, compilers are encouraged to assess what recording would be most applicable in relation to the specific government support in their country. In determining the best approach, it is important to make sure that the selected approach is applied consistently across the various statistics (e.g. labour force statistics, government finance statistics, and national accounts) and well explained in accompanying metadata.

54. Regarding volume and price considerations, it is expected that the COVID-19 situation will lead to a reduction in the number of actual hours worked, as employees who have been placed on leave during the closures cannot be treated as on “downtime”, which will lead to potentially steep increases in the implicit price of labour input per hour, in adopting a ‘subsidy’ approach, but not in implicit prices of labour input per employee. Unit labour costs will be less affected as these would deduct other subsidies on production related to the employment costs. On the other hand, if support is recorded as a current transfer, hourly labour costs will be less affected (as compensation of employees will fall in line with the fall in actual hours worked) but labour costs per employee (assuming the affected individuals remain on the ‘payroll’), will see steep falls. Labour productivity (per hour) in both cases would be the same.

55. It is recommended to record the government support in relation to the COVID-19 crisis in supplementary tables (or as ‘of which’ categories in the relevant items), in order to explain to users how this has been reflected in the accounts. As the support may show up in different parts of the accounts under different items, it would also help in providing users with a comprehensive overview of all the measures. To arrive at harmonisation across countries, a specific lay out for such a table will be developed in the coming weeks.

56. Regarding the publication of the results, it may also be important to inform users that as there is a substantive degree of uncertainty about the specifics of certain arrangements (and possibly other issues in the collection of data that may affect the reliability of the preliminary results), data revisions may expectedly be larger than usual in the coming periods.

57. As mentioned before, the guidance discussed in this note should be regarded as provisional. Further deliberation will be needed as the situation evolves, particularly given the varied range of instruments and mechanisms being adopted by governments. This may lead to an update of this note in the coming weeks, possibly including some specific country examples.

58. Furthermore, further clarification notes will be developed in the coming weeks addressing challenges that may arise in other areas of the macro-economic accounts. Issues that have already been mentioned are the recording of rental and property tax rebates; postponements or cancellations of tax obligations; the recording of subsidies for financial institutions to reduce interest rates; deferred payments to public utility companies; and price and volume measurement (and possible quality adjustments) for non-market services significantly affected by the Covid-19 pandemic situation. Countries are encouraged to use the collaborative dedicated community space to raise specific challenges they may face (<https://community.oecd.org/community/official-stats-workspace-covid19/overview>).