

MANUAL FOR DRAWING UP THE SATELLITE ACCOUNTS OF COMPANIES IN THE SOCIAL ECONOMY: CO-OPERATIVES AND MUTUAL SOCIETIES

CIRIEC

On behalf of the European Commission, Enterprise and Industry Directorate–
General, carried out by CIRIEC (Centre Internationale de Recherches et de
l'Information sur l'Économie Sociale et Coopérative), December 2006

This document is available as PDF file from <http://ec.europa.eu/enterprise/entrepreneurship/coop/projects-studies/projects-introduction.htm> or by e-mail from Entr-Craft-Small-Business@ec.europa.eu

CIRIEC-aisbl

Université de Liège au Sart-Tilman

Bât.B33, bte 6, BE-4000 Liège, Belgique

Tel : + 32 4 366 27 46

Fax : +32 4 366 29 58

Internet : <http://www.ulg.ac.be/ciriec>

e-mail ciriec@ulg.ac.be

The contents of this publication do not necessarily reflect the opinion or position of the European Commission. Neither the Commission nor any person acting on behalf of the Commission is responsible for the use that might be made of the information contained herein.

Manual written by: - José Barea
- José Luis Monzón
Expert contributors: - Maite Barea (Annex 12.A1 "Guide to the 1995 ESA for non-specialists")
- Hans Westlund (Annex 12.A2 "Questionnaire and concepts used in drawing up a conceptual, administrative and legal map of social economy companies in the European Union)

CONTENTS

	Page
PREFACE	7
CHAPTER 0. INTRODUCTION AND SUMMARY	11
CHAPTER 1. INTRODUCTION: ANALYSIS OF THE ECONOMIC ACTIVITIES AND ENTERPRISES OF THE SOCIAL ECONOMY	19
1.1. The national accounts systems (the 1993 SNA and the 1995 ESA) as the basis for drawing up the satellite accounts for social economy companies	
1.2. The need for this Manual. The importance of social economy companies	
1.3. Analysis of economic activity and national accounts systems	
1.4. Key words and references	
CHAPTER 2. DEFINITION OF SOCIAL ECONOMY COMPANIES AND OF THE SATELLITE ACCOUNT POPULATION	35
2.1. Introduction	
2.2. The conceptual framework of social economy companies	
2.3. Co-operatives	
2.4. Mutual societies	
2.5. The behaviour of co-operatives and mutual societies: differences between the two and between these and public and non-profit organisations	
2.6. Other social economy business agents included in the satellite accounts	
2.7. Companies in the social economy covered by the satellite accounts in the 1995 ESA structure.	
2.8. Key words and references	
CHAPTER 3. THE CONCEPTUAL FRAMEWORK OF SATELLITE ACCOUNTS	59
3.1. The central framework of the national accounts	
3.2. Why satellite accounts were developed	
3.3. The purposes of satellite accounts	
3.4. European experiences	
3.5. Key words and references	
CHAPTER 4. THE SATELLITE ACCOUNTS OF SOCIAL ECONOMY COMPANIES AND THE CLASSIFICATION SYSTEMS EMPLOYED (INSTITUTIONAL SECTORS AND INDUSTRIES)	65
4.1. Groupings of units and transactions in the national accounts	
4.2. Criteria for grouping social economy market agents	
4.3. Key words and references	

	Page
CHAPTER 5. METHODOLOGY FOR DRAWING UP THE SATELLITE ACCOUNTS OF THE MARKET AGENTS IN THE SOCIAL ECONOMY BY INSTITUTIONAL SECTOR	81
5.1. Introduction	
5.2. Basic data for drawing up the satellite accounts for co-operatives and mutual societies by institutional sector	
5.3. Company accounts as a reflection of their economic activity	
5.4. Integration of co-operative and mutual society transactions into national accounts items	
5.5. Linking tables between the accounts of co-operatives and mutual societies and the satellite accounts in terms of the national accounts for these institutional sectors.	102
5.6. Linking tables between the data on the economic activity of co-operatives and mutual societies obtained through surveys and the satellite accounts for these enterprises	
5.7. Structure of the satellite accounts by institutional sectors, with models	
5.8. Balancing items and macroeconomic aggregates	
5.9. Key words and references	
CHAPTER 6. METHODOLOGY FOR DRAWING UP THE SATELLITE ACCOUNTS OF THE MARKET AGENTS IN THE SOCIAL ECONOMY BY INDUSTRY	133
6.1. Purpose	
6.2. Linking table between satellite accounts by institutional sector and satellite accounts by industry	
6.3. Model satellite accounts by industry	
6.4. Key words and references	
CHAPTER 7. EMPLOYMENT AND OTHER INDICATORS OF THE NON-MONETARY ACTIVITY OF CO-OPERATIVES AND MUTUAL SOCIETIES (SOCIAL ACCOUNTING MATRIX)	141
7.1. The framework of the social accounting matrix	
7.2. The social accounting matrix and the role of people in the economy	
7.3. Model social accounting matrix for co-operatives and mutual societies.	
7.4. Key words and references	

	Page
CHAPTER 8. DATA AND SOURCES OF DATA FOR DRAWING UP THE SATELLITE ACCOUNTS	145
8.1. Introduction	
8.2. Construction of national statistical registers of companies in the social economy	
8.3. Data and sources of data	
CHAPTER 9. STAGES IN PREPARING THE SATELLITE ACCOUNTS	151
9.1. Introduction	
9.2. Creating a statistical register of companies in the social economy in each member state of the European Union	
9.3. Drawing up the satellite accounts of social economy companies by institutional sector and industry in each member state of the European Union.	
9.4. Macroeconomic analysis of the results obtained from the satellite accounts.	
CHAPTER 10. CONCLUSIONS	155
CHAPTER 11. ABBREVIATIONS AND ACRONYMS	161
CHAPTER 12. ANNEXES	163
12.A1 Guide to the 1995 ESA for non-specialists	
12.A2 Questionnaire and concepts used in drawing up a conceptual, administrative and legal map of social economy companies in the European Union	
BIBLIOGRAPHY	195

To Maite Barea, cherished friend, valued colleague and co-author of this Manual, who died in Madrid on 11 September 2006

PREFACE

The purpose of this manual is to establish the necessary directions and guidelines for drawing up a satellite account of companies in the social economy (co-operatives, mutual societies and similar companies) in the European Union (EU) in accordance with the central national accounting framework set out in the European System of National and Regional Accounts (1995 ESA or ESA 95). The aim is to obtain homogeneous, accurate and reliable data on the companies in the social economy in the EU. The Manual should not be considered an end in itself but the beginning of a process that requires the joint efforts of various actors.

Since the Manual is conceived as a complement to the 1995 ESA and the United Nations' System of National Accounts (1993 SNA), it is intended for statisticians in the national statistics offices of the EU Member States, for those who produce and use statistics on the social economy in the EU, even if they are not experts on national accounts, and for statisticians and experts on the social economy from outside the EU, particularly from countries that are candidates for EU membership.

Additionally, the Manual proposes new sources of data and new tools for collecting, classifying and disseminating statistically useful information on the companies in the social economy.

The Manual has been written by a group of experts from the International Centre of Research and Information on the Public, Social and Co-operative Economy (CIRIEC), the organisation that the European Commission selected for this task. The project directors and writers, José Barea (Autonomous University of Madrid) and José Luis Monzón (Institute of the Social and Co-operative Economy of the University of Valencia, IUDESCOOP-UV), were assisted and advised by experts, Maite Barea (Autonomous University of Madrid) and Hans Westlund (National Institute for Working Life, Sweden), who each wrote one of the Appendices to the Manual.

This group drew up the Manual under the supervision of a European Commission Steering Committee chaired by Albrecht Mulfinger (European Commission Enterprise and Industry Directorate-General). The Steering Committee met at the Commission's premises in Brussels on 18th January, 3rd May and 5th September 2006. The chairman, Albrecht Mulfinger, was joined by the following (in alphabetical order) for all or some of the Steering Committee meetings: Girma Anuskeviciute (Commission); José Barea (CIRIEC); Maite Barea (CIRIEC); Christine Dussart (CIRIEC); Apostolos Ioakimidis (Commission); Francis Malherbe (Statistical Office of the European Communities, EUROSTAT); Sybille Mertens (University of Liège, Belgium); José Luis Monzón (CIRIEC); Peter Ritzmann (EUROSTAT); María Isabel Soto (Commission) and Bernard Thiry (CIRIEC).

These experts and advisors took an active part in the Steering Committee's discussions. As the writers of this Manual, we are grateful to all of them for their remarks and advice, which have greatly improved it.

We also received very useful advice, recommendations and information from Rafael Chaves (IUDESCOOP-UV, Spain), Manuel Cubedo (IUDESCOOP-UV, Spain), Vicente Cuñat (University of Valencia, Spain), Danièle Demoustier (Grenoble Institute of Political Studies, France), Sybille Mertens (University of Liège, Belgium); Roger Spear (Open University, Milton Keynes, United Kingdom), Enzo Pezzini (European Confederation of Workers' Co-operatives, Social Co-operatives and Participative Enterprises, CECOP) and Alberto Zevi (National League of Co-operatives and Mutuals, LEGACOOP, Italy).

We would like to thank Rita Kessler, Project Manager of the International Association of Mutual Societies (AIM), and Lieve Lowet, Secretary General of the International Association of Mutual Insurance Companies (AISAM), for information and advice on mutual societies in Europe. Rainer Schluter, Director of *Co-operatives Europe*, provided abundant information on co-operatives in the EU.

Work on the Manual was able to progress at the demanding pace set by the tight deadlines thanks to the permanent support of the administrative and documentation services of CIRIEC (Liège, Belgium) and CIRIEC-España (Valencia, Spain). The involvement and professionalism of the Director of CIRIEC, Bernard Thiry, and the Project Secretary, Christine Dussart, deserve a special mention. Ana Ramón was the very professional coordinator of the CIRIEC-España administrative services involved in drawing up the Manual.

The Manual was written in Spanish. We thank Gina Hardinge for her excellent work in preparing the English-language version.

José Barea and José Luis Monzón
Directors

CHAPTER 0. INTRODUCTION AND SUMMARY

0.1. Objectives

The *institutional invisibility* of the social economy in present-day societies contrasts with the increasing importance of the organisations that comprise it, which are firmly established in every sector of economic activity.

Two main reasons help to explain both this paradox and the scarcity of reliable, accurate and comparable data on the main agents that make up the social economy, namely co-operatives, mutual societies, associations and foundations.

Firstly, the lack of a clear, rigorous definition of the concept and scope of the social economy, of the shared characteristics of the different classes of companies and organisations that are part of it and of the specific traits that enable them to be distinguished from the rest of the organisations that move in the economic system makes it difficult to delimit the field of study and analysis accurately and to identify institutional units with shared characteristics and homogeneous economic behaviour internationally irrespective of legal and administrative criteria, which are very diverse and mutually contradictory from one country to another.

Secondly, the present system of aggregated economic information helps to make the social economy imperceptible. The methods of today's national accounts systems, rooted in the mid 20th century, have developed tools for collecting the major national economic aggregates in a mixed economy context with a strong private capitalist sector and a complementary, and frequently interventionist, public sector. Logically, in a national accounts system which revolves around such a bipolar institutional situation there is little room for a third pole which is neither public nor capitalist, while the capitalist pole can be identified with practically the whole private sector.

The internationally-recognised national accounting rules are the United Nations' 1993 System of National Accounts (1993 SNA) and the European System of National and Regional Accounts (1995 ESA or ESA 95). However, these rules do not identify a differentiated sector for the companies and organisations that make up the traditional European concept of the social economy, which disappear into the different institutional sectors established by the national accounts systems.

The result is that the economic statistics for the organisations in the social economy are very limited and the heterogeneous criteria employed in preparing them make international comparative analyses difficult.

The recent publication of the Handbook on Non-profit Institutions in the System of National Accounts (United Nations, 2003) will make it possible to draw up homogeneous statistics on the non-profit sector¹, which includes an important group of social economy entities, mostly associations and foundations.

Co-operatives and mutual societies, however, are expressly excluded from the scope of the NPI Handbook. This prevents their being identified in a specific social economy sector of the national accounts and favours the institutional invisibility mentioned above.

The aim of this manual is to establish the guidelines that will allow the satellite accounts for companies in the social economy (co-operatives, mutual societies and similar companies) within the EU to be drawn up in accordance with the central national accounting framework established by the ESA 95. The purpose of this is to obtain homogeneous, accurate and reliable data on the companies in the social economy.

¹ Defined in the NPI Handbook as consisting of organisations that are not-for-profit and do not distribute any surplus to those who own or control them, are institutionally separate from government, are self-governing and are non-compulsory.

The Manual is intended for statisticians in the national statistics offices of the EU Member States and for everyone who produces and uses statistics on the social economy without necessarily being a national accounting expert. Statistics on the social economy obtained from different sources are essential for drawing up reliable, accurate and comparable data on co-operatives and mutual societies, so it is very important for everyone who produces statistics to use the same methodological criteria.

The manual is also conceived as an aid to statistics offices, as it suggests new sources of data and new tools for collecting statistically useful information on the companies in the social economy.

To achieve its aims, the Manual has evolved two tools that have been insufficiently developed or simply non-existent until now: a) a definition of the companies in the social economy and the satellite account population that is clear and rigorous and enjoys wide political and scientific consensus; b) a methodology that will allow the satellite accounts for companies in the social economy to be drawn up in a manner that is coherent with the central framework of the national accounts in the ESA 95.

As regards the first of these, the Manual proposes a definition of companies in the social economy that not only establishes a rigorous conceptual delimitation but also attains a wide consensus, both among the most prominent organisations that represent the social economy in Europe and in the sphere of the specialist literature in this field of economics.

Naturally, an exhaustive catalogue of the different classes of company that form part of the social economy, based on the conceptual delimitation and the criteria set out in this Manual, will have to be drawn up in each Member State of the EU. Preparing an administrative and legal map of the companies in the social economy in each country belongs to a later stage, after the circulation of this Manual.

As for the second tool, the Manual explains a method that will make it possible to ascertain the economic activity of the companies in the social economy throughout the European Union through a set of standard, coherent accounts with the same structure as the ESA 95.

The accounting information systems in the EU-25 are unevenly developed. There is no standard business accounts system for the different EU Member States and these countries do not all apply the same degree of disaggregation by industry. However, all the Manual can do is to establish certain guidelines and devise a method for drawing up the satellite accounts of companies in the social economy that is coherent with the central framework of the national accounts defined in the ESA 95. Drawing up complementary guidelines and directions for harmonising specific aspects of the accounting information system in each country with the methodological criteria presented in this Manual is a task for the national statistics office of each Member State.

0.2. Structure and summary of the Manual

To attain the proposed objectives, the Manual has been structured as follows:

Chapter 1 specifies the concepts and international accounting standards (the 1993 SNA and the 1995 ESA) on which the Manual is based, points out the dispersal of the social economy companies within these systems and explains the need for this Manual.

Chapter 2 establishes a conceptual demarcation of the companies in the social economy to be studied in the satellite accounts and of the classes of agents to be included in these accounts.

Chapter 3 explains the conceptual framework of satellite accounts and the purposes they serve.

Chapter 4 explains the national accounts criteria for grouping units and transactions and the two classification systems that the Manual employs in its methodology for companies in the social economy: institutional sectors and industries.

Chapter 5 is the core of the Manual, the framework for reliable transfer of the data on activities of companies in the social economy to the satellite accounts. The method for drawing up the satellite accounts by institutional sectors covers the following stages: a) determining the basic social economy company data for drawing up the satellite accounts by institutional sectors; b) incorporating these data into national accounts items; c) drawing up the linking tables between the social economy business accounts and the satellite accounts in terms of the national accounts for the institutional sectors in question; d) drawing up the satellite accounts for companies in the social economy by institutional sectors; e) calculating the balancing items and macroeconomic aggregates. This chapter defines the necessary variables for describing the market agents in the social economy and the methods for calculating the aggregates for satellite account purposes.

Chapter 6 proposes a classification of companies in the social economy by industry and explains the method for drawing up an linking table between the satellite accounts by institutional sector and the satellite accounts by industry.

Chapter 7 proposes and explains the method for preparing a model social accounting matrix for companies in the social economy that will allow data on employment, membership and other indicators of the non-monetary activity of co-operatives and mutual societies to be ascertained, collected and aggregated homogeneously.

Chapter 8 lists the accounting documents and data that are important for drawing up the satellite accounts and suggests different sources where these data may be located. It also sets out criteria and guidelines for creating National Statistical

Registers of Companies in the Social Economy in each country in accordance with the directions given in the Manual.

Chapter 9 sets out the different stages in drawing up the satellite accounts. It proposes that a Statistical Register of Companies in the Social Economy be created in each member state of the European Union, having first identified, classified and catalogued the different classes of company that should be included in the Register on the basis of the conceptual delimitation and criteria established in this Manual.

Chapter 10 states the main conclusions of the Manual, assessing the degree to which the proposed objectives have been attained with the analytic and methodological tools set out in the Manual.

Chapter 11 is a list of the abbreviations and acronyms employed in the Manual.

Lastly, Chapter 12 contains two appendices that will make it easier to use the Manual and to delimit the satellite account study population in each country. Annex 12.A1 is a Guide to the ESA 95 for Non-Specialists, which will help many users and producers of statistics who are not experts in national accounts to use the Manual. Annex 12.A2 contains a questionnaire and methodological guidelines for the conceptual delimitation of companies in the social economy. With this tool, an administrative and legal map of the different classes of companies in the social economy that form part of the satellite account study population in each country in the EU can be drawn up in each Member State.

Finally, the Manual ends with a bibliography covering the main references used in its preparation and some other recommended reading.

CHAPTER 1. INTRODUCTION: ANALYSIS OF ECONOMIC ACTIVITY AND COMPANIES IN THE SOCIAL ECONOMY

1.1. The national accounts systems (the 1993 SNA and the 1995 ESA) as the basis for drawing up the satellite accounts for social economy companies

The purpose of this chapter is to specify the international national accounting concepts and standards employed in this Manual, which offers guidance on drawing up satellite accounts for the companies in the social economy.

Systems of national accounts aim to give a full, detailed description of the entire economy of a country, of its components and of its relations with the economies of other countries.

The European System of National and Regional Accounts (ESA 95) constitutes a central framework of reference for drawing up the national accounts of European Union member countries. Apart from marginal differences in presentation and in details, it is fully consistent with the United Nations system of national accounts (1993 SNA), which provides the guidelines for National Accounts for all the countries in the world.

However, the ESA 95 does not identify a differentiated sector for the companies and organisations that make up the traditional European concept of the social economy, which includes co-operatives, mutual societies, associations and foundations. Instead, these entities are scattered among the different sectors classified by the national accounts, making them difficult to distinguish. As a result, the economic statistics for co-operatives, mutual societies, associations and foundations are limited, intermittent and fragmented.

The 1993 NSA, however, envisages the possibility of drawing up satellite accounts. A satellite account is an evolutionary table that collates the data for a field

of economic or social concern, offering more detailed and flexible information than that provided by the central framework of the national accounts to which it is linked, which constitutes its frame of reference².

The United Nations has sponsored the development of a manual that establishes a satellite account for Nonprofit Institutions, a group that covers both non-profit institutions serving households (NPISH) and all the private non-profit entities that are dispersed among the other institutional sectors³. The handbook excludes co-operatives and mutual societies from the non-profit sector. Co-operatives are considered commercial enterprises that distribute their profits among their members and mutual societies are considered financial institutions that also belong to the corporate sector rather than to the non-profit institutions sector⁴.

The purpose of this manual is, precisely, to provide assistance in drawing up the satellite accounts for the companies in the social economy (co-operatives and mutual societies), which are not covered by the United Nations' NPI Handbook.

It starts by establishing a rigorous conceptual demarcation of the social economy companies to be studied in the satellite accounts for which this methodology has been drawn up. Suffice it to say at this point that the part of the social economy to be analysed is made up of co-operative companies, mutual societies and – with certain requisites which will be specified – other companies. *In the ESA 95, all these companies are considered private market producer institutional units and included in either the non-financial corporations sector (S11 – ESA 95, 2.23) or the financial corporations sector (SEC-1995, ESA 95, 2.40 and 2.60).*

² ARCHAMBAULT, E. (2003b).

³ Handbook on Non-profit Institutions in the System of National Accounts (United Nations, New York, 2003)

⁴ The definition of the non-profit sector used in the NPI Handbook is based on Salamon and Anheier (1997).

As well as the relevant bibliography, the international standards that have been employed in developing the *Methodology for drawing up the Satellite Accounts of Companies in the Social Economy* are the ESA 95, the 1993 SNA and the Handbook on Non-Profit Institutions in the System of National Accounts.

1.2. The need for this Manual. The importance of social economy companies.

1.2.1. 1.2.1. The dispersal of social economy companies in the 1993 SNA and the 1995 ESA.

As an activity, the social economy is historically linked to the co-operatives, which constitute its backbone.

The system of values and the principles of conduct of the historical co-operative movement are those which have served to formulate the modern concept of the social economy. This is structured around three broad families of organisations: *co-operatives, mutual societies and associations*. More recently, the ESC-CMAF⁵ has included *foundations* within the scope of the social economy.

As noted in point 1.1, neither the 1993 SNA nor the ESA 95 identify a differentiated sector of social economy organisations, which they disperse among all the institutional sectors of the national accounts. The result is that the economic statistics for these companies are very limited and the heterogeneous criteria employed in preparing them are a hindrance to comparative analysis at the international level.

A number of European bodies, including the European Parliament and the European Economic and Social Committee, have asked the European Commission for more and better statistics on co-operatives, mutual societies, associations and

⁵ European Standing Conference on Co-operatives, Mutual societies, Associations and Foundations.

foundations (CMAF)⁶. The organisations that represent the social economy have also asked the Commission to improve the statistics on the CMAF⁷.

Although Eurostat has published some studies of CMAFs⁸, they are fragmented, incomplete and lack continuity, making it difficult to use them to evaluate the CMAFs' contribution to achieving the major objectives of public policies.

The recent publication of the Handbook on Non-profit Institutions in the System of National Accounts will make it possible to prepare homogeneous statistics on an important group of social economy entities, mostly associations and foundations⁹.

Co-operatives and mutual societies, however, are expressly excluded from the scope of the NPI Handbook. This prevents their being identified in a specific social economy sector of the national accounts and helps to make them *institutionally invisible*. Nevertheless, the need for national accounting tools that will make it possible to obtain more detailed, homogeneous and reliable information on co-operatives and mutual societies is increasingly evident for a number of reasons, as explained below.

1.2.2. The growing economic importance of social economy companies

Co-operatives and mutual societies have solid historical roots and have seen strong expansion in Europe for the past 200 years¹⁰. In recent decades these two

⁶ <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/conferences/doc/gillig-memo-en.pdf> and European Economic and Social Committee Opinion EESC 528/2004.

⁷ Conclusions of the European Social Economy Conference on "Social Entrepreneurship and Economic Efficiency", Krakow, October 2004; <http://www.krakow2004.coop>

⁸ See The co-operative, mutual and non-profit sector in the European Union, Luxembourg, Office for Official Publications of the European Communities, 1997 and http://europa.eu.int/comm/enterprise/entrepreneurship/coop/social-cmaf_agenda/doc/pilot-study-cmaf-eurostat.pdf

⁹ Nonetheless, not all the non-profit institutions included within the scope of the NPI Handbook form part of the concept of the social economy. This, in its most widely-accepted version, excludes private non-profit institutions not serving persons or not serving companies or entities in the social economy, as well as non-profit entities that mainly sell their services on the market and do not possess democratic governance structures.

¹⁰ Monzón (1989), Vienney (1980), Defourny and Monzón (1992)

types of company have experienced considerable growth, as highlighted by major studies. One of the most important of these, carried out by CIRIEC for the European Commission within the framework of the Third System and Employment Pilot Scheme¹¹, highlights how important the co-operatives and mutual societies of the European Union are for creating and maintaining employment and correcting serious economic and social imbalances.

In the EU-25, over 230,000 co-operatives were economically active in 2005. They are well-established in every area of economic activity and are particularly prominent in agriculture, financial intermediation, retailing and housing and as workers' co-operatives in the industrial, building and service sectors. These co-operatives provide direct employment to 5.5 million people and have 130 million members¹².

Health and social welfare mutuels provide assistance and cover to over 120 million people. Insurance mutuels have a 23.7% market share¹³.

In short, 200 million members and nearly 6 million direct jobs bear witness to the economic and social strength of the co-operatives and mutual societies in the European Union.

1.2.3. Specific features of social economy companies

Dividing the co-operatives, mutual societies and other similar social economy companies among the non-financial corporations and financial corporations institutional sectors of the national accounts not only makes it difficult to determine the size and evolution of the social economy, it also makes it impossible to ascertain

¹¹ English edition published by CIRIEC, Liège (2001); Spanish edition published by CIRIEC, Valencia (2000) includes a Final Report, 15 reports covering each of the EU-15 member states and a report on the chronological stages of the European institutions' recognition of the social economy.

¹² <http://www.coopseurope.coop>

¹³ ACME, Association des coopératives et mutuelles d'assurance européennes, <http://www.acme-eu.org>

its specific market behaviour in situations of crisis, unemployment, social exclusion, geographical imbalances, business delocalisation, etc.

The next chapter points out that the behaviour of co-operatives and mutual societies with regard to their production processes is in line with that of other companies because they operate in the market and therefore need to develop efficient production processes that will achieve maximum results with minimum resources. In other words, just like other companies, social economy companies are set up to *generate value*. However, economists have been emphasising for some time that co-operatives and mutual societies often have different objective functions to those of traditional capitalist companies¹⁴. This difference in objective functions gives rise to differences in market behaviour that may lead to macroeconomic benefits in the general interest.

The objective function of a company is determined by the character and behaviour of those within it who control the decision-making process and appropriate the surplus¹⁵. In traditional companies, the dominant and beneficiary categories are made up of capitalist investors, for whom the value generated by the group stands for capital gains and who attempt to achieve the greatest possible returns on their investment.

In the case of social economy companies, if there is any distribution of surpluses it is not directly linked to the capital subscribed by each member and neither is decision-making, which takes place democratically, so the dominant and beneficiary categories are not made up of capitalist investors¹⁶.

The membership base of social economy companies can be very varied: consumers or users of goods and services, small farmers, workers, etc., who set up a company to meet the needs of people, households and families through the

¹⁴ See Ward (1958), Domar (1967), Vanek (1970), Meade (1972) and Monzón (1989).

¹⁵ The *dominant* category and the *beneficiary* category, in Gui's terms (Gui, 1991).

¹⁶ Gui (1991)

marketplace rather than to remunerate or provide cover for traditional capitalist investors or companies. In all these cases, the value creation processes are dissociated from any profit-making by capitalist investors, who do not control the decision-making processes in social economy companies, so the objective function of these companies is geared to increasing the value of other types of assets.

In social economy companies, there is a complementarity between the values of democracy and participation and the specificity of their objective functions. It arises because of the objective position in the company's structure of the agents who decide and benefit from the business activity, who are users of its services.

In short, in social economy companies it is the user members, rather than capitalist investors, who control the decision-making process through a democratic governance structure, generating objective functions that differ from those of other companies. This means that social economy companies possess features that differentiate them from other companies and justify their forming a specific group among the institutional sectors of the national accounts systems.

1.2.4. Social economy companies as a focus of public policy attention

As a result of the specific objective functions of social economy companies, an objective that is common to any type of company, the creation of value and maximisation of results, is channelled towards other goals than the return on capital. These goals are beneficial for citizens as such, who are the leading players in social economy companies, which explains why these companies have been attracting the attention of the European Parliament, Commission and Economic and Social Committee for over 20 years. These institutions have recognised the specificities of the social economy and its capacity to correct major economic and social imbalances and to help to achieve a number of general interest objectives.

Since 1982, the European Parliament has published a number of reports¹⁷ that show the importance of co-operatives for European integration. They include the MIHR report (1983) on the role of the co-operatives and their contribution to building Europe, the AVGERINOS report (1987) on co-operatives and regional development, the TRIVELLI report (1988) on co-operatives and their role in the development of Third World countries, the HOFF report (1989) on help for women in co-operatives and the COLOMBO report (1998) on the role of co-operatives in the growth of women's employment. Moreover, the European Parliament Social Economy Intergroup has been in operation since 1990. In 2006 the European Parliament called on the Commission *"to respect the social economy and to present a communication on this cornerstone of the European social model"*¹⁸.

In 1969 the European Commission published a Communication entitled "Businesses in the "Economie Sociale" sector: Europe's frontier-free market". In that same year it sponsored the 1st European Social Economy Conference and created a Social Economy Unit within DG XXIII Enterprise Policy, Distributive Trades, Tourism and the Social Economy¹⁹. In 1990, 1992, 1993 and 1995 the Commission organised European Social Economy Conferences in Rome, Lisbon, Brussels and Seville that debated the contribution of co-operatives, mutual societies and associations to employment and to economic and social cohesion in Europe. In 1997 the Luxemburg summit recognised the role of social economy companies in local development and job creation and launched the "Third System and Employment" pilot action, taking the field of the social economy as its area of reference. In 2004 the Commission published a Communication on the promotion of co-operative societies in Europe.

The European Economic and Social Committee (EESC) has published numerous reports and opinions on the social economy companies' contribution to achieving different public policy objectives. The first of these reports dates from

¹⁷ PEZZINI (2000).

¹⁸ Report on a European Social Model for the future (2005/2248 (INI)), point 17.

¹⁹ Now the Craft, Small Businesses, Co-operatives and Mutuals Unit in the Enterprise and Industry Directorate General.

1986²⁰ and has been followed by many others. The latest is the Study of the Social Economy in the 25 Member States of the European Union²¹, carried out in 2006.

In short, the above-mentioned reports, opinions and communications, as well as other major studies²², highlight the considerable advantages offered by social economy companies for achieving many of the most important public policy objectives.

Of these objectives, the following should be mentioned: *Firstly, endogenous economic development and territorial autonomy*, objectives which are increasingly valued within a context of globalisation and territorial vulnerability. *Secondly*, the social economy has revealed a significant ability *to correct deficits in social welfare services*. *Thirdly*, the social economy has demonstrated considerable ability to *increase the level of social cohesion within the territory*, make social participation and democratic culture more dynamic and correct imbalances in the capacity of various interest groups to negotiate and exert pressure during the process of drawing up and applying public policies, especially those formulated at regional and local level. *Fourthly*, due to its genuine mode of operation, the social economy offers a capacity for *distributing and redistributing income and wealth* in a fairer way than traditional companies. *Finally*, the social economy has shown its ability to *correct various imbalances in the job market* by creating new jobs, maintaining jobs in industries and companies in crisis, increasing employment stability, bringing jobs from the underground economy to light and into the official economy, preserving trades, exploring new professions and developing ways to integrate deprived groups involved in social exclusion processes into the employment market.

1.2.5. The need to improve the quantity and quality of the statistical information on social economy companies

²⁰ European Economic and Social Committee (1986)

²¹ Study entrusted to CIRIEC and directed by R. Chaves and J.L. Monzón.

²² Borzaga and Defourny (2001), Evers and Laville (2004), Borzaga and Spear (2004) and Chaves et al. (2005).

As already mentioned, the co-operatives, mutual societies and other similar companies in the social economy are not identified separately by the national accounts systems, the 1993 SNA and the 1995 ESA, but dissolved into the non-financial corporation and financial corporation institutional sectors. This means that the national statistics offices do not always adopt the necessary measures to collect data on these companies.

Moreover, in order to draw up reliable, homogeneous statistics to enable international comparisons and analyses to be made throughout the European Union, the shared and differential features of the companies in the social economy need to be delimited rigorously, disregarding legal and administrative criteria, which are very diverse and mutually contradictory from one country to another.

It is essential, therefore, to establish a clear definition of companies in the social economy or social economy companies and guidelines on how to apply the definition in the member states so that the satellite account population can be delimited according to homogeneous criteria. This will make it possible to discern which co-operatives, mutual societies and other similar companies and groups of companies should be included or excluded from this sector. The need for a suitable Manual with a single set of guidelines for the entire European Union is, therefore, evident.

1.3. Analysis of economic activity and the national accounts systems (1993 SNA and ESA 95)

1.3.1. Production and output in the National Accounts

The importance of national accounts systems for providing periodic, accurate information on economic activity and moving towards terminological and conceptual harmonisation in economic matters to enable consistent, meaningful international comparisons to be drawn is well known.

The economic activity covered by the systems of national accounts is linked to the movement of goods and services produced, so in order to demarcate this economic activity, the sphere or boundary of production needs to be defined precisely.

Both the revised *System of National Accounts* (1993 SNA)²³ and the *European System of National and Regional Accounts* (ESA 95)²⁴ define production as an *activity carried out under the control and responsibility of an institutional unit that uses labour, capital and goods and services to produce other goods and services*. (ESA 95, 3.07)

This means that a wide variety of activities, such as *services* performed by volunteers (ESA 95 1.13 and 3.08) or housewives (ESA 95, 1.13 and 3.09), remains outside the range of the national accounts, although various own-account production activities by *producers* (e.g. assets produced for gross fixed capital formation), *households* (e.g. own-account construction of dwellings, or growing, storing and processing agricultural products), or *volunteers* (e.g. building homes, churches or other buildings) are in fact included in the output covered by the national accounts (ESA 95, 3.08).

Free services provided by general government (e.g. national defence, free education and health services, etc.) are also part of output, insofar as they are produced using inputs acquired on the market and the payment of compensation of employees and the purchase of all kinds of goods and services by government are readily observable in monetary terms (ESA 95, 1.12).

1.3.2. Production valuation criteria

²³ System of National Accounts, 1993 (1993 SNA), UN, 1995

²⁴ European System of National and Regional Accounts (ESA 95), Eurostat, 1996

In short, national accounts centre on describing the economic process in easily observed monetary terms. To do this, the valuation criterion they use is the price system. In spite of all its imperfections, it is nonetheless an objective criterion that enables intertemporal and international comparisons to be made.

As mentioned above, various economic activities that are not conducted through the market are nonetheless included in the output sphere reflected by the national accounts. Goods and services produced *for own final use* are assigned *imputed values*, as they are considered similar to other goods and services that are bought and sold on the market (ESA 95, 3.49). *The value of non-market service output*, essentially supplied by general government and non-profit institutions serving households (NPISH), is conventionally calculated on a production cost basis, where the total production costs are the sum of all the costs incurred (intermediate consumption, compensation of employees, consumption of fixed capital and other taxes on production less subsidies on production) (ESA 95, 3.53).

After establishing what is and is not to be recorded as output, defining the valuation systems and calculating the global output of the country in one year, the national accounts then calculate the value in monetary units of the goods and services produced in one year by resident units for final users, in other words, the gross domestic product (GDP), by deducting the intermediate consumption from the total output value.

1.3.3. Institutional units and sectors

ESA 95 creates a schematic representation of the economic activity of a country based on units and groups of units which are defined according to the type of economic analysis to be performed. To analyse the economic behaviour of the agents (flows related to income, capital, financial transactions and balances), it defines the *institutional unit*, which is an *elementary economic decision-making centre characterised by uniformity of behaviour and decision-making autonomy in the exercise of its principal function* (ESA 95, 2.12).

Institutional units are grouped into *institutional sectors* according to two criteria: a) type of producer and b) principal activity and function, which are considered representative of their economic behaviour (ESA 95, 2.18).

On this basis, ESA 95 distinguishes *five institutional sectors* that are mutually exclusive (ESA 95, 1.28) and together make up the national economy: 1) non-financial corporations; 2) financial corporations; 3) general government; 4) households (as consumers and as entrepreneurs); 5) non-profit institutions serving households (NPISH) (ESA 95, 2.18, 2.19 and 2.20).

1.3.4. Market output, non-market output and output for own final use

Table 1.1 shows the three types of producers (private and public market producers, private producers for own final use and private and public other non-market producers) and the principal activities and functions classified by institutional sector.

Market output is goods and services which are mainly intended for sale on the market at economically significant prices, meaning that sales of the goods and services cover more than 50% of the production costs (ESA 95, 3.17, 3.18 and 3.19). Market output also includes products disposed of on the market in other ways (ESA 95, 3.18). In these cases the institutional unit is a market producer classified in the *non-financial corporations sector* or the *financial corporations sector* (ESA 95, 3.32).

Output for own final use consists of goods or services that the institutional unit retains for its own final consumption or gross fixed capital formation (ESA 95, 3.20). In these cases the *institutional unit that produces them can belong to any institutional sector*.

Other non-market output is goods and services that are provided free to other units, or at prices that are not economically significant, so if sales cover less than

50% of the production costs the institutional unit is classed in the *NPISH sector* or in the *general government sector* (ESA 95, 3.23 and 3.32). However, the ESA 95 considers non-profit institutions serving companies to be market producers and classes them in the non-financial corporations or financial corporations sectors.

TABLE 1.1.
TYPES OF PRODUCER, PRINCIPAL ACTIVITIES AND FUNCTIONS CLASSIFIED
BY INSTITUTIONAL SECTOR

INSTITUTIONAL SECTOR	TYPE OF PRODUCER	PRINCIPAL ACTIVITY AND FUNCTION
NON-FINANCIAL CORPORATIONS (S.11)	Market producer	Production of market goods and non-financial services
FINANCIAL CORPORATIONS (S.12)	Market producer	Financial intermediation including insurance; Auxiliary financial activities
GENERAL GOVERNMENT (S.13)	Public other non-market producer	Production and supply of other non-market output for collective and individual consumption and carrying out transactions intended to redistribute national income and wealth
HOUSEHOLDS (S.14) - as consumers		Consumption
- as entrepreneurs	Market producer or private producer for own final use	Production of market output and output for own final use
NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS (NPISH) (S.15)	Private other non-market producer	Production and supply of other non-market output for individual consumption

Source: European System of National and Regional Accounts - ESA 95 (Table 2.2)

1.4. Key words and references

Institutional unit	ESA 95, paragraph 2.12
Institutional sector	ESA 95, paragraph 2.18
Non-financial corporation	ESA 95, paragraph 2.21
Financial corporation	ESA 95, paragraph 2.32
General government	ESA 95, paragraph 2.68
Households	ESA 95, paragraph 2.75
Non-profit institution serving households	ESA 95, paragraph 2.87
Output	ESA 95, paragraph 3.07
Market output	ESA 95, paragraph 3.17
Economically significant price	ESA 95, paragraph 3.19
Output for own final use	ESA 95, paragraph 3.20
Non-market output	ESA 95, paragraph 3.23
Private / public producer	ESA 95, paragraphs 3.28, 3.29
Non-profit institution	ESA 95, paragraph 3.31
Market producer	ESA 95, paragraph 3.24
Other non-market producers	ESA 95, paragraph 3.26

CHAPTER 2.-. DEFINITION OF SOCIAL ECONOMY COMPANIES AND OF THE SATELLITE ACCOUNT POPULATION

2.1. Introduction

The purpose of this chapter is to establish a conceptual demarcation of the companies in the social economy to be studied in the satellite accounts and of the classes of agents covered by these accounts. The working definition disregards legal and administrative criteria and centres on analysing the behaviour of social economy companies, identifying the resemblances and differences between them and between all of them and other economic agents.

After establishing this conceptual demarcation, it is compared with the operating principles of the two most significant agents in the social economy business sector, the *co-operatives and mutual societies*, on the basis of European Union documents and standards and the criteria established by the organisations that represent the Social Economy in Europe.

Having demarcated the most unequivocal and universal business agents in the social economy, the co-operatives and mutual societies, the next step is to establish the criteria and requisites that *business groups controlled by co-operatives and mutual societies, other similar companies in the social economy and certain non-profit institutions* must fulfil, regardless of their legal form or designation, in order to be included in the satellite accounts.

Finally, the various business agents in the social economy are located within the structure of the ESA 95 national accounts system.

2.2. The conceptual framework of social economy companies

2.2.1. Working definition

The working definition of the co-operatives, mutual societies and other similar companies in the social economy included in these satellite accounts is as follows:

The set of private, formally-organised enterprises with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods or providing services, insurance or finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote²⁵.

It should be remembered that this definition does not follow legal or administrative criteria and does not correspond to the global concept of the social economy. It only applies to the part of the social economy which is made up of the market producers in the social economy, which are not covered by the NPI Handbook.

Consequently, co-operatives, mutual societies and other similar companies in the social economy have the following characteristics:

a) They are *private*, in other words, they are not part of or controlled by the public sector;

However, it is possible for a social economy company to receive funding from the public sector, or for part of its capital to be publicly-owned, or even for government representatives to participate in its governance structures. Even in these

²⁵ This definition is inspired by the criteria for delimiting the concept of the social economy established by Barea (1990 and 1991), Barea and Monzón (1995) and Chaves and Monzón (2000). It therefore concurs both with the delimiting criteria established by the social economy organisations themselves (CNLAMCA charter, 1980; Conseil Wallon de l'Economie Sociale, 1990; CCCMAF and ESC-CMAF, 2000) and with the definitions formulated in the economics literature, including Desroche (1983), Defourny and Monzón (1992), Defourny (1999), Vienney (1999) and Demoustier (2003 and 2006).

cases the company will still be considered to belong to the social economy provided that the majority of its capital and the decision-making power in its governance structures are controlled by the private members who are users of the co-operativised or mutualist activity. However, no social economy company may be controlled by or form part of any general government institutional unit.

b) They are *formally organised*, in other words, social economy companies are institutional units that have decision-making autonomy, keep a complete set of accounts and, usually, possess independent legal status.

c) They have *autonomy of decision*, meaning that they have full capacity to choose and dismiss their governing bodies and to control and organise all their activities.

In other words, companies in the social economy cannot be controlled by another institutional unit, whether in the appointment or removal of their governing bodies or in the conduct of their principal function.

However, as discussed further on, it may be the case that a company or coalition of companies in the social economy may set up and control a business group in order to facilitate the conduct of the co-operativised or mutualist activity serving its user members. In this case the business group is considered a social economy company.

Another possibility is that institutional units that are not social economy companies may participate in the governing bodies of the social economy companies, appointing their rightful representatives, without this meaning that the company has been deprived of its decision-making autonomy. The touchstone is whether the company's governing bodies are controlled by the user members of the co-operativised or mutualist activity, as noted in a) above.

As regards decision-making autonomy in the exercise of its principal function, according to the ESA 95 this means that the social economy company must be:

- "entitled to own goods or assets in its own right; it will therefore be able to exchange the ownership of goods or assets in transactions with other institutional units;

- able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law;
- able to incur liabilities on its own behalf, to take on other obligations or further commitments and to enter into contracts" (ESA 95, 2.12)

d) They have *freedom of membership*, meaning that it is not obligatory to join them.

Membership of a social economy company cannot be compulsory, whether for legal reasons or for any other cause.

e) They are *created to meet their members' needs through applying the principle of self-help*, i.e. they are companies in which the members and the users of the activity in question are usually one and the same. The central objective of these companies is to satisfy and solve the needs of their members, who are, basically, individuals, households or families.

In social economy companies, the members and the users of the activity in question are usually (but not always) one and the same. The principle of self-help is a traditional principle of the co-operative and mutual movement. The main objective of these companies is to carry out a *co-operativised or mutualist* activity to meet the needs of their typical members (co-operativist or mutualist members) who are mainly individuals, households or families.

It is the co-operativised or mutualist activity that determines the relationship between the user member and the social economy company. In a workers' co-operative, the co-operativised activity is employment for its members, in a housing co-operative it is building homes for the members, in a farming co-operative it is marketing the goods *produced by the members*; in a mutual society, the mutualist activity is to insure the members, etc.

Naturally, in order to carry out the co-operativised or mutualist activity to serve the members an instrumental activity needs to be conducted with other, non-member parties on the market. For example, a workers' co-operative sells its goods and services on the market (instrumental activity) in order to create or maintain employment for its members (co-operativised activity).

In the case of mutual societies, there is an indissoluble, inseparable relationship between being a mutualist (member) and being a policy-holder (intended recipient of the mutual's activity).

In the case of co-operatives and similar companies, the member and user relationship is *usual* but is not always indispensable. Some classes of 'ancillary members' may contribute to the company without being users of the co-operativised activity. The examples include capital investors or former user members who are no longer users for logical, justified reasons (retirement, among others); some public bodies may even be contributing members of the company. Provided that the social economy company characteristics established in the working definition hold true, including democratic control by the user members, the companies that possess these other classes of non-user contributing members will form part of the study population of the satellite accounts.

There may also be other social economy companies where some members may benefit from the co-operativised activity without strictly speaking being permanent members, although a transitory association nonetheless exists. However, what is relevant and usual is that in co-operatives and similar companies there is always a reciprocal relationship, a stable bond between the company and those who benefit from the co-operativised activity with a certain continuity, participating in its risks and, as members, offering something in return, as happens, for example, in social enterprises.

The beneficiaries of the activities of social economy companies also play a leading role in these companies, which constitute reciprocal solidarity initiatives launched by groups of citizens to meet their needs through the market.

This does not prevent social economy companies from undertaking solidarity actions in much wider social environments, transcending their membership base. In the case of the co-operatives, their traditional rules of operation made them pioneers in applying the principle of the *social responsibility of companies* or *corporate responsibility*, as these rules stimulate and foster solidarity mechanisms (the principle of education and social action, the 'open membership' principle, the creation of reserves that cannot be divided among the members, etc.). However, all this does not alter the mutual basis of social economy companies, which compete in the

market, finance themselves largely through the market and conduct business entailing risks with results on which, in the final analysis, the provision of services to their members depend.

f) *They are market producers*, which means that their output is mainly intended for sale on the market at economically significant prices.

The ESA 95 considers co-operatives, mutual societies, holding companies, other similar companies and non-profit institutions serving them to be market producers (ESA 95, 2.23, 2.40, 2.60 and 3.35)

g) *While they may distribute profits or surpluses among their user members, this is not proportional to the capital or to the fees contributed by the members* but in accordance with the member's transactions with the organisation.

The fact that they *may* distribute profits or surpluses to their members does not mean that they always do so. There are many cases in which co-operatives and mutual societies do not distribute surpluses to their members, whether as a rule or by custom, but this does not entail excluding them from the scope of this Manual. Here the point is only to emphasise that the principle of not distributing surpluses to members is not an essential trait of social economy companies.

h) They are democratic organisations that apply the principle of 'one person, one vote' in the decision-making process, regardless of the capital or fees contributed by the members. The user members have majority or exclusive control of the decision-making power in the company.

A feature of social economy companies is that decisions are taken democratically by the members and ownership of the share capital does not determine the control of the decision-making process. Often, in many co-operatives and mutual societies, the principle of 'one person, one vote' is qualified and some weighting of votes is allowed to reflect each member's participation in the activity. It may also happen that business groups set up by different social economy companies weight the votes, not only to reflect the different degrees of activity of the members of

the group but also in order to acknowledge the differences between them in terms of rank and file membership numbers.

In some countries, certain social economy companies created by workers in order to create or maintain jobs for themselves take the form of limited or public limited companies. These too may be considered democratic organisations with democratic decision-making processes, provided that the majority of their share capital is owned by the working partners and shared equally among them.

Other social economy companies which also adopt legal forms other than that of a co-operative have been created to encourage processes of social inclusion through work and other social utility purposes. These companies also employ democratic decision-taking processes, none of which is based on the ownership of capital.

2.2.2. Co-operatives and mutual societies in the ESA 95 and in the Satellite Account of Companies in the Social Economy

The conceptual demarcation of social economy companies established above means that for the purposes of the ESA 95 national accounts they are *formally-organised private market producers and, therefore, are institutional units which are classified into the non-financial corporations sector or the financial corporations sector.*

The scope of this conceptual demarcation clearly excludes all the agents that are placed in the general government, households and non-profit institutions serving households institutional sectors in the national accounts. Consequently, the next sections will identify the various agents in the non-financial corporations and financial corporations sectors that meet the above requirements for being considered part of the business sector of the social economy. The first step is to analyse the

characteristics of the most unequivocal business agents in the social economy: co-operatives and mutual societies.

Table 2.1 identifies the ESA 95 sectors and the different kinds of institutional unit that are included in each, showing how the social economy business sector for which the satellite account is to be drawn up corresponds to the sector S11 and S12 institutional units in this business sector.

TABLE 2.1.
CO-OPERATIVES, MUTUAL SOCIETIES AND SIMILAR COMPANIES IN THE
SATELLITE ACCOUNTS OF COMPANIES IN THE SOCIAL ECONOMY

INSTITUTIONAL UNIT CLASSIFICATION	INSTITUTIONAL SECTORS IN THE ESA 95					SOCIAL ECONOMY BUSINESS SECTOR
	NON-FINANCIAL CORPORATION SECTOR (S-11)	FINANCIAL CORPORATION SECTOR (S-12)	GENERAL GOVERNMENT SECTOR (S 13)	HOUSEHOLD SECTOR (S 14)	NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS SECTOR (S 15)	
CORPORATIONS	C ₁	C ₂				
PUBLIC OTHER NON-MARKET PRODUCERS			G			
HOUSEHOLDS				H		
PRIVATE OTHER NON-MARKET PRODUCERS					N	
CO-OPERATIVES, MUTUAL SOCIETIES AND SIMILAR SOCIAL ECONOMY COMPANIES	K ₁	K ₂				K = K ₁ + K ₂

2.3. Co-operatives

2.3.1. Concept of co-operative

The concept of co-operative employed in this Manual is as follows²⁶:

A co-operative is a legal entity in which the principal object is to satisfy its members' needs and/or advance their economic and social activities, in accordance with the following principles:

- Its activities should be conducted for the mutual benefit of the members so that each member benefits from the activities of the co-operative in proportion to his/her participation,
- Members must also be customers, employees or suppliers or be otherwise involved in the activities of the co-operative.
- Control should be vested equally in members, in accordance with the principle of 'one person, one vote'. The right to vote is vested in the individual and entails that members cannot exercise any rights over the assets of the co-operative. Although weighted voting may be allowed in order to reflect each member's contribution to its activities, a limit is set to prevent any member taking control of the co-operative.
- Interest on loan and share capital should be limited. In some circumstances, co-operatives may also have among their members a specified proportion of investor members who do not use their services, or of third parties who benefit by their activities or carry out work on their behalf
- The voting rights of investor members, if allowed, must be limited so that control remains vested in the user members.
- Profits must be distributed in proportion to the transactions with the co-operative, or retained to meet the members' needs.
- There should be no artificial restrictions on membership (open membership principle); there are specific rules on membership, resignation and expulsion.

²⁶ 'Whereas' clauses 7 to 10 of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Co-operative Society (SCE).

- In the event of winding-up, net assets and reserves must be distributed according to the principle of disinterested distribution, in other words, they must be assigned to another co-operative pursuing similar aims or general interest purposes.

As the operating principles of co-operatives set out above adhere to each and every one of the 8 characteristics of companies in the social economy set out in section 2.2.1., *co-operatives are the first great business agent in the social economy*. Co-operatives are self-help organisations set up by citizens (they are private and are not part of the public sector) which are formally-organised and have autonomy of decision. In order to satisfy the needs of their members or conduct their business they operate on the market, from which they obtain their main source of funding. They are organised democratically in accordance with the principle of 'one person, one vote' and their profits are not distributed in proportion to the share capital contributed by their members. This Manual explains the *methodological guidelines for drawing up the satellite accounts for co-operatives*.

2.3.2. The co-operatives in practice

In the European Union, co-operatives are subject to very different and varied bodies of law. Depending on the country, they may be considered commercial corporations, a specific type of company, civil associations or organisations that are difficult to catalogue. There may even be a total lack of specific legal regulation, obliging them to follow the rules for companies in general, which normally means commercial companies. In such cases, it is the co-operative's members who lay down the operating rules in the articles of association which enable a company to be identified as a 'co-operative'.

In terms of the business they conduct, co-operatives are found in both the non-financial corporations sector and the financial corporations sector and in practically every kind of activity.

In general, it would be fair to say that the vast majority of co-operatives in the European Union share a common core identity based on the historical origins of the co-operative movement and on the acceptance, to varying degrees, of the operating principles detailed in 2.3.1 above. For this reason, a priori, the satellite account will include all the co-operatives in the European Union, as identified through the relevant official registers or, failing these, the registers of the institutions that represent the co-operatives in the countries in question. Only when the organisations that represent the co-operatives which identify with these operating principles expressly exclude what are known as false co-operatives will such co-operatives be excluded from the satellite accounts.

As regards the treatment of co-operatives in the national accounts systems, ESA 95 does not consider them non-profit institutions but *market producer institutional units* (ESA 95, 2.23.b and 2.40.b) and the NPI handbook also excludes them from the non-profit sector even when they have no profit aim, following the 1993 SNA usage (NPI Handbook, 2.22.a).

It is possible for co-operatives to be set up as the result of altruistic, volunteer initiatives to supply goods or services to other, non-member persons free of charge or at prices that are not economically significant. In this case, the co-operative would be a non-market producer institutional unit and would fall outside the scope of this Manual.

However, this is not the case of Italy's social co-operatives, in which the people that benefit from their actions must be members, or to the other similar social action co-operatives that exist in other European countries. The laws that regulate them and their behaviour in practice mean that all of these, a priori, are market producer institutional units that meet the criteria for delimiting the companies in the social economy established in section 2.2.1 and, therefore, must be included in these satellite accounts.

2.4. Mutual societies²⁷

2.4.1. Concept of mutual society

The concept of mutual society employed in this Manual is as follows:

A mutual society is an autonomous association of persons (legal entities or natural persons), united voluntarily for the primary purpose of satisfying their common needs in the insurance (life and non-life), providence, health and banking sectors, which conducts activities that are subject to competition. It is managed according to the principle of solidarity between the members, who participate in the governance of the business, and adheres to the following principles:

- *Absence of shares* Mutual society funds do not consist of shares which would produce (even low) returns for the shareholders. Mutual societies operate on the basis of an initial capital - or own funds - financed by the members or by borrowing. These funds are the collective, indivisible property of the mutual society.
- *Freedom of membership*: Mutuals are open to anyone who fulfils any conditions that may be laid down in the articles of association and abides by mutualist principles.
- *Lack of pure profit-making objectives*: The main objective of mutual societies is not to make a profit but to serve the members' interests. The lack of a pure profit motive does not mean that mutuals are not economically active or that they do not endeavour to be economically viable or even to produce a surplus. To be viable and to ensure their continuity, mutuals must be competitive and must balance their accounts. Surpluses are not used to pay a return on capital. They are reinvested in order to improve the services offered to members, finance the

²⁷ <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/social-cmafagenda/social-cmaf-mutuals.htm> and consultation document "Mutual Societies in an enlarged Europe", 2003 <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/mutuals-consultation/index.htm>.

development of the business or increase the own funds or, subject to certain limits, are distributed among members.

- *Solidarity*: The members of a mutual society aim to meet individual requirements through collective action, pooling resources and/or activities to meet everyone's needs.
- *Democracy*: Mutual societies are run democratically, with members actively participating in the governance of the business in accordance with representation systems that vary from country to country. Through the principle of 'one person one vote', each member has equal power in the decision-making bodies. Although in practice this principle is often adapted to allow a certain amount of weighted voting, the democratic principle is generally preserved by limits in the articles of association on the number of votes that any member may hold.
- *Independence*: Mutual societies are independent businesses which do not depend on state subsidies to subsist.

These operating principles are very similar to those of the co-operatives, with the differences that will be discussed below. Like the co-operatives, they too comply with each and every one of the 8 characteristics of companies in the social economy stated in section 2.2.1., so *mutual societies are the second great business agent in the social economy*. This Manual explains the methodological guidelines for drawing up the satellite accounts for mutual societies.

However, *social security management bodies and, in general, mutual societies of which membership is obligatory and those controlled by companies that are not part of the Social Economy are excluded from the sphere observed and analysed by these satellite accounts*.

2.4.2. The mutual societies in practice

As in the case of the co-operatives, mutual societies in the European Union are governed by very diverse bodies of law and therefore possess very different characteristics. *Depending on their principal activity and the type of risk they insure, mutual societies are divided into two large classes or categories. One group comprises mutual provident societies. Their field of activity is mainly, and very often exclusively, to cover the health and social welfare risks of individuals. The second group is mutual insurance companies. Their principal activity usually centres on insuring goods (vehicles, fire, third party insurance, etc.), although they can also cover life insurance related areas.*

In some cases the *mutual provident societies* are integrated into the social security system. In others, membership is obligatory. Certain mutuals do not possess autonomy of decision and are controlled by institutional units that are not part of the Social Economy. *All these cases fall outside the scope of this Manual.*

In short, the satellite account will only include the mutual societies that operate in accordance with the principles set out in point 2.2.1 and in the concept of mutual given in 2.4.1 above. Accordingly, the bodies responsible for drawing up the satellite accounts in each country must always exclude mutual societies that are social security management bodies, those of which membership is obligatory and those controlled by companies that are not part of the Social Economy from the satellite account population.

The ESA 95 places mutual societies in institutional sector S12 (financial corporations). The NPI Handbook excludes them from the non-profit sector, following 1993 SNA usage (NPI Handbook, 2.22.b).

2.5. The behaviour of co-operatives and mutual societies: differences between the two and between these and public and non-profit organisations

2.5.1. Co-operatives and mutual societies: private, market producer corporations

Co-operatives and mutual societies are private, market producer companies that are part of either the non-financial corporations sector or the financial corporations sector. In both cases, their behaviour in terms of their *production processes* must be in line with that of the other companies in the economy. Because co-operatives and mutual societies are companies that operate on the market, they need to develop *efficient production processes* that will achieve maximum results from minimum inputs, just like any other company. As in any other company, their production processes need capital or funds to finance their fixed assets and current assets.

2.5.2. Differences between co-operatives / mutual societies and other private, for-profit, market producer corporations

As shown in section 2.2 above, the characteristics that differentiate companies in the social economy from other companies reside, essentially, in the behaviour of social economy companies with regard to the allocation of the results they generate, which is not linked to the ownership of capital, and to their decision-making process, which is democratic, based on the principle of 'one person, one vote'. In other private, market producer companies, profit allocation and decision-making are vested in capital rather than in people.

2.5.3. Differences between co-operatives and mutual societies:

The main difference in behaviour between co-operatives and mutual societies is that the mutuals operate with own funds which are collective and indivisible, rather than with a capital represented by shares that are bought by the members. The members of mutuals pay a fee rather than acquiring shares, whereas share purchase is obligatory in the co-operatives. In the mutual societies, member and policy-holder are totally and exclusively one and the same, whereas it is possible for some co-

operatives to have (a minority of) non-user members. Another point is that there is no undistributable equity in mutual societies, whereas this is a possibility for co-operatives in many countries. Only the savings and credit co-operatives and insurance co-operatives are placed with the mutual societies in institutional sector S12 (financial corporations). All the other co-operatives are classified into the non-financial corporation sector (S11). In all other respects, the operating principles of co-operatives and mutual societies are similar.

2.5.4. Differences between co-operatives / mutual societies and public producers

Public producers (which are controlled by general government) may be market producers, in which case they are non-financial corporations or financial corporations, or non-market producers, which are general government.

Public market producers, in other words public non-financial corporations and public financial corporations, do not differ from co-operatives and mutual societies in their business activities or principal function but in their ownership, which is public rather than private. Unlike the co-operatives and mutuals, public companies and financial corporations are not mutualist organisations, do not possess autonomy of decision, do not engage in democratic decision-making processes and do not distribute their profits or surpluses in accordance with the business done with the organisation.

Public non-market producers, that is to say general government, differ from co-operatives and mutual societies both in their ownership (public rather than private) and in their principal function and activity. Unlike the co-operatives and mutuals, general government agencies are not mutualist organisations, do not possess autonomy of decision, do not engage in democratic decision-making processes among members and do not distribute any type of surplus among them.

As regards their principal function and activity, general government agencies, as public non-market producers, engage in producing and supplying other non-market goods and services for collective and individual consumption and in conducting operations to redistribute national income and wealth, whereas co-operatives and mutual societies, as private, market producer corporations, engage in producing non-financial market goods and services (non-financial corporations) and in financial intermediation, including insurance, as well as auxiliary financial activities (financial corporations).

2.5.5. Differences between co-operatives / mutual societies and non-profit institutions

Non-Profit institutions (NPIs) can be *market or non-market producers* and can be public or private. They can be of general or mutual interest, may serve persons or companies and may be democratic or not democratic. *Their shared feature is that they cannot be a source of income, profit or other financial gain for the units that establish, control or finance them.*

As a result, the shared difference between all non-profit institutions and all co-operatives and mutual societies is that the former may never distribute income, profit or gain among the units or persons that control or finance them.

As well as this common difference between non-profit institutions and co-operatives and mutual societies, there will be other differences that *depend on the type of producer* in question, their principal function and activity and the *institutional sector to which they belong.*

2.6. Other social economy business agents included in the satellite accounts

2.6.1. Business groups in the Social Economy²⁸

With increasing frequency, *business groups* are being set up by one or more companies in the social economy. Groups of companies are set up to *obtain advantages and create value*, offsetting – in net terms – the cost of the group organisation. These business groups can adopt various legal forms or even not specifically adopt any.

When a company or coalition of companies in the social economy sets up and controls a business group to improve the delivery of its objectives for the benefit of its rank and file members, this group is considered a *social economy group, regardless of the legal form it adopts*.

To summarise, the group is a *social economy business group if the company or coalition of companies that manages and controls the decision-making processes of the group and benefits from its activity meets the requirements established in section 2.2 for defining the companies in the social economy*.

Social economy business groups may be part of the non-financial corporations sector or of the financial corporations sector. In the European Union, there are groups that engage in agri-food, industrial, distribution and retail, social welfare and other activities. Banking and mutual society groups are also found in the social economy. All of these are incorporated under different legal forms.

Social economy business groups managed and controlled by co-operatives and/or mutual societies are included in the satellite accounts covered by the methodology presented in this Manual.

2.6.2. Other social economy companies

²⁸ A theoretical and practical analysis of social economy business groups may be found in the following CIRIEC research works: BAREA et al (1999) and COTÉ (2001)

In European Union countries, a wide range of business agents, taking different legal forms, operate according to principals that, in essence, fit the definition of social economy companies established in this manual. They are *private market producer companies* and are classified into either the non-financial corporations sector or the financial corporations sector.

The non-financial companies include various integration and other social action organisations that operate on the market and adopt different legal forms, in many cases as co-operatives and in others as commercial or similar companies. They are generally known as *social enterprises*, produce a continuous output of goods and/or services, have a high degree of autonomy and a significant level of financial risk and use paid work. In addition, they are private companies set up by groups of citizens, there is direct participation by the persons affected by the activity, their decision-making power is not based on the ownership of capital, distribution of surpluses and profits is limited and they have the explicit object of benefiting the community²⁹.

In other words, social enterprises are non-financial corporations which, irrespective of their legal status, possess the features of social economy companies established in point 2.2.1. They are expressly excluded from the NPI Handbook (point 2.22.d) and are therefore *included in the satellite accounts for which the methodology presented in this Manual is intended*.

In some countries there are also certain non-financial corporations, set up in order to create or maintain stable employment for their members, in which the majority of shares are owned by the workers, these control the governing bodies and the company is organised on a workers' self-management basis. While these companies often take the form of public limited companies or limited companies, the workers' equity is equally divided among the worker members so, in fact, democratic decision-making processes and equitable distribution of profits are characteristics of

²⁹ These characteristics of social enterprises are found in BORZAGA (2003) and BORZAGA and DEFOURNY (2001)

these companies. The best-known example of this type of company is the labour company (*sociedad laboral*) in Spain.

Non-financial corporations with majority control vested in the workers, democratic decision-making processes and equitable distribution of profits are also included within the scope of this Manual.

Lastly, in some countries the financial corporations sector includes savings and loans societies and savings banks which, in their essential aspects, fit the definition of social economy companies given in section 2.2. These entities are excluded from the scope of the NPI Handbook (NPI Handbook, 2.16 and 2.22.b) and are *included in the satellite accounts for which the methodology presented in this Manual is intended.*

2.6.3. Non-profit institutions serving social economy entities

The only non-profit institutions which are included in these satellite accounts are those serving companies in the social economy. These organisations are funded by fees or subscriptions from the group of companies in question which are considered payments for the services performed, i.e. sales. Consequently, the non-profit institutions in question are market producers and are placed in the non-financial corporations sector if they serve co-operatives or similar social economy companies in this sector, or in the financial institutions sector if they are at the service of credit co-operatives, mutual societies or other social economy financial organisations (ESA 95, 2.44).

2.7. Companies in the social economy covered by satellite accounts in the ESA 95 structure.

The preceding sections have established a conceptual demarcation of the companies in the social economy which, for the purposes of the national accounts, are private, formally-organised market producers and, therefore, are institutional units

that are classified into the non-financial corporations sector or the financial corporations sector.

Within the sphere of companies in the social economy, co-operatives and mutual societies are an explicit object of analysis and, consequently, of the methodology for drawing up the relevant satellite accounts.

Table 2.2 presents a schematic overview of the position of social economy companies in the national accounts systems structure. More details will be given in later chapters.

TABLE 2.2.
COMPANIES IN THE SOCIAL ECONOMY COVERED BY THE SATELLITE
ACCOUNT IN THE ESA 95 STRUCTURE.

INSTITUTIONAL SECTOR	SOCIAL ECONOMY INSTITUTIONAL UNITS INCLUDED IN THE SATELLITE ACCOUNTS	TYPE OF PRODUCER	PRINCIPAL FUNCTION AND ACTIVITY
NON-FINANCIAL CORPORATIONS	<ul style="list-style-type: none"> - Co-operatives - Social economy business groups - Other social economy business agents - Non-profit institutions serving social economy companies 	Private market producers	Production of market goods and non-financial services
FINANCIAL CORPORATIONS	<ul style="list-style-type: none"> - Credit co-operatives - Mutual societies - Insurance co-operatives - Social economy business groups - Other social economy financial agents - Non-profit institutions serving social economy financial organisations 	Private market producers	Financial intermediation including insurance; Auxiliary financial activities
GENERAL GOVERNMENT		Public other non-market producer	Production and supply of other non-market goods and services for individual and collective consumption, operations to redistribute national income and wealth
HOUSEHOLDS - as consumers - as entrepreneurs		Market producer or private producer for own final use	Consumption Production of market goods and services and goods and services for own final use
NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS (NPISH)		Private other non-market producer	Production and supply of other non-market goods and services for individual consumption

2.8. Key words and references

Autonomy of decision

ESA 95, paragraph 2.12

CHAPTER 3. THE CONCEPTUAL FRAMEWORK OF SATELLITE ACCOUNTS

3.1. The central framework of the National Accounts

National accounts provide a comprehensive view of the economy, integrating all the activities.

For the purpose of analysing production processes, the national accounts group what are known as units of homogeneous production into homogeneous branches (ESA 95, 2.114 to 2.117). Units that work exclusively with one product or product group are considered to be units of homogeneous production (ESA 95, 2.03, 2.112 and 2.113).

For the purpose of analysing behaviour in the fields of income, expenditure and financial transactions, however, the institutional units are grouped into sectors. The institutional units are classified into sectors according to their main function, which is considered to be representative of their economic behaviour (ESA 95, 1.27 and 1.28).

3.2. Why satellite accounts were developed

The very concept of the national accounts system evidently means that there is little disaggregation of economic agents and their transactions in the national accounts.

Because of this, economists have long been asking national accountants, while maintaining the central framework of the national accounts, to make an effort to draw up detailed accounts by agents and functions³⁰ that will make it possible to obtain a better knowledge of the behaviour, monetary and otherwise, of particular groups of agents with homogeneous characteristics, or analyse an industry in relation to a

³⁰ MARCZEWISKI (1995)

specific function of economic agents which are classified into different institutional sectors on the basis of their different patterns of behaviour. A satellite account is an evolutionary framework that brings together the data for a field of economic or social concern, offering more detailed and flexible information than that provided by the central framework of the national accounts to which it is linked, which constitute its frame of reference³¹.

Since the central framework of the national accounts pays little attention to flows that cannot be easily observed in monetary terms, satellite accounts provide a way to link non-monetary statistics to the central framework of the national accounts by establishing a coherent, extended framework that can be used as a data base for analysing and evaluating all kinds of interactions between the variables in the central framework and those in the extended framework (ESA 95, 1.21) This is the conceptual framework of satellite accounts.

3.3. The purposes of satellite accounts

3.3.1. For ESA 95

For the European System of National and Regional Accounts (ESA 95), the best course of action is to draw up independent satellite accounts for certain specific data needs, including (ESA 95, 1.18):

- a) Analysing the role of tourism in the national economy.
- b) Analysing health service costs and funding
- c) Analysing the importance of research & development and human capital for the national economy.
- d) Analysing the interaction between the environment and the economy.

³¹ ARCHAMBAULT (2003b)

- e) Analysing the differences between national accounts data and business accounts data and their influence on the stock markets.

In accordance with ESA 95, all the basic concepts and classifications of the central framework must be retained in the satellite accounts. Changes are only introduced as and when required by the specific purpose of the satellite account. In this case, the satellite account must include a table to show the links between the main aggregates in the satellite account and those in the central framework (ESA 95, 1.20).

3.3.2. *Opinion of the research team*

In the writers' opinion, satellite accounts have the following purposes:

- a) To obtain information on the macroeconomic figures for a particular group of companies that behave in a homogeneous way (e.g. co-operatives, mutual societies), such as production, value added, gross operating surplus, gross fixed capital formation, net lending/net borrowing and the instruments used to meet their borrowing needs or to place their lending capacity on the market.
- b) To analyse the behaviour of a particular group of companies, of institutions or of the economy as a whole as regards a particular function.
- c) To identify the beneficiaries of the functional activity addressed by the satellite account (education, health, social work, etc.) and in the case of companies with homogeneous characteristics (such as the social economy), to discover their production cost structure, the jobs they create, the number of companies and establishments, number of members, competitive market position, organisation structure, etc.

In accordance with ESA 95, all the basic concepts and classifications of the central framework must be retained (ESA95, 1.20).

3.4. European experiences of drawing up satellite accounts

As previously mentioned, satellite accounts were developed to overcome the limitations of the traditional national accounts framework in describing economic phenomena. Their use has spread in numerous countries and some of these experiences are described here below:

3.4.1. France

France is the country that has given most impetus to this field of research from the perspective of satellite accounts by function (health, education, research, agriculture, tourism, social welfare, the legal system etc.), starting in the 1970s, and has published satellite accounts for various functions, notably tourism³² and health³³.

In the area of compiling satellite accounts to group all the transactions for enterprises with homogeneous characteristics, research is lagging much further behind; although a methodology for social economy satellite accounts began to be drawn up in 1983³⁴, it was never finished. In 2006 ADDES, the association for the development of documentation on the social economy, published the Satellite Account of Non-Profit Institutions in France³⁵.

3.4.2. Belgium

The satellite accounts of non-profit institutions in Belgium³⁶ for the 2000/01 period were published in 2004.

³² VASSILLE et al (2003)

³³ FENINA and GEFFROY (2005)

³⁴ ARCHAMBAULT (1988)

³⁵ KAMINSKI (2006)

³⁶ NATIONAL BANK OF BELGIUM (2004)

3.4.3. Spain

Preparation of satellite accounts began in 1988 with a research study directed by José Barea³⁷ which published the health satellite accounts for each of the public bodies working in this field and the consolidated general government health account for the 1960-1987 period, subsequently extended to 1988-1990.

Professor Barea later directed a research study of public social work expenditure, commissioned by the Ministry of Social Affairs, which addressed the problem of the satellite accounts for this benefit and for the agents that supply it and drew up the social services satellite accounts³⁸. Both these satellite accounts were drawn up from the functional perspective of social benefits (health care and social assistance).

Two satellite accounts have also been drawn up in Spain from the point of view of grouping together companies or economic agents with homogeneous characteristics. The first of these, which addressed the social economy in Spain³⁹, was funded by the European Community⁴⁰. It undertook an economic analysis of the agents that make up the social economy and presented the results in the form of a satellite account. The conceptual framework employed for the social economy sector included co-operatives, mutual societies, associations and foundations.

In 1998, research funded by EUROSTAT and the Spanish National Statistics Institute⁴¹ was carried out to separate the activity of non-profit institutions serving households from the household sector account in which they appeared, in the form of a satellite account. This research was conducted within the conceptual and methodological framework of ESA 95.

³⁷ BAREA (1993)

³⁸ BAREA (1997)

³⁹ BAREA and MONZÓN (1995)

⁴⁰ Former DG XXIII, Enterprise Policy, Distributive Trades, Tourism and the Social Economy (contract CE-92-001).

⁴¹ BAREA and PULIDO (1998)

3.5. Key words and references

Units of homogeneous production	ESA 95, paragraphs 2.03, 2.112, 2.113
Homogeneous branches	ESA 95, paragraphs 2.114 to 2.117
Satellite accounts	ESA 95, paragraphs 1.18 to 1.22

CHAPTER 4. THE SATELLITE ACCOUNTS OF SOCIAL ECONOMY COMPANIES AND THE CLASSIFICATION SYSTEMS EMPLOYED (INSTITUTIONAL SECTORS AND INDUSTRIES)

4.1. Groupings of units and transactions in the national accounts

4.1.1. Introduction

As the 1995 ESA states, the economy of a country is the outcome of the activity of a very large number of units which carry out numerous transactions of various kinds for purposes of production, finance, insurance, redistribution and consumption (ESA 95, 2.01). As it is impossible to analyse each of the millions of transactions conducted by millions of units, the national accounts define groupings of units and of transactions so that that the data are useful for the intended types of economic analysis.

4.1.2. Groupings of units

The units of the economic world (enterprises, holding companies, kind-of-activity units, local units, government departments, non-profit institutions, organisations in the social economy, households, etc.) are not always suitable for national accounts purposes, as they are generally based on administrative, legal or accounting criteria (ESA 95, 2.02).

The 1995 ESA establishes that in order to analyse the process of production, it is essential to select units which bring out relationships of a technical/economic nature (local kind-of-activity units and units of homogeneous production); whereas to analyse flows affecting income, capital and financial transactions, it is essential to select units which make it possible to study behavioural relationships among economic agents (institutional units) (ESA 95, 2.03).

As it would be impossible to consider the institutional units separately, they need to be combined into groups called institutional sectors which, in turn, may be divided into sub-sectors. Each institutional unit belongs to only one sector or sub-sector (ESA 95, 2.18).

Since most institutional units that produce goods and services carry out various activities simultaneously, they need to be classified by kind of activity in order to bring out relationships of a technical/economic nature. However, local kind-of-activity units (local KAU) usually meet this requirement, making it unnecessary to divide them. Local KAUs engaged in the same or similar kind of activity constitute an industry (ESA 95, 1.29).

4.1.3. Groupings of transactions

The ESA records two basic types of information: flows and stocks.

4.1.3.1. Flows

Flows reflect the creation, transformation, exchange, transfer or extinction of economic value. They involve changes in the value of an institutional unit's assets or liabilities (ESA 95, 1.32).

A transaction is an economic flow that is an interaction between institutional units, by mutual agreement, or an action within an institutional unit that it is useful to treat as a transaction when the unit performs two different functions (ESA 95, 1.33).

The 1995 ESA divides transactions into four main groups (ESA 95, 1.33):

- a) transactions in products, which describe the origin (domestic output or imports) and use (intermediate consumption, final consumption, capital formation or exports) of goods and services.

- b) Distributive transactions, which describe how value added generated by the production process is distributed to labour, capital and government, and the redistribution of income and wealth (taxes on income and wealth and other transfers)
- c) Financial transactions, which describe the net acquisition of financial assets or the net incurrence of liabilities for each type of financial instrument. Such transactions often occur as counterparts of non-financial transactions, but they may also occur as transactions involving only financial instruments.
- d) transactions not included in the previous three groups, comprising consumption of fixed capital and acquisitions less disposals of non-produced non financial assets.

4.1.3.2. Stocks

Just as flows refer to events that take place within a given period of time, stocks refer to the situation at a given point of time (ESA 95, 1.31). Stocks are therefore the assets and liabilities that are held at a specific moment. Stocks are recorded at the beginning and end of each accounting period. The accounts that show stocks are called balance sheets (ESA 95, 1.47).

A balance sheet is therefore a statement that records the value of the assets held and the liabilities incurred at a particular moment in time. Its balancing item is called net worth (ESA 95, 7.01).

The ESA distinguishes three types of assets:

- a) Non-financial produced assets come into existence as outputs from production processes and are classified as fixed assets, inventories and valuables (ESA 95, 7.14 and 7.15).

- b) Non-financial non-produced assets come into existence other than through production processes and consist of tangible assets and intangible assets (ESA 95, 7.16).
- c) Financial assets comprise means of payment, financial claims (rights materialised as financial assets) and economic assets of a similar nature to financial claims. In the system, each financial asset has a counterpart liability, with the exception of those financial assets classified in the category of monetary gold and special drawing rights. The classification of financial assets and liabilities corresponds to the classification of financial transactions (ESA 95, 7.20, 7.23 and 7.24).

4.2. Criteria for grouping social economy market agents

The social economy agents do not appear as an institutional sector in the National Accounts. Instead, the market agents are classified into the non-financial corporations or financial corporations institutional sectors, depending on their principal function, and the non-market agents are placed in the non-profit institutions serving households institutional sector. This Manual refers to co-operatives and mutual societies, as the subject of study is the field of market agents.

Two systems can be used to group the market agents that belong to the social economy: institutional sectors and industries. The methodology for drawing up the satellite accounts of market agents in the social economy explained in this Manual, which applies to co-operatives, mutual societies and similar or linked organisations, employs this dual perspective.

4.2.1. Principal function criterion

Chapter 2 demarcates the population to be included in the satellite accounts of companies in the social economy. Depending on their main function, social economy

companies are classified into one of two institutional sectors: non financial corporations or financial corporations.

4.2.1.1. Non-financial corporations in the social economy

The companies in the social economy whose principal activity is the production of goods and non-financial services belong in this sector (ESA 95, 2.23). Co-operatives are the main agent in this institutional sector of the social economy, although it may also contain other companies which are not incorporated as co-operatives but possess the characteristics of social economy agents as set out in Chapter 2 and are market producers whose principal activity is to produce goods and non-financial services (for example, labour companies in Spain or what are known as social enterprises).

Social economy business groups (holding companies) that control a group of market producer companies are included in the social economy non-financial corporations sector when the principal kind of activity of the group, measured in terms of value added, consists in producing goods and non-financial services (ESA 95, 2.23).

This sector also includes non-profit institutions funded by voluntary fees of a parafiscal nature paid by co-operatives or their business groups in the non-financial corporations sector (ESA 95, 2.23). The principal activity of these institutions (agricultural, industrial or trade associations, industry bodies, research or inspection laboratories and other organisations or institutions that engage in activities of collective interest or benefit to the group of social economy companies that control and finance them) is to supply services in return for such fees, which are considered purchases of market services.

4.2.1.2. Financial corporations in the social economy

If the function performed by a company in the social economy is financial intermediation, it will be classified into the financial corporations sector of the social economy. Financial intermediation is the activity in which an institutional unit acquires financial assets and at the same time incurs liabilities on its own account by engaging in financial transactions on the market (ESA 95, 2.32).

Within this sector, the ESA defines five sub-sectors, four of which may include financial companies in the social economy (ESA 95, 2.41):

- a) Other monetary financial institutions (excluding Central Banks) covers: commercial banks, savings banks, post office banks, rural savings banks, agricultural credit banks, credit and savings co-operatives and specialist banks. Rural savings banks and other credit co-operatives are the organisations specifically covered by this Manual.
- b) Other financial intermediaries (other than insurance corporations and pension funds) includes, among others, holding companies (social economy groups) which are not themselves financial corporations but which control and govern a group of subsidiaries that are principally engaged in financial intermediation.
- c) Financial auxiliaries includes, among others, non-profit institutions with independent legal entity serving financial corporations in the social economy but which are not themselves engaged in financial intermediation or auxiliary financial activities.
- d) Insurance corporations and pension funds, which covers insurance companies in the social economy (mutual societies, co-operatives, mutual insurance companies, etc.) and independent pension funds in the social economy.

4.2.2. Industry criterion

Companies in the social economy can also be classified by industry. An industry consists of a group of units that engage in the same, or a similar, kind of activity. An activity takes place when inputs (labour, equipment, manufacturing techniques and raw materials) are used to produce specific market goods and services (ESA 95, 1.29, 2.108 and 2.109).

Institutional units may be engaged in a principal activity (that which generates the greatest value added), various secondary activities and various ancillary activities (ESA 95, 3.10, 3.11 and 3.12).

In order to analyse the flows that take place during the production process and the use of goods and services, the institutional units must be partitioned with regard to the kind of production so that the technical/economic relationships (homogeneous branch input-output coefficients) can be examined (ESA 95, 2.03). However, the ESA itself indicates that where the available accounting documents do not allow each of the activities of an institutional unit to be separately identified, this division will not be made and all the activities will be included in the industry that corresponds to the principal activity (ESA 94, 2.107).

To group institutional units by industry, the ESA uses NACE (the Nomenclature of Economic Activities in the European Community – Council Regulation (EEC) No. 3037/90 of 9 October 1990), which is directly linked to the United Nations classification and concepts (ESA 95, 2.103). The 1995 ESA contains industry classifications comprising 60 industries, 31 industries, 17 industries, 6 industries and 3 industries (ESA 95, Annex IV).

One of the objectives of satellite accounts by industry is to ascertain the weight of the co-operatives and mutual societies in each area of a country's economy. However, disaggregation by industry will depend on the degree to which they are disaggregated in the statistics of each European Union member country.

The satellite accounts for companies in the social economy will be structured by both institutional sector and industry.

REGROUPING AND CODING OF INDUSTRIES (A) (ESA 95, ANNEX IV)

	A60	
Code	Description	NACE Rev. 1 Reference
01	Agriculture, hunting and related service activities	01
02	Forestry, logging and related service activities	02
05	Fishing; operation of fish hatcheries and fish farms; service activities incidental to fish	05
10	Mining of coal and lignite; extraction of peat	10
11	Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying	11
12	Mining of uranium and thorium ores	12
13	Mining of metal ores	13
14	Other mining and quarrying	14
15	Manufacture of food products and beverages	15
16	Manufacture of tobacco products	16
17	Manufacture of textiles	17
18	Manufacture of wearing apparel; dressing and dyeing of fur	18
19	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear	19
20	Manufacture of wood and of products of wood and cork, except furniture, manufactures of articles of straw and plating materials	20
21	Manufacture of pulp, paper and paper products	21
22	Publishing, printing and reproduction of recorded media	22
23	Manufacture of coke, refined petroleum products and nuclear fuel	23
24	Manufacture of chemicals and chemical products	24
25	Manufacture of rubber and plastic products	25
26	Manufacture of other non-metallic mineral products	26

27	Manufacture of basic metals	27
28	Manufacture of fabricated metal products, except machinery and equipment	28
29	Manufacture of machinery and equipment n.e.c.	29
30	Manufacture of office machinery and computers	30
31	Manufacture of electrical machinery and apparatus n.e.c.	31
32	Manufacture of radio, television and communication equipment and apparatus	32
33	Manufacture of medical, precision and optical instruments, watches and clocks	33
34	Manufacture of motor vehicles, trailers and semi-trailers	34
35	Manufacture of other transport equipment	35
36	Manufacture of furniture, manufacturing n.e.c.	36
37	Recycling	37
40	Electricity, gas, steam and hot water supply	40
41	Collection, purification and distribution of water	41
45	Construction	45
50	Sale, maintenance and repair of motor vehicles and motorcycles, retail sale of automotive fuel	50
51	Wholesale trade and commission trade, except of motor vehicles and motorcycles	51
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	52
55	Hotels and restaurants	55
60	Land transport; transport via pipelines	60
61	Water transport	61
62	Air transport	62
63	Supporting and auxiliary transport activities; activities of travel agencies	63
64	Post and telecommunications	64
65	Financial intermediation, except insurance and pension funding	65

66	Insurance and pension funding, except compulsory social security	66
67	Activities auxiliary to financial intermediation	67
70	Real estate activities	70
71	Renting of machinery and equipment without operator and personal and household goods	71
72	Computer and related activities	72
73	Research and development	73
74	Other business activities	74
75	Public administration and defence; compulsory and social security	75
80	Education	80
85	Health and social work	85
90	Sewage and refuse disposal, sanitation and similar activities	90
91	Activities of membership organization n.e.c	91
92	Recreational, cultural and sporting activities	92
93	Other service activities	93
95	Private households with employed persons	95
99	Extra-territorial organizations and bodies	99

n.e.c.: not elsewhere classified

A31		
Code	Description	NACE Rev. 1 Reference
AA	Agriculture, hunting and forestry	A
BB	Fishing	B
CA	Mining and quarrying of energy-producing materials	CA
CB	Mining and quarrying except energy-producing materials	CB
DA	Manufacture of food products; beverages and tobacco	DA
DB	Manufacture of textiles and textile products	DB
DC	Manufacture of leather and leather products	DC
DD	Manufacture of wood and wood products	DD
DE	Manufacture of pulp, paper and paper products; publishing and printing	DE
DF	Manufacture of coke, refined petroleum products and nuclear fuel	DF
DG	Manufacture of chemicals, chemical products and man-made fibres	DG
DH	Manufacture of rubber and plastic products	DH
DI	Manufacture of other non-metallic mineral products	DI
DJ	Manufacture of basic metals and fabricated metal products	DJ
DK	Manufacture of machinery and equipment n.e.c.	DK
DL	Manufacture of electrical and optical equipment	DL
DM	Manufacture of transport equipment	DM
DN	Manufacturing n.e.c.	DN
EE	Electricity, gas and water supply	E
FF	Construction	F
GG	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	G
HH	Hotels and restaurants	H

II	Transport, storage and communication	I
JJ	Financial intermediation	J
KK	Real estate, renting and business activities	K
LL	Public administration and defence; compulsory social security	L
MM	Education	M
NN	Health and social work	N
OO	Other community, social and personal service activities	O
PP	Private households with employed persons	P
QQ	Extra-territorial organizations and bodies	Q

n.e.c.: not elsewhere classified

A17		
Code	Description	NACE Rev. 1 Reference
A	Agriculture, hunting and forestry	A
B	Fishing	B
C	Mining and quarrying	C
D	Manufacturing	D
E	Electricity, gas and water supply	E
F	Construction	F
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	G
H	Hotels and restaurants	H
I	Transport, storage and communication	I
J	Financial intermediation	J
K	Real estate, renting and business activities	K
L	Public administration and defence; compulsory social security	L
M	Education	M
N	Health and social work	N
O	Other community, social and personal service activities	O
P	Private households with employment persons	P
Q	Extra-territorial organizations and bodies	Q

A6		
Code	Description	NACE Rev. 1 Reference
1	Agriculture, hunting and forestry; fishing and operation of fish hatcheries and fish farms	A + B
2	Industry, including energy	C + D + E
3	Construction	F
4	Wholesale and retail trade, repair of motor vehicles and household goods, hotels and restaurants; transport and communications	G + H + I
5	Financial, real estate, renting and business activities	J + K
6	Other service activities	L to P

A3		
Code	Description	NACE Rev. 1 Reference
1	Agriculture, hunting and forestry; fishing and operation of fish hatcheries and fish farms	A + B
2	Industry, including energy and construction	C + D + E + F
3	Service activities	G to P

4.3. Key words and references

Kind-of-Activity Unit (KAU)	ESA 95, paragraph 1.29
Flows	ESA 95, paragraphs 1.31 and 1.32
Local Kind-of-Activity Unit (local KAU)	ESA 95, paragraph 2.106
Industry	ESA 95, paragraphs 1.29, 2.108, 2.109
Transactions	ESA 95, paragraph 1.33
Transactions in goods and services	ESA 95, paragraph 1.33
Distributive transactions	ESA 95, paragraph 1.33
Financial transactions	ESA 95, paragraph 1.33
Stocks	ESA 95, paragraph 1.47
Balance sheet	ESA 95, paragraph 7.01
Assets (and types of asset)	ESA 95, paragraphs 7.09, 7.10 and 7.13
Liabilities	ESA 95, paragraph 5.07
Activity (principal, secondary and ancillary)	ESA 95, paragraphs 3.10, 3.11 and 3.12

CHAPTER 5. METHODOLOGY FOR DRAWING UP THE SATELLITE ACCOUNTS OF THE MARKET AGENTS IN THE SOCIAL ECONOMY BY INSTITUTIONAL SECTOR

5.1. Introduction

This chapter provides a framework for reliably transferring the data on the activity of companies in the social economy (co-operatives, mutual societies, social economy business groups and non-profit institutions financed by voluntary parafiscal fees paid by these social economy companies for services provided to them) to the Satellite Accounts.

As the activities of the above-mentioned social economy companies do not appear separately in the National Accounts, where they are aggregated with those of the private and public business sector (financial corporations and non-financial corporations), satellite accounts for the social economy business sector need to be drawn up to reveal its dimensions in the country's economy, as explained in Chapter 3.

As explained in Chapter 4, the market agents in the social economy will be found in 2 institutional sectors. They are included in the social economy non-financial corporations sector when their principal activity is the production of goods and non-financial services (co-operatives, social economy business groups that control groups of companies whose activity consists in producing goods and non-financial services, labour companies and non-profit institutions serving these agents). If the function performed by a company in the social economy is financial intermediation, it will be classified into the financial corporations sector of the social economy (credit and savings co-operatives, rural savings banks incorporated as co-operatives, social economy business groups that control and govern a group of subsidiaries which are financial intermediaries, non-profit institutions that are legal persons serving financial corporations in the social economy, social economy insurance companies such as

mutual societies, co-operative and mutual insurance societies and the independent pension funds of social economy agents).

It is to these two groups of social economy agents that the methodology for drawing up the satellite accounts by institutional sector explained in this Manual applies.

5.2. Basic data for drawing up the Satellite Accounts for co-operatives and mutual societies by Institutional Sector

The basic data are the Balance Sheets and the Profit and Loss Accounts. In some accounting systems a Statement of Source and Application of Funds is also prepared. The Balance Sheets are the accounts that show the stocks, which are the assets and liabilities held at a specific moment. They are recorded at the beginning and end of each accounting period. As already mentioned (4.1.3.2), a balance sheet is a statement that records the value of the assets held and the liabilities incurred at a particular moment in time; the difference between the two is called 'net worth'.

The same section of Chapter 4 also mentions that the 1995 ESA distinguishes three categories of asset: non-financial produced, non-financial non-produced and financial assets.

The Profit and Loss Account records economic transactions or flows between institutional units. As mentioned in Chapter 4 (4.1.3.1), the 1995 ESA distinguishes four main types of transaction: transactions in goods and services, distributive transactions, financial transactions and other transactions (consumption of fixed capital and acquisitions less disposals of non-financial non-produced assets). All of these, except financial transactions, are recorded in the Profit and Loss Account.

The accounting systems that require a Statement of Source and Application of Funds consider that the financial resources obtained during the accounting period and the sources of these should be shown, as should their application or employment in immovable or current assets.

5.3. Company accounts as a reflection of their economic activity

A company's economic activities are reflected by a large quantity of flows of different types with other companies, financial corporations, households, general government, non-profit institutions and units in other countries.

The basic task of every business accounts system is to classify these flows into a limited number of meaningful transactions and enter them in the company's accounts in a way that provides a picture of its economic circuit which meets the company's analysis, forecasting and financial policy needs. For each significant transaction, the Accounting Plan must open an account to enter all the flows attributable to that transaction.

The economic circuit of a company can be represented schematically by the following processes:

- Production and sale of goods and services
- Distribution of value added generated during the production process
- Accumulation, in other words, investment in true assets that allow the company to replace or expand its production capacity
- Financing, which covers the financial transactions which, all in all, change the company's credits and/or debits

Business accounts have been partially static, as they have addressed issues concerning assets and legal obligations. Increasingly, they are becoming more dynamic and greater importance is being given to their reflecting all the flows arising

out of the company's economic activity. A start has even been made on convergence between business accounts and national accounts, which will make it increasingly feasible to integrate business accounts into the national accounts.

From the moment that accounts ceased to be exclusively a control mechanism and became an indispensable management tool and a vehicle for distributing information, a reconciliation between business accounts and national accounts may be said to have become possible.

Companies are increasingly interested in obtaining information on output in their sector, product demand by region, possible market developments that may concern them, price and wage trends, raw material costs internationally, etc. For statistics to supply this information in a way that is useful to the company, not only must the information provided by the companies themselves fit in with global economic analysis needs but the data resulting from this analysis must be intelligible and suitable for the companies' consumption. This two-way current to close the gap between the two accounting systems appears to be more and more necessary. On the one hand, company accountants need to understand the usefulness of making their accounting systems and statements more economically significant. On the other, national accountants must also play their part, as they have been doing, by adapting the national accounts to make it possible to study the productive sectors, investment, finance and the costs borne by companies.

The different objectives of the accounting systems (national and business), which entail divergences in their methods, should not cause the fact that an accounting model is a model to describe the economic activity of one or more agents to be overlooked. The two techniques should, therefore, make it possible to acquire a satisfactory knowledge of the economic circuit on both the individual and the category of agents level. Consequently, it is possible to discover the basic stages of the economic circuit through business accounts.

Although business accounts and national accounts have drawn closer to each other, the accounting systems of economic agents (including those in the public sector) are not designed in a way that makes it feasible to integrate the two automatically. As a result, the problem of aggregating macroeconomic quantities at a global level is one of the greatest difficulties encountered by modern economics theory. To make their integration easier, in the 1970s France introduced what was known as the “Intermediate system for enterprises in the extended national accounts system”. This constituted a new accounting framework, conceived as half-way between business accounts and national accounts. To summarise, it was an economic presentation of business accounts that also aimed to describe management flows and asset flows⁴².

The European Community⁴³ considers that “The annual accounts (the balance sheet, the profit and loss account and the notes on the accounts) shall give a true and fair view of the company’s assets, liabilities, financial position and profit or loss”.

5.4. Integration of Co-operative and Mutual society transactions into National Accounts items

The economic circuit of a company can be represented schematically by the processes mentioned in 5.3 above.

This section examines the national account items that record these processes and how the transactions by co-operatives and mutual societies are included in each.

⁴² PICHET (1979)

⁴³ Fourth Council Directive 78/660/EEC of 25 July 1978, Article 2, section 3

Since the lack of standardisation of business accounts in the 25 countries of the European Union makes it difficult to pinpoint each account in their business accounts systems and the national accounts item in which should be placed, what will be shown is how the transactions conducted by co-operatives and mutual societies fit in with national accounts items.

The European Community's Fourth Council Directive, mentioned above, has already led to a certain degree of coordination in the content and presentation of the two accounting models that co-exist in Europe: the 'Franco-German' model, which emphasises form over content, and the 'Anglo-Saxon' model, which is very demanding as regards content and very meagre concerning form. Given these differing concepts, it is hardly surprising that France should have standardised its General Accounting Plan many years ago (1947) whereas, on the principle that what was important was the content rather than the form, this was not possible in the United Kingdom, where a better description is homogenisation.

In the French accounting model, the accounting system must serve micro- and macro-economic ends, while the British model is based on the financial reporting demands of stock-market-based capitalism. The result is that the financial statements of companies that use the Franco-German model are more suitable for macroeconomic analysis than those of companies in the United Kingdom.

Nonetheless, European companies with an international profile face a series of problems when they turn to international financial markets, as accounts drawn up in accordance with European Union (EU) legislation transposed to that of each member state are not acceptable and they have to transpose them to the United States' accounting standards. This obliges them to draw up two sets of accounts, one complying with the EU accounting Directives and another that meets the demands of the international financial markets.

The European Council meeting in Lisbon emphasised the importance of an efficient, transparent financial market for fostering growth and employment in the

European Union. For the EU to achieve a single, effective and competitive equity market, urgent action is needed in the field of financial reporting in order to increase the comparability of financial statements. At the proposal of the European Commission, the European Parliament and the European Council have approved Regulation (CE) no. 1606/2002 of 19 July 2002, whereby it is the Commission that must decide on the applicability of international accounting standards in the Community. This regulation defines "international accounting standards" as the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations.

For each financial year starting on or after 1 January 2005, companies governed by the law of a Member State must prepare their consolidated accounts in conformity with the international accounting standards adopted. The Regulation establishes the requirements for international accounting standards to be adopted. This leads to uncertainty as to whether the accounting systems of European companies will continue to be of use for macroeconomic analysis of the sector. However, as co-operatives and mutual societies are not quoted on stock exchanges, the Regulation does not at present apply to them.

5.4.1. OUTPUT (P1) As mentioned in Chapter 1 (1.3.1), the 1995 ESA defines production as *an activity carried out under the control and responsibility of an institutional unit that uses labour, capital and goods and services to produce other goods and services*. As goods and services produced by co-operatives and mutual societies are intended for sale, their output is considered market output (see Chapter 1). Market output includes products used for payments in kind, including compensation of employees in kind (ESA 95, 3.18).

Although business accounts do not show the company's output directly, it can be calculated by adding up the following transactions:

- Sales of goods and services

- Changes in inventories of finished goods and work-in-progress.
- Own expenses capitalised (output retained for gross fixed capital formation by the same institutional unit).

Services produced by trade are measured by trade margins, which are valued as the difference between the value of the goods acquired for resale and the value of the goods that have actually been sold by the traders during the period in question (ESA 95, 3.60) (in the case of goods sold in the same state as when bought, with no intermediate processing). Consequently, the value of the output of trading companies can be calculated from their sales of goods, purchases of goods and changes in inventories of goods.

In accordance with the 1995 ESA rules, financial intermediation services (excluding insurance services and pension fund services) directly charged by financial intermediaries to their clients and measured as the sum of fees and commissions charged constitute the explicit output of these organisations and are valued on the basis of the fees and commissions charged (ESA 95, 3.63).

However, financial intermediaries provide services for which they do not explicitly charge fees or commissions. They pay lower rates of interest than would otherwise be the case to those who lend them money and charge higher rates of interest to those who borrow from them. Consequently, the output of financial intermediation services indirectly charged and indirectly measured (FISIM) is generated by the management by the financial intermediaries of loans and deposits whose rates they control; in contrast, there is no intermediation service for securities other than shares (ESA 95, 3.63).

The output of Rural Savings Banks and Credit Co-operatives is valued on the basis of the difference between the actual rates of interest payable and receivable and a "reference" rate of interest. For those to whom the intermediaries lend funds, both resident and non-resident, it is measured by the difference between the effective

interest charged on loans and the amount that would be paid if a reference rate were used. For those from whom the intermediaries borrow funds, both resident and non-resident, it is measured by the difference between the interest they would receive if a reference rate were used and the effective interest they actually receive. As a result, the following adjustments need to be made when the transactions of Rural Savings Banks and Credit Co-operatives are included in the National Accounts: the interest paid by the borrowers must be reduced by the estimated value of the expenses to be paid and the interest paid to the lenders must be increased in a similar fashion. The counterpart of these adjustments will be entered under Output (P.1).

The output of insurance services is measured by the following equation: $P1 = \text{Total premiums attributable to the period} + \text{Total premium supplements (equal to the income from the investment of the insurance technical reserves)} - \text{Total claims attributable to the period} - \text{Change in the actuarial reserves (technical provisions or mathematical reserves) and reserves for with-profits insurance}$. If the insurance technical reserves are invested in secondary activities of the mutual society or mutual insurance company (e.g. letting offices or dwellings), the net operating surplus on these secondary activities constitutes income from the investment of insurance technical reserves (ESA 95, 3.63).

The output of pension fund services is measured by the following equation: $P1 = \text{Total pension contributions attributable to the period} + \text{Total supplementary contributions (equal to the income from investment of the pension fund's technical reserves)} - \text{Total benefits due attributable to the period} - \text{Change in the actuarial reserves}$ (ESA 95, 3.63).

Holding gains and losses are to be ignored in the measurement of the output of insurance services and pension fund services.

5.4.2. INTERMEDIATE CONSUMPTION (P.2) Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital. The goods and services may be either transformed or used up by the production process (ESA 95, 3.69).

Intermediate consumption includes the following borderline cases (ESA 95, 3.70):

- a) the administration of purchasing and sales, marketing, accounting, data processing, transport, storage, maintenance, security, etc.
- b) the costs of using rented fixed assets and the operational leasing of machines or cars
- c) subscriptions, contributions or dues paid to non-profit associations
- d) items not treated as gross capital formation (small tools which are inexpensive and used for relatively simple operations or small devices such as pocket calculators), ordinary maintenance and repair of fixed assets, R&D services, staff training, market research and similar activities, payments for the use of non-produced assets such as patents, trade marks, etc. (but not for their purchase), expenditure by employees on items necessary for production that is reimbursed by the employer, reimbursement of travelling, removal and entertainment expenses incurred in the course of the employees' duties, providing amenities at the place of work, financial intermediation services charged directly or indirectly (see financial intermediation output).

Intermediate consumption excludes items treated as gross fixed capital formation, expenditure by employers that is considered wages and salaries in kind and payments for government licences, permits etc. that are considered taxes on production (ESA 95, 3.71).

In business accounts, what the national accounts consider intermediate consumption generally appears as goods and external services acquired by the company. If an inventories account of the above-listed goods is kept, intermediate consumption is estimated by subtracting the changes in inventories of goods intended for intermediate consumption from the purchases of these goods.

5.4.3. COMPENSATION OF EMPLOYEES⁴⁴ (D.1) This comprises the total remuneration, in cash and in kind, payable by employers (Co-operative or Mutual Society) to their employees in return for the work done by the latter during the accounting period (ESA 95, 4.02).

It is broken down into wages and salaries (D.11), in cash or in kind, and employers' social contributions (D.12), which distinguish employers' actual social contributions (D.121) from employers' imputed social contributions (D.122).

Wages and salaries in cash include the following types of remuneration: basic wages and salaries, bonuses, supplements, bonuses based on productivity or profits, transport allowances, holiday pay, incentives linked to the overall performance of the enterprise, payments made under saving schemes and housing allowances (ESA 95, 4.03).

Wages and salaries in kind are goods and services or other benefits, provided free or at reduced prices by employers, that are not necessary for the employers' production process (ESA 95, 4.04).

Wages and salaries do not include: allowances or reimbursement for travelling and accommodation expenses, expenditure on providing amenities at the place of

⁴⁴ This item includes the remuneration that workers' co-operatives pay to member employees in return for their work. In strict legal terms, these workers are not employees and the compensation they receive is not a salary but a labour or work related advance on their profit share. However, this Manual employs only the 1995 ESA terms, 'employees' and 'salaries', and includes in these the worker members of workers' co-operatives and their 'labour advances'.

work, supplying working clothes or allowances for purchasing tools, equipment or special clothing needed for their work, which are all considered intermediate consumption, nor wages and salaries which employers continue to pay in the case of sickness, maternity or industrial injury, children's, spouses', family or education allowances or free medical services, which are all considered unfunded employee social benefits / imputed social contributions (ESA 95, 4.07).

Employers' social contributions cover the social contributions paid to ensure that their employees are entitled to receive social benefits; when the contributions are paid to insurers they are considered actual social contributions and when the social benefits are paid directly by the employer they are considered imputed social contributions and represent the counterpart to unfunded employee social benefits (ESA 95, 4.09 – 4.10).

Employee's wages, actual social contributions and imputed social contributions are clearly differentiated in the accounts of co-operatives and Mutual societies.

5.4.3.A. SOCIAL CONTRIBUTIONS (D.61) Actual social contributions paid by companies in the social economy are the payments that these companies make to social security bodies, insurance enterprises and autonomous or non-autonomous pension funds administering social insurance schemes in order to ensure that social benefits are available to their employees (ESA 95, 4.92).

As the actual social contributions paid by co-operatives and mutual societies are made for the benefit of their employees, these contributions are recorded as one of the components of compensation of employees (flow 1).

5.4.4. TAXES ON PRODUCTION AND IMPORTS (D.2) These payments made by the co-operatives and mutual societies to general government are compulsory and unrequited (there is no direct counterpart) and are levied on the production and

importation of goods and services, the employment of labour and the ownership or use of land, buildings or other assets used in production. These taxes must be paid even if no profits are made (ESA 95, 4.14).

Taxes on production and imports are divided into: value added type taxes (VAT) (D.211); taxes and duties on imports excluding VAT (D.212); taxes on products, except VAT and import taxes (D.214); and other taxes on production (D.29) (ESA 95, 4.15). All of these are shown in the accounts of co-operatives and mutual societies.

5.4.5. SUBSIDIES (D.3) The ESA 95 defines subsidies as current payments that general government or the institutions of the European Union make to resident producers (in this case co-operatives and mutual societies) with the objective of influencing their levels of production, their prices or the remuneration of the factors of production (ESA 95, 4.30).

Subsidies are divided into: subsidies on products (D.31), distinguishing those for imports from others for products, and other subsidies on production (subsidies for employing handicapped persons, subsidies for reducing pollution, interest relief, etc.) (ESA 95, 4.32). Generally, there are accounts for recording these subsidies.

5.4.6. PROPERTY INCOME (D.4) This is the income that co-operatives and mutual societies receive, as the owners of a financial asset or a tangible non-produced asset, in return for providing funds to another institutional unit or putting the tangible non-produced asset at its disposal (ESA 95, 4.41). When the co-operatives or mutual societies are the units that receive the funds or the tangible asset, the income is paid by these companies.

In the ESA system, property income is classified as follows: interest (D.41), distributed income of corporations (D.42) (dividends and withdrawals from income of quasi-corporations), reinvested earnings on direct foreign investment (D.43), property income attributed to insurance policy holders (D.44) and rents on land and sub-soil assets (D.45) (ESA 95, 4.41).

These transactions can be quantified from the accounts of co-operatives and mutual societies.

5.4.7. CURRENT TAXES ON INCOME, WEALTH, ETC. (D.5) These taxes cover all compulsory, unrequited payments [see 5.4.4 above], in cash or in kind, paid by the co-operatives and mutual societies to public bodies, such as taxes on the profits of corporations, taxes on holding gains and current taxes on capital (ESA 95, 4.77 to 4.79).

The following are not included under this heading: inheritance tax, death duties or taxes on gifts inter vivos, which are considered capital taxes (ESA 95, 4.80).

These taxes can be quantified from the companies' accounts.

5.4.8. SOCIAL BENEFITS (D.62) Under this heading the ESA 95 includes current transfers from schemes organised by companies, including co-operatives and mutual societies, in the name of employees, ex-employees and their dependants; these refer to private funded or unfunded schemes. As mentioned in 5.4.3 above, wages and salaries which employers continue to pay in the case of sickness, maternity or industrial injury, children's, spouses', family or education allowances and free medical services are considered unfunded employee social benefits (paid directly by the company) (ESA 95, 4.103).

The Co-operatives' and Mutual Societies' accounts will provide the quantification of these benefits.

5.4.8.A. OTHER CURRENT TRANSFERS (D.7) This item covers the insurance co-operatives' and mutual insurance companies' transactions in respect of the net non-life insurance premiums (D.71) payable by policy holders to obtain insurance cover during the accounting period (premiums attributable to the current accounting year) and premium supplements payable out of the property income attributed to the

insured parties after deducting the insurer's service charges (ESA 95, 4.109). It also covers the non-life insurance claims (D.72) attributable to the current accounting year under non-life insurance contracts, in other words, the amounts that insurance enterprises are obliged to pay in respect of injuries or damage suffered by persons or goods, including fixed capital goods (ESA 95, 4.112).

5.4.9. ADJUSTMENT FOR THE CHANGE IN NET EQUITY OF HOUSEHOLDS IN PENSION FUNDS' RESERVES (D.8) Since Mutual Societies can conduct pension fund transactions and the ESA 95 treats households as owning the actuarial reserves of private funded pension schemes, an adjustment needs to be made in order to reconcile the saving of households with the change in their net equity in mutual society pension fund reserves; this also requires an opposite adjustment in the accounts of the mutual societies (ESA 95, 4.141 and 4.142).

This adjustment is quantified as follows: the total value of the premiums and contributions registered as social contributions payable in that year into private funded pension schemes, plus the total value of supplementary contributions payable out of the property income attributed to the insurance policy holders, minus the value of the associated service charges, minus the total value of the pensions paid out as social benefits by the private funded pension schemes (ESA 95, 4.142).

5.4.10. CAPITAL TRANSFERS (D.9) Capital transfers are differentiated from current transfers in that they entail the transfer of a financial or non-financial asset without any counterpart being received in return (ESA 95, 4.145). Capital transfers cover capital taxes (D.91), investment grants (D.92) and other capital transfers (D.99) (ESA 95, 4.147).

Of relevance to this Manual is that capital levies (occasional or exceptional taxes on the value of assets or on the net worth of co-operatives and mutual societies), including betterment levies (taxes on the increase in the value of agricultural land due to planning permission for commercial or residential development), are considered capital taxes (ESA 95, 4.149).

Investment grants received by co-operatives and mutual societies from public bodies to finance all or part of the costs of acquiring fixed assets are also considered capital transfers (ESA 95, 4.152).

Other capital transfers include payments by general government to co-operatives and mutual societies for damage to their assets caused by natural disasters (floods, earthquakes) or wars, payments to cover losses accumulated over several financial years and cancellation of debts by mutual agreement except in the case of tax and social contribution debts (ESA 95, 4.165).

It is possible to quantify these transactions from the accounts of co-operatives and mutual societies.

5.4.11. GROSS FIXED CAPITAL FORMATION (P.51) Co-operatives and mutual societies use fixed assets in their production processes. Gross fixed capital formation covers the acquisitions less disposals of fixed assets by the co-operatives and mutual societies during the financial year, plus certain appreciations in the value of non-produced assets (particularly land) arising out of the productive activity of these social economy companies (ESA 95, 3.102).

Gross fixed capital formation covers (ESA 95, 3.105 to 3.107):

- a) Tangible fixed assets (non-residential and other buildings and structures, dwellings, machinery and equipment and cultivated assets, e.g. trees and livestock).
- b) Intangible fixed assets (computer software and other intangible fixed assets).
- c) Major improvements to non-produced tangible assets (land improvements such as clearing and levelling to enable land to be used in production for the first time, reclaiming land from the sea, draining marshy areas or prevention of flooding).
- d) Changes in livestock used in production over a number of years, such as breeding stock and dairy, wool-producing or draught animals.

- e) Changes in long-term plantations such as fruit trees, vines, rubber trees, palm trees, etc.
- f) Acquisition of fixed assets by financial leasing.

Gross fixed capital formation does not include: the purchase of small tools for production purposes, ordinary maintenance and repairs, the purchase of fixed assets to be used under an operational leasing contract, changes in inventories, gains and losses on changes in the value of fixed assets or catastrophic losses on fixed assets (flooding, epidemics, etc.) (ESA 95, 3.108).

In the accounts of co-operatives and mutual societies, the above-mentioned gross fixed capital formation transactions are entered under tangible fixed assets and intangible fixed assets. The year's transactions can be calculated by comparing the balance sheets.

5.4.11.A. CONSUMPTION OF FIXED CAPITAL (K.1) In the ESA 95, this represents the amount of fixed assets used up during the period under consideration as a result of normal wear and tear and foreseeable obsolescence, including a provision for losses of fixed assets as a result of accidental damage which can be insured against (ESA 95, 6.02).

In the accounts of co-operatives and mutual societies, it appears under Depreciation of Fixed Assets.

5.4.12. CHANGES IN INVENTORIES (P.52) Changes in inventories are measured by the value of the entries less the value of withdrawals and the value of any current losses of goods held in inventories (ESA 95, 3.117).

They can be divided into the following categories (ESA 95, 3.119):

- a) Materials and supplies

- b) Work-in-progress, consisting in unfinished output (growing crops, maturing trees and livestock, uncompleted constructions, uncompleted research).
- c) Finished goods that the companies in the social economy are not intending to process further before supplying.
- d) Goods for resale, which are those acquired in order to resell them in the same state as when acquired.

In the accounts of co-operatives and mutual societies, these transactions appear under the following accounts: merchandise stock (trade merchandise), raw materials, other supplies, work-in-hand and finished goods. Comparative balances should be used to calculate the changes in inventories over the year.

The financial transactions of co-operatives and mutual societies

These are transactions involving financial assets and liabilities that are made between units in the social economy and other institutional units and between units in the social economy and the rest of the world. Each financial asset has a counterpart liability, except in the case of financial assets classified as monetary gold and special drawing rights (ESA 95, 5.01 and 5.07).

Both the financial assets and the financial liabilities of the co-operatives and mutual societies at a given date are shown on the balance sheet.

The financial transactions of these agents are examined here below:

5.4.13. CURRENCY AND DEPOSITS (F.2) This heading covers all the transactions in currency in circulation (i.e. cash) and in all types of deposits, whether transferable or otherwise (ESA 95, 5.36). In co-operative and mutual society

accounts, these transactions are shown under Cash and Guarantees and Deposits received and made.

5.4.14. SECURITIES OTHER THAN SHARES (F.3) These cover all transactions in securities other than shares, in other words, in financial assets which are negotiable on secondary markets or can be offset on the market and do not grant the holder any ownership rights in the co-operatives and mutual societies that issue them (ESA 95, 5.50). They include bills, bonds, certificates of deposit, commercial paper, debentures, financial derivatives and similar instruments normally traded in the financial markets (ESA 95, 5.51). They are divided into short-term securities (ESA 95, 5.56), long-term securities (ESA 95, 5.60) and financial derivatives (ESA 95, 5.65). These transactions are easily identified in the accounts of co-operatives and mutual societies.

5.4.15. LOANS (F.4) These consist of transactions in financial assets created when creditors lend funds to debtors which are evidenced by non-negotiable documents or not evidenced by any document (ESA 95, 5.69). They may be short-term or long-term loans, depending on whether their due date is within or over one year from the accounting date (ESA 95, 5.72 and 5.73).

They include loans which are counterparts of bankers' acceptances, financial leasing and hire-purchase agreements, loans to finance trade credits, mortgage loans, consumer credit, revolving credits, instalment loans and loans paid as a guarantee for fulfilling certain obligations (ESA 95, 5.81).

Loan transactions are easy to identify in the accounts of co-operatives and mutual societies.

5.4.16. SHARES AND OTHER EQUITY (F.5) This covers all transactions in financial assets that represent property rights over corporations or quasi-corporations. These financial assets entitle the holders to a share in the profits of the corporations

or quasi-corporations and to a share in their net assets in the event of liquidation (ESA 95, 5.86).

This category is subdivided into shares and other equity excluding mutual fund shares (F.51) and mutual fund shares (F.52).

It includes (ESA 95, 5.91):

- a) Capital shares in limited liability companies and limited partnerships.
- b) Redeemed shares in limited liability companies; these are shares whose capital has been repaid but which are retained by the holders who continue to be owners and to be entitled to a share in the profits left after dividends have been paid.
- c) Dividend shares issued by limited liability companies, which are called founders' shares, profit shares, dividend shares, etc. depending on the country and the circumstances in which they are created and which are not part of the registered capital.
- d) Preference shares (preferred stocks) which give the right to participate in the distribution of the residual value of a corporation in the event of dissolution.
- e) All forms of equity in corporations which are not shares (ESA 95, 5.95).
- f) The shares issued by financial corporations which are called, according to country, mutual funds, unit trusts, investment trusts and collective investment schemes (e.g. UCITs), whether open-ended, semi-open or closed-end (ESA 95, 5.97).

These transactions are relatively easy to identify in the accounts of co-operatives and mutual societies.

5.4.17. INSURANCE TECHNICAL RESERVES (F.6) This heading covers all the transactions of co-operatives and mutual societies, as insurance corporations and pension funds, in respect of technical provisions for policy holders or beneficiaries as laid down in Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (ESA 95, 5.98).

It covers (ESA 95, 5.99):

- a) Net equity of households in life insurance reserves.
- b) Net equity of households in pension fund reserves.
- c) Prepayments of insurance premiums.
- d) Reserves for outstanding claims.

Insurance technical reserves are financial assets (ESA 95, 5.100) for:

- a) The policy-holders, as regards net equity of households in life insurance fund reserves, pension fund reserves and prepayments.
- b) The beneficiaries, in respect of reserves for outstanding claims.

Insurance technical reserves are liabilities (ESA 95, 5.101) for:

- a) Co-operative and mutual society life and non-life insurance companies and autonomous pension funds included in the insurance corporations and pension funds sub-sector
- b) Non-autonomous pension funds included in their respective co-operatives and mutual societies.

These transactions appear in the accounts of co-operatives and mutual societies.

5.4.18. OTHER ACCOUNTS RECEIVABLE/PAYABLE (F.7)

These include transactions materialised in financial claims that stem from early or late payment for transactions in goods and services, distributive transactions and secondary trade in financial assets. They are the counterpart transactions in cases where payment is due and not yet paid and for debts arising from income accruing over time and from arrears (ESA 95, 5.121).

They are divided into trade credits and advances and other accounts receivable/payable excluding trade credits and advances (ESA 95, 5.123).

5.5. Linking tables between the accounts of co-operatives and mutual societies and the satellite accounts in terms of the accounts of these institutional sectors.

5.5.1 Introduction

The basis for drawing up the linking tables are the balance sheets, profit and loss accounts, annual reports and comparative balance sheets.

The linking table for each group of companies that belong to the same market social economy agent (co-operatives, mutual societies, co-operative company groups, mutual company groups, non-profit institutions serving co-operatives and non-profit institutions serving mutual societies) is drawn up by assigning each of the items in the comparative balance sheets and profit and loss accounts to the relevant item in the Co-operative and Mutual Society Satellite Accounts as defined in 5.4 above. For this purpose, the model linking tables at the end of this section should be employed for each of the social economy market agents in the satellite account population. The tables are as follows:

Model I. Linking table for comparative balance sheet Assets entries

Model II. Linking table for comparative balance sheet Liabilities entries

Model III. Linking table for profit and loss account Expense entries.

Model IV. Linking table for profit and loss account Income entries

Model V. Balance Sheet (Assets) and Profit and Loss (Expenses) accounts by economic category

Model IV. Balance Sheet (Liabilities) and Profit and Loss (Income) accounts by economic category.

5.5.2. Drawing up the linking tables

The Model I linking table should be drawn up from the Assets of two consecutive balance sheets (e.g. 2004 as n and 2005 as $n+1$). All the Assets accounts of the balance sheet should be listed in the Assets column; the figures for these accounts at the end of year $n+1$ should be placed in the 31-12 $n+1$ column and those at the end of year n in the 31-12 n column. The difference between the figures for $n+1$ and n should then be entered in the Difference (+ or -) column. The total of column $n+1$ will be the same as that of the balance sheet Assets for year $n+1$ and that of column n will be the same as that of the balance sheet Assets for year n .

The figures from the Difference (+ or -) column should then be transferred to the co-operative and mutual society satellite account items, which are those shown in the model under Economic Categorisation of Comparative Balance Sheet Accounts (Assets), on the basis of the definitions of these items given in this chapter. The names of the economic categories for each of the column headings in Model I are given in Model V.

A general issue that applies to all the linking table models from I to IV is that since not all of the transactions shown in the co-operative and mutual society accounts are flows that have to be transferred to the satellite accounts, the linking tables have a column for transactions not included (TNI). Examples of this type of transaction include setting up reserves, revaluing assets, transferring fictitious assets accounts to profit and loss, etc. Transactions not included must be balanced out, as each Expense transaction must have a corresponding Liability and vice-versa.

Equally, there are transactions in social economy enterprise accounts that constitute flows of more than one kind in the Satellite Accounts. This is the case of social benefits paid directly (in other words, other than through Social Security funds) by employers to their employees or former employees, which must be shown both as compensation of employees (unfunded social benefits) and as imputed social

contributions under resources. Such transactions should be shown in the linking tables in the Transactions to be included (TTI) line. They must be balanced out, as each Asset transaction must have a counterpart Income entry and vice-versa.

The Co-operative and Mutual Society Federations often prepare Summary Tables of balance sheets and profit and loss accounts. These make the task much easier, as they can be used to draw up a single set of Model I to IV tables for each type of Co-operative (agricultural, fishing, hauliers, retail and service, housing, education, insurance, credit, etc.) or Mutual Society (fixed or variable premium insurance, mutual provident society, etc.). In this case, the Model I to IV linking tables should be drawn up by these Federations. If this is not possible, they should be drawn up by each Co-operative or Mutual Society and the respective federations should integrate them, using a computer program. The Annual Reports of the Co-operatives and Mutual societies will also be documents to be consulted when drawing up the Satellite Accounts.

The Model II linking table for the comparative balance sheet Liabilities entries should be drawn up from the Liabilities of two consecutive balance sheets (n and $n+1$) All the Liability accounts of the balance sheet should be listed in the Liabilities column; the figures for these accounts at the end of year $n+1$ should be placed in the 31-12 $n+1$ column and those at the end of year n in the 31-12 n column. The difference between the figures for $n+1$ and n should then be entered in the Difference (+ or -) column. The total of column $n+1$ will be the same as that of the balance sheet Liabilities for year $n+1$ and that of column n will be the same as that of the balance sheet Liabilities for year n .

The figures from the Difference (+ or -) column should then be transferred to the co-operative and mutual society satellite account items, which are those shown in the model under Economic Categorisation of Comparative Balance Sheet Accounts (Liabilities), on the basis of the definitions of these items given in this chapter. The names of the economic categories for each of the column headings in Model II are given in Model VI.

The Model III linking table for the profit and loss account Expenses entries should be drawn up from the profit and loss account. All the profit and loss Expense accounts should be shown in the Expenses column and the balance of each account should be shown in the 31-12 column. The total of this column should be the same as the total Expenses in the profit and loss account.

The figures from this column should then be transferred to the co-operative and mutual society satellite account items, which are those shown in Model III under Economic Categorisation of Profit and Loss Account Accounts (Expenses), on the basis of the definitions of these items given in this chapter. The names of the economic categories for each of the column headings in Model III are given in Model V.

The Model IV linking table for the profit and loss account Income entries should be drawn up from the profit and loss account. All the profit and loss Income accounts should be shown in the Income column and the balance of each account should be shown in the 31-12 column. The total of this column should be the same as the total Income in the profit and loss account.

The figures from this column should then be transferred to the co-operative and mutual society satellite account items, which are those shown in Model IV under Economic Categorisation of Profit and Loss Account Accounts (Income), on the basis of the definitions of these items given in this chapter. The names of the economic categories for each of the column headings in Model IV are given in Model VI.

After drawing up the linking tables (Models I to IV), the Federations in question should send them to the National Statistics Institutes of the respective European Union member countries so that these may supervise the work. After approval has been given or any remarks concerning them have been made, the Satellite Accounts of the co-operatives and mutual societies must be drawn up as explained in a later chapter.

MODEL I

YEAR 20__

LINKING TABLE FOR COMPARATIVE BALANCE SHEET ASSETS ENTRIES

BUSINESS COMPARATIVE BALANCE SHEET			ECONOMIC CATEGORISATION OF COMPARATIVE BALANCE SHEET ACCOUNTS (ASSETS)											
ASSETS	31-12 n + 1	31-12 n	DIFF. + or -	P51	P52	K2	F2	F3	F4	F5	F6	F7	TOTAL	TNI
TOTAL														
Transactions to be included (TTI)														
TOTAL														

MODEL II

YEAR 20__

LINKING TABLE FOR COMPARATIVE BALANCE SHEET LIABILITIES ENTRIES

BUSINESS COMPARATIVE BALANCE SHEET			ECONOMIC CATEGORISATION OF COMPARATIVE BALANCE SHEET ACCOUNTS (LIABILITIES)								
LIABILITIES	31-12 n + 1	31-12 n	DIFF. + or -	F2	F3	F4	F5	F6	F7	TOTAL	TNI
TOTAL											
Transactions to be included (TTI)											
TOTAL											

MODEL III

YEAR 20__

LINKING TABLE FOR PROFIT AND LOSS ACCOUNT EXPENSES ENTRIES

BUSINESS PROFIT AND LOSS ACCOUNT EXPENSES	ECONOMIC CATEGORISATION OF PROFIT AND LOSS ACCOUNT ACCOUNTS (EXPENSES)											
	31-12	P2	D1	D2	D3	D4 paid	D5	D62	D8	D9	TOTAL	TNI
TOTAL												
Transactions to be included (TTI)												
TOTAL												

MODEL IV

YEAR 20__

LINKING TABLE FOR PROFIT AND LOSS ACCOUNT INCOME ENTRIES

BUSINESS PROFIT AND LOSS ACCOUNT	ECONOMIC CATEGORISATION OF PROFIT AND LOSS ACCOUNT ACCOUNTS (INCOME)							
	31-12	P1	D4 received	D6	D7	D9	TOTAL	TNI
INCOME								
TOTAL								
Transactions to be included (TTI)								
TOTAL								

MODEL V.

**BALANCE SHEET (ASSETS) AND PROFIT AND LOSS (EXPENSES) ACCOUNTS BY
ECONOMIC CATEGORY**

ESA 95 account code	Name
P-2	Intermediate consumption
D-1	Compensation of employees (including Social Security contributions)
D-2	Taxes on production and imports
D-3	Subsidies
D-4	Property income
D-5	Current taxes on income, wealth, etc.
D-7	Other current transfers
P-51	Gross fixed capital formation
K-1	Consumption of fixed capital
D-8	Adjustment for the change in net equity of households in pension fund reserves
D-9	Capital transfers payable
P-52	Changes in inventories
D-62	Social benefits other than social transfers in kind
F-2	Currency and deposits (made)
F-3	Securities other than shares (acquired)
F-4	Loans (made)
F-5	Shares and other equity (acquired)
F-6	Insurance technical reserves (prepaid premiums and reserves for claims)
F-7	Other accounts receivable

MODEL VI

BALANCE SHEET (LIABILITIES) AND PROFIT AND LOSS (INCOME) ACCOUNTS BY ECONOMIC CATEGORY.

ESA 95 account code	Name
P-1	Output
D-4	Property income (received)
D-7	Other current transfers received
D-9	Capital transfers receivable
D-6	Social contributions and benefits
F-2	Currency and deposits (received)
F-3	Securities other than shares (issued)
F-4	Loans (received)
F-5	Shares and other equity (issued)
F-6	Insurance technical reserves of life insurance and of pension funds, prepaid premiums and reserves for claims
F-7	Other accounts payable

5.6. Linking tables between the data on the economic activity of Co-operatives and Mutual societies obtained through surveys and the satellite accounts for these enterprises

As mentioned in section 5.5, the balance sheets, profit and loss accounts, annual reports and comparative balance sheets are the essential documents for drawing up the linking tables.

However, small Co-operatives or Mutual Societies may not keep business accounts or may not publish their accounts, so the basic data for these enterprises must be obtained through surveys and the linking tables must be drawn up using these.

The minimum data that need to be obtained through surveys of these enterprises are as follows:

	EUROS
Output (P1)	
a) In manufacturing companies this will be the algebraic sum of: Sales of own output ± Changes in inventories of finished goods and work-in-progress.	
Total	
b) In trading companies it is measured by: Sales of goods – Purchases of goods ± Changes in inventories of goods	
Total	
Intermediate consumption (P.2)	
Calculated as the sum of: Goods and services consumed by the production process (generally goods and external services acquired by companies)	
Total	
Compensation of employees (D.1)	
Calculated as the sum of: Wages and salaries + employers' social contributions	
Total	

	EUROS
Taxes on production and imports (D.2)	
Calculated as the sum of: Value-added type taxes (VAT) + Taxes and duties on imports (excluding VAT) + Taxes on products	
Total	
Subsidies (D.3)	
Calculated as the sum of the following entries: Subsidies on products + Subsidies for employing handicapped persons and to reduce pollution + Grants for interest relief	
Total	
Property income (D.4)	
Calculated as the algebraic sum of the following entries: ± Interest received or paid ± Dividends received or paid ± Rents on land	
Total	
Current taxes on income, wealth, etc. (D.52)	
Calculated as the sum of: Taxes on the profits of co-operatives and mutual societies ± Current taxes on capital	
Total	
Social benefits (D.62)	
These are calculated as the sum of the following unfunded social benefits paid directly by co-operatives and mutual societies: wages and salaries that the employers continue to pay in the event of ill health, maternity or work accident, allowances for children, spouses or family; education allowances and free medical services.	
Total	
Capital transfers (D.9)	
These are calculated as the algebraic sum of the following entries: – Capital taxes (occasional taxes on the net worth of co- operatives and mutual societies) + Investment grants + Payments by general government to co-operatives and mutual societies for damage to assets caused by natural disasters or to cover accumulated losses	
Total	
Gross fixed capital formation (P.51)	
Calculated as the sum of the tangible fixed asset (non- residential buildings and other structures, dwellings, machinery and equipment, changes in livestock used in production for several years, changes in long-term plantations) and intangible fixed asset (computer software) accounting items	
Total	

	EUROS
Consumption of fixed capital (K.1)	
This represents the calculated depreciation of tangible and intangible fixed assets	
Total	
Changes in inventories (P.52)	
These are measured by the value of the entries into inventories of goods acquired for use as inputs in production or intended for sale without further processing less the value of the withdrawals of such goods	
Total	
FINANCIAL TRANSACTIONS	
Changes in financial assets are distinguished from changes in financial liabilities.	
Currency and deposits (F.2)	
These are calculated as the algebraic sum of the following entries: ± Currency (increase or decrease of Cash in hand) ± Deposits made (increase or decrease in deposits, transferable or otherwise, made by co-operatives and mutual societies)	
Net change in financial assets (currency and deposits made) ±	
± Deposits received (increase or decrease in deposits, transferable or otherwise, received by co-operatives and mutual societies)	
Net change in financial liabilities (deposits received) ±	
Securities other than shares (F.3)	
These are calculated as the algebraic sum of the following entries: ± Bills, bonds, commercial paper and debentures acquired (net: purchases minus sales) by co-operatives and mutual societies	
Net change in financial assets ±	
± Bills, bonds, commercial paper and debentures issued (net: issues minus redemptions) by co-operatives and mutual societies	
Net change in financial liabilities ±	
Loans (F.4)	
These are calculated as the algebraic sum of the following transactions: ± Loans granted (net: granted minus reimbursed) by co-operatives and mutual societies for mortgages, consumer credit, revolving credits, etc.	
Net change in financial assets ±	
± Loans received (net: received minus repaid) by co-operatives and mutual societies	
Net change in financial liabilities ±	

	EUROS
Shares and other equity (F.5)	
These are calculated as the algebraic sum of the following transactions:	
± Shares and other equity acquired (net: purchases minus sales) by co-operatives and mutual societies	
Net change in financial assets ±	
± Shares and other equity issued (net: issued minus redemptions) by co-operatives and mutual societies	
Net change in financial liabilities ±	
Insurance technical reserves (F.6)	
Covers the technical provisions of insurance companies and (autonomous and non-autonomous) pension funds for policy holders or beneficiaries.	
These are liabilities of co-operative life and non-life insurance companies, mutual societies, autonomous pension funds included in the insurance corporations and pension funds sub-sector and non-autonomous pension funds set up by co-operatives and mutual societies	
Net change in financial liabilities ±	

5.7. Structure of the satellite accounts by institutional sector, with models

5.7.1. Introduction

As mentioned previously, the conceptual framework of the Satellite Accounts is the same as that of the National Accounts. That is why the transactions of co-operatives and mutual societies are grouped into accounts with the same structure as those of the European System of National and Regional Accounts (ESA 95), which is binding on all the countries of the European Union. **For this reason, the Manual for drawing up Satellite Accounts for the market agents in the social economy is an important initiative** by the European Commission, as when there is the political will to allow the Manual to be implemented, it will make it possible to trace the activity of companies in the social economy throughout the European Union and by member states, using a shared methodology and standardised accounts.

5.7.2. Structure of co-operative and mutual society satellite accounts

The activities of these social economy companies are quantified in the following accounts:

- a) Production account (ESA 95, 8.10): shows the transactions relating to the production process of the market agents in the social economy. The resources in this account include output, the uses include intermediate consumption and the balancing item is value added (Model VII).

- b) Generation of income account (ESA 95, 8.18): analyses the extent to which value added covers compensation of employees and taxes on production and imports less subsidies on production. The balancing item of this account is the income that companies in the social economy obtain from their use of their production facilities, in other words, their operating surplus (Model VIII).

- c) Allocation of primary income account (ESA 95, 8.28): this shows the property income received and paid by the social economy companies. Its balancing item is the gross balance of primary incomes (Model IX).

- d) Secondary distribution of income account (ESA 95, 8.30): shows how the balance of the primary income of the social economy business sector is allocated by redistribution (current taxes on income and wealth, social contributions and benefits and other current transfers). The balancing item of the account is gross disposable income (Model X).

- e) Use of income account (ESA 95, 8.37): in the case of pension funds managed by a market agent in the social economy, this account shows an adjustment item which relates to the way that transactions between households and pension funds are recorded. The balancing item is saving (Model XI) (ESA 95, 8.39).

- f) Capital account (ESA 95, 8.46 – 8.47): records acquisitions less disposals of non-financial assets and makes it possible to determine the extent to which they have been financed out of saving and by capital transfers. The balancing item shows either the net lending corresponding to the amount available to the market agents in the social economy for financing other units or sectors directly or indirectly or a net borrowing corresponding to the amount which the companies in the social economy borrow from other units or sectors (Model XII).
- g) Financial account (ESA 95, 8.50): records, by type of financial instrument, the changes in financial assets and liabilities that give rise to net lending or net borrowing (Model XIII).
- h) Other changes in assets account (ESA 95, 8.52): records the changes in assets and liabilities of the co-operatives and mutual societies other than those resulting from saving and voluntary transfers of wealth, which are recorded in the capital account and the financial account. This account is divided into two: the other changes in volume of assets account and the revaluation account. These are flows that do not arise as a result of transactions recorded in the capital account and the financial account.

The operations recorded in the other changes in volume of assets account affect the net worth in the balance sheets of co-operatives and mutual societies. The balancing item in this account is the change in net worth due to other changes in the volume of assets, i.e. changes that are not the result of saving or transfers of capital (Model XIV) (ESA 95, 8.53).

This account includes: turning waste land into land that can be put to economic use, land reclamation, change in classification from agricultural to building land, purchased goodwill evidenced by a price that exceeds own funds, grants of patents, write-off of purchased goodwill, exhaustion of patent

protection, deterioration in the quality of land caused by flooding or storms, destruction of cultivated assets by drought or pests/disease, destruction of buildings and equipment in forest fires or earthquakes, the uncompensated seizure part of expropriations, exceptional losses in inventories as a result of fire, theft or pests/disease, changes in the actuarially determined liability that result from changes in benefits structure in the case of defined benefit pension schemes, etc.

The revaluation account records changes in the value of assets and liabilities due to changes in their prices (Model XV) (ESA 95, 8.54).

The change in a given asset or liability is measured by:

- a) either the difference between its value at the end of the accounting period and its value at the start of the accounting period or the date on which it was first entered in the balance sheet;
- b) or the difference between its value at the date on which it was written off the balance sheet and its value at the start of the accounting period or the date on which it was first entered in the balance sheet.

The difference is called nominal holding gain (or loss).

A nominal holding gain corresponds to the positive revaluation of an asset or the negative revaluation of a (financial) liability.

A nominal holding loss corresponds to the negative revaluation of an asset or the positive revaluation of a (financial) liability.

The balancing item of this account is the change in net worth due to nominal holding gains and losses.

The transactions covered by this account are all the changes in value due to the changes in price of the non-financial assets, classified by type, and the changes in value due to the changes in price of the financial assets and liabilities, classified by instrument, as explained in section 5.4.11 above and in the different types of financial transaction detailed in the sections following 5.4.12.

Business _____

Year _____

MODEL VII

PRODUCTION ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
P.2 B.1G	Intermediate consumption Value added, gross		P.1	Output	
	Total			Total	

MODEL VIII

GENERATION OF INCOME ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
D.1 D.2 D.3 B.2G	Compensation of employees Taxes on production and imports - Subsidies Operating surplus, gross		B.1G	Value added, gross	
	Total			Total	

Business _____

Year _____

MODEL IX

ALLOCATION OF PRIMARY INCOME ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
D.4 B.5G	Property income paid Balance of primary incomes, gross		B.2G D.4	Operating surplus, gross Property income received	
	Total			Total	

MODEL X

SECONDARY DISTRIBUTION OF INCOME ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
D.5 D.62 D.7 B.6G	Current taxes on income, wealth, etc. Social benefits Other current transfers paid Disposable income, gross		B.5G D.61 D.7	Balance of primary incomes, gross Social contributions Other current transfers received	
	Total			Total	

Business _____

Year _____

MODEL XI

USE OF INCOME ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
D.8	Adjustment for the change in net equity of households in pension fund reserves		B.6G	Disposable income, gross	
B.8G	Saving, gross				
	Total				Total

MODEL XII

CAPITAL ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
D.9	Capital transfers payable		B.8G D.9	Saving, gross Capital transfers receivable	
P.51	Gross fixed capital formation				
P.52	Changes in inventories				
K.2	Acquisitions less disposals of non-produced non-financial assets				
B.9	Net lending (+) or net borrowing (-)				
	Total		Total		

Business _____

Year _____

MODEL XIII

FINANCIAL ACCOUNT

Changes in financial assets

Changes in financial liabilities and net worth

Total	Code	Transactions and balancing items	Total
		Net lending (+) or net borrowing (-)	
		Total net acquisition of financial assets Total net incurrence of liabilities	
	F.2 F.3 F.4 F.5 F.6 F.7	Currency and deposits Securities other than shares Loans Shares and other equity Insurance technical reserves Other accounts receivable/payable	

Business _____

Year _____

MODEL XIV

OTHER CHANGES IN VOLUME OF ASSETS ACCOUNT

Uses	Transactions and balancing items	Resources
	Bringing waste land into production or Land reclamation Change from agricultural to building land Purchased goodwill Patents Deterioration of land quality caused by flooding or storms Destruction of cultivated assets by drought or pests/disease Destruction of buildings and equipment in forest fires or earthquakes Uncompensated seizure Exceptional losses in inventories Changes in liabilities that result from changes in benefits structure in the case of defined benefit pension schemes	
	Total	
	Balancing item: Changes in net worth due to other changes in volume of assets	

Business _____

Year _____

MODEL XV
REVALUATION ACCOUNT

Changes in assets	Transactions and balancing items	Changes in liabilities and net worth
	Non-financial assets Financial assets and liabilities	
	Total	
	Changes in net worth due to nominal holding gains and losses	

Business _____

Year _____

MODEL XVI

EXTERNAL ACCOUNT OF GOODS AND SERVICES

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
P.6	Exports of goods and services		P.7	Imports of goods and services	
P.61	Exports of goods		P.71	Imports of goods	
P.62	Exports of services		P.72	Imports of services	
B.11	External balance of goods and services				

5.8. Balancing items and macroeconomic aggregates

In the ESA 95 system, each of the accounts in the satellite account structure for the co-operative and mutual society sectors as explained in section 5.7 of this chapter covers flows linked to specific aspects of the economic process in these companies (production, distribution and redistribution of income, use of income and changes in net worth).

The balancing items of the accounts are not only devices to balance the accounts, they contain a great deal of information and are key aggregate indicators for macroeconomic analysis.

There are two types of aggregates: those which refer directly to the transactions of co-operatives and mutual societies, such as output of goods and services, gross fixed capital formation, changes in inventories and compensation of employees, and those which represent balancing items, such as value added, operating surplus, the balance of rents paid, disposable income, saving, net lending or borrowing and changes in net worth. The aggregates that refer directly to the transactions of the co-operatives and mutual societies have been described and analysed in section 5.4 of this chapter. This section examines the aggregates that are derived from the balancing accounts of the Satellite Accounts for these economic agents.

A balancing item is an accounting concept that is obtained by subtracting the total value of the entries on one side of an account from the total value on the other side. It cannot be measured independently of the transaction entries because, being a derived entry, it reflects the application of the general accounting rules to the specific entries on the two sides of the account (ESA 95, 1.65).

In the co-operative and mutual society satellite accounts, the production account balancing item is called value added. It represents the wealth that

these companies in the social economy contribute, as a result of their production processes, to the value added in the national economy as a whole.

This balancing item can be defined:

- a) on the production side, as the difference between these agents' output of goods and services and the intermediate consumption employed to produce them. The definition of these transactions and how to calculate them are given in section 5.4 above.
- b) on the income side, as the algebraic sum of the transactions that comprise the primary distribution of income: compensation of employees, taxes on production less subsidies on production and gross operating surplus. These items and how to calculate them are also defined in this chapter.

The value added defined in a) and b) above is gross, in other words it includes consumption of fixed capital, which is also defined in this chapter; the net value added is obtained by deducting the consumption of fixed capital.

The balancing item of the generation of income account in the co-operative and mutual society satellite accounts is called the gross operating surplus. It represents what remains of the gross value added generated by the co-operatives and mutual societies after effecting the primary distribution of income related to production factors referred to in b) above. It is the income that these social economy agents obtain from their own use of their production facilities.

The balancing item of the allocation of primary income account is called the gross balance of primary incomes. It is obtained by adding the gross operating surplus and the net property income (received less paid). These transactions are defined in section 5.4 above.

The balancing item of the secondary distribution of income account is gross disposable income. It is obtained by subtracting the algebraic sum of the income redistribution or secondary distribution transactions (current taxes on income and wealth, social contributions and benefits and other current transfers), which are defined in section 5.4 above, from the gross balance of primary incomes.

The satellite account use of income account balancing item is the gross saving of the co-operatives and mutual societies. At national level this is a very important macroeconomic aggregate and in the social economy market agents sub-sector it is the part of disposable income that is used to finance their investment.

The capital account balancing item is called net lending if it is positive and net borrowing if it is negative. It represents the net resources that co-operatives and mutual societies place at the disposal of other economic agents in the case of lending or receive from these agents in the case of borrowing. It is obtained by subtracting gross fixed capital formation, changes in inventories, capital transfers payable and acquisitions less disposals of non-produced non-financial assets (these transactions are defined in 5.4 above) from gross saving and capital transfers receivable.

The balancing item of the financial account is the same as that of the capital account. It is the difference between the total net acquisitions of financial assets and the total net incurrence of liabilities.

The balancing item of the other changes in volume of assets account is called changes in net worth due to other changes in volume of assets and that of the revaluation account is called changes in net worth due to nominal holding gains/losses.

5.9. Key words and references

Compensation of employees	ESA 95, paragraph 4.02
Trade margin	ESA 95, paragraph 3.60
Intermediate consumption	ESA 95, paragraph 3.69
Social contributions	ESA 95, paragraphs 4.90 and 4.91
Taxes on production and imports	ESA 95, paragraph 9.42
Subsidies	ESA 95, paragraph 4.30
Property income	ESA 95, paragraph 4.41
Current taxes on income and wealth	ESA 95, paragraph 4.77
Social benefits	ESA 95, paragraph 4.103
Other current transfers	ESA 95, paragraphs 4.109, 4.112
Adjustment for the change in net equity of households in pension fund reserves	ESA 95, paragraph 4.141
Capital transfers	ESA 95, paragraphs 4.01, 4.145
Gross fixed capital formation	ESA 95, paragraph 3.102
Consumption of fixed capital	ESA 95, paragraph 6.02
Changes in inventories	ESA 95, paragraph 3.117
Currency and deposits	ESA 95, paragraph 5.36
Securities other than shares	ESA 95, paragraph 5.50
Loans	ESA 95, paragraph 5.69
Shares and other equity	ESA 95, paragraph 5.86
Insurance technical reserves	ESA 95, paragraph 5.98
Other accounts receivable/payable	ESA 95, paragraph 5.121

CHAPTER 6. METHODOLOGY FOR DRAWING UP THE SATELLITE ACCOUNTS OF THE MARKET AGENTS IN THE SOCIAL ECONOMY BY INDUSTRY

6.1. Purpose

In Chapter 4 it was noted that the companies in the social economy can be grouped using two systems: institutional sectors and industries. Chapter 5 explained how to draw up the satellite accounts by institutional sector. This chapter sets out the methodology to be used for drawing up the satellite accounts of co-operatives and mutual societies by industry.

The purpose of the accounts by industry is to provide information on the production process (cost structure, income generated, employment, etc.) and flows of goods and services (production, intermediate consumption and capital formation) of every company in the social economy.

Units engaged in the same or similar kind of activity comprise an industry. As explained in Chapter 4, economic activity takes place when inputs (labour, equipment, manufacturing techniques and raw materials) are used to produce specific market goods and services. Institutional units may be engaged in a principal activity (that which generates the greatest value added), various secondary activities and various ancillary activities.

In order to discover the flows that take place during the production and use of goods and services, the institutional units must be partitioned according to the kind of production they engage in so that technical/economic relationships (homogeneous branch input-output coefficients) can be discerned. Given the difficulties in doing this, however, the 1995 ESA states that where the available accounting documents do not allow each of the activities of an institutional unit to be separately identified, this division will not be made and all the activities will be included in the industry that corresponds to the principal activity. This is the

criterion proposed here for the co-operatives and mutual societies, as they are generally small or medium sized enterprises and their accounts are not usually broken down by product line.

To group institutional units by industry, the ESA 95 uses NACE (the Statistical Classification of Economic Activities in the European Community), which is directly linked to the United Nations classification and concepts. Out of the 5 industry classifications that appear in the ESA (60, 31, 17, 6 or 3 industries – see Chapter 4), this Manual proposes using the 17-industry classification for the co-operative and mutual society satellite accounts of the European Union member states, as it would seem sufficient for the purpose without causing too many complications for these companies (see Appendix I to this chapter).

Obviously, if all the National Statistics Offices in the different member states were to use the same industry classification when drawing up their respective national accounts, this would be the one that should be used for the Satellite Accounts of the Market Social Economy by Industry. However, as the 1995 ESA allows the Statistics Offices to choose any of the 5 classifications mentioned, the greater or lesser disaggregation by industry depends on the statistical apparatus in each country.

Appendix I to this chapter shows the industries in the ESA's 17-industry grouping that will be used for the co-operatives and mutual societies. They number 14, as the other three industries are "Public administration and defence; compulsory social security", "Private households with employed persons" and "Extra-territorial organisations and bodies".

6.2. Linking table between satellite accounts by institutional sector and satellite accounts by industry

The purpose of this linking table is to show, for each co-operative and mutual society, the NACE classification of the industry to which its main activity belongs, its cost structure and the income it generates. The linking table should comply with the model at the end of this chapter (Appendix II.)

The linking table is based on the Production, Generation of Income and Capital Satellite Accounts, which contain all the macroeconomic figures on production, intermediate consumption, value added, compensation of employees, gross operating surplus and gross capital formation. It assigns these figures to the industry with the greatest value added in the social economy enterprise, enabling the weight of the co-operatives and mutual societies as a whole in any particular industry to be determined. It also makes it possible to discover the importance of the social economy companies in each industry in the European Union as a whole. For this, the National Accounts in all the EU member states will need to standardise the industry classification rather than choosing from the options that the ESA 95 currently affords them.

6.3. Model satellite accounts by industry

For the economy of a country as a whole, the 1995 ESA tables by industry include supply and use tables. These are matrices by industry and product that describe the domestic production processes and transactions in goods and services of the national economy in great detail (ESA 95, 9.02).

For the co-operatives and mutual societies sub-sector, it only makes sense to draw up the supply tables by industry, as the use tables require a knowledge of the uses to which the production is put (final consumption, intermediate

consumption, export, gross fixed capital formation and changes in inventories) and these can only be determined for the economy of a country as a whole.

Input tables show the production cost structure for each product obtained (ESA 95, 9.02), in other words the input by industry. For this information to be gleaned from the accounts of the co-operatives and mutual societies, they would need to keep highly disaggregated cost accounts, which is not usual in small or medium sized companies. Owing to this difficulty, only their output will be classified by industry.

Equally, in the ESA 95, the primary distribution of income transactions, in other words, those linked with the production process, are classified by industry. Income redistribution or financial transactions depend on business decisions that are unrelated to the production process, so it makes no sense to classify them by industry. What should be shown by industry is gross capital formation, as this is linked to the production process and is a goods and services transaction.

The table linking social economy company Production and Generation of Income satellite accounts to industries (Appendix II) must be drawn up for each co-operative and mutual society, based on the same accounts by institutional sector referred to in Chapter 5 and the Gross capital formation item of the Capital Account (Model XII, Gross capital formation plus changes in inventories). The Co-operative or Mutual Society in question must state the industry that its activity belongs to according to the instructions given in this chapter.

After completing the linking table, it must be sent to the Federation to which the Co-operative or Mutual Society belongs, which will use a computer program to draw up the integrated accounts for each industry and for the co-operative and mutual society sub-sectors of each.

6.4. Key words and references

NACE, Statistical Classification of
Economic Activities in the
European Community (NACE, Rev.1)

ESA 95, paragraphs 1.07, 1.29,
2.103, 2.106 and 2.110

APPENDIX I

INDUSTRY CLASSIFICATION TO BE USED BY CO-OPERATIVES AND MUTUAL SOCIETIES

Code	Industry
A	Agriculture, hunting and forestry
B	Fishing
C	Mining and quarrying
D	Manufacturing
E	Electricity, gas and water supply
F	Construction
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
H	Hotels and restaurants
I	Transport, storage and communication
J	Financial intermediation
K	Real estate, renting and business activities
M	Education
N	Health and social work
O	Other community, social and personal service activities

APPENDIX II

TABLE LINKING SOCIAL ECONOMY COMPANY PRODUCTION AND GENERATION OF INCOME SATELLITE ACCOUNTS TO INDUSTRIES

**Co-operative or Mutual
Society** _____

Year _____

INDUSTRY	1 Output P.1	2 Intermediate Consumption P.2	3 = 1-2 Value Added, gross	4 Compensation of employees D.1	5 Net taxes D.2-D.3	6 = 3-4-5 Operating surplus, gross	Gross capital formation P-5
Total							

Business _____

Industry _____

Year _____

APPENDIX III

PRODUCTION ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
P.2	Intermediate consumption		P.1	Output	
	Value added, gross (including consumption of fixed capital)			Total	
	Total				

GENERATION OF INCOME ACCOUNT

Uses

Resources

Code	Transactions and balancing items	Total	Code	Transactions and balancing items	Total
D.1 D.2 D.3	Compensation of employees			Value added, gross	
	Taxes on production and imports			Total	
	- Subsidies				
	Operating surplus, gross				
	Total				

Pro memoria

P.5 Gross capital formation (Total)

CHAPTER 7. EMPLOYMENT AND OTHER INDICATORS OF THE NON-MONETARY ACTIVITY OF CO-OPERATIVES AND MUTUAL SOCIETIES (SOCIAL ACCOUNTING MATRIX)

7.1. The framework of the social accounting matrix

In the 1995 ESA, the economic activity of the agents within a country is shown in a sequence of T-accounts (uses and resources). However, the ESA allows other methods of presentation that provide additional perspectives and make it possible to conduct different types of analysis.

In the 1995 ESA, the input-output tables are a matrix framework that is widely used to supply detailed, coherently-organised information on the flows of goods and services and the structure of production costs (ESA 95, 8.101). ESA 95 supply and use tables also give a clearer view of the links between the production and generation of income accounts of institutional sectors and the production and primary distribution of income by industry.

The ESA considers that an accounting matrix provides a wide range of possibilities for expanding or contracting the matrix in accordance with specific circumstances and needs. Inserting the labour market into the matrix makes it possible to arrive at a social accounting matrix (SAM) framework, facilitating an integrated, national-level analysis of certain aspects of economic and social policy (ESA 95, 8.103).

7.2. The Social Accounting Matrix and the role of people in the economy

As mentioned in Chapter 3, the great advantage of the Satellite Accounts is that they allow data on non-monetary activities such as employment and remuneration by type of employment and also, in the case of co-operatives and

mutual societies, the number of members, number of companies, etc., to be included in the economic accounts alongside the monetary data.

As this is an issue that has received little attention to date, not only in the accounts by institutional sector and industry but even at the level of accounts that cover the economy as a whole, it is considered advisable to address the issue, albeit tentatively, in this Methodology for drawing up Satellite Accounts for companies in the social economy.

The SAM centres on the role of people in the economy, which can be revealed by extra breakdowns of the household sector and a disaggregated representation of labour markets, in other words, by distinguishing the categories of employed persons. As this Manual is only concerned with the satellite accounts of co-operatives and mutual societies, it will only address the number and make-up of jobs and other non-monetary indicators in these companies, i.e. their source, level and composition of employment, linking the monetary quantification of these factors to the satellite accounts of market companies in the social economy.

7.3. Model Social Accounting Matrix for co-operatives and mutual societies.

Appendix I is the Model Social Accounting Matrix for co-operatives and mutual societies proposed in this Manual.

It is divided into two parts: the first covers the labour market data for each co-operative or mutual society while the second compiles business data that are useful for revealing the social framework of the co-operatives and mutual societies.

Each Co-operative and each Mutual Society must fill in Appendix I from its accounts and other documents, taking the totals for columns 4 and 5 from the co-operative and mutual society institutional sector accounts that these social economy companies will already have completed (see Chapter 5).

In the case of a social economy company group, an Appendix I must be filled in for the group as a whole and one Appendix I must be attached for each co-operative or mutual society in the group.

All the Appendices I must be sent to the association or federation to which the co-operative or mutual society belongs, which must draw up the integrated social accounting matrices, one for co-operatives and another for mutual societies, with the aid of a computer program. The integrated matrices will be a tool for analysing the social framework in which the co-operatives and mutual societies conduct their business.

7.4. Key words and references

Social Accounting Matrix (SAM)	ESA 95, paragraphs 1.17, 8.103
Input-Output Tables	ESA 95, paragraphs 8.101, 8.133

APPENDIX I

Co-operative or Mutual Society _____ Industry _____ Year _____

MODEL SOCIAL ACCOUNTING MATRIX

A. Labour market data

Classification of employees by category	(1) Men	(2) Women	(3 = 1+2) Total	Cost by category			(7) Hours worked in each category	(8 = 6/7) Cost per hour worked
				(4) Wages & salaries	(5) Social contributions	(6 = 4+5) Total		
Farmers Manual workers Administration, sales and services Management								
Total								

B. Business data

No. of members	No. of companies	Business association of which member	Size of company based on number of employees	Mark X as appropriate	Net worth	
					Share capital Reserves	Total
			Small: up to employees Medium: from to employees Large: over employees			
					Total	

CHAPTER 8. DATA AND SOURCES OF DATA FOR DRAWING UP THE SATELLITE ACCOUNTS

8.1. Introduction

The conceptual delimitation of social economy companies set out in Chapter 2 means that the national accounts framework (ESA 95) considers them formally-organised private market producers, in other words, they are institutional units which are classified into the non-financial corporations sector or the financial corporations sector. The fact that the companies in the social economy are formally-organised and belong to two institutional sectors that are clearly identified in the ESA 95 (S11 - financial corporations and S12 - non-financial corporations) makes it easier to collect the data on them, as almost all countries have various public registers where companies are periodically obliged to file their main financial statements (balance sheets, profit and loss accounts and annual reports with notes on the accounts).

Nonetheless, there may be data of social interest that are relevant to formulating public policies but are not adequately reflected by these documents, such as the number of members that benefit from the business activity, employment data concerning job stability, sex and age groups, groups at risk of social exclusion that benefit, etc.

Another issue to be solved is the need for a Statistical Register of Companies in the Social Economy (those covered by the definition in Chapter 2) to be drawn up in each country, since co-operatives and mutual societies do not all fulfil the criteria set out in this manual and companies in the social economy do not all adopt the legal or conceptual form of a co-operative despite complying with this definition.

The next two sections address these tasks, starting with the creation of *social economy company registers* and continuing with the *sources of data*.

8.2. Construction of National Statistical Registers of Companies in the Social Economy

In constructing a Statistical Register of Companies in the Social Economy, the first objective is to identify and classify the different types of enterprise that belong to the satellite account population. This will be done in accordance with the criteria and guidelines given in Chapter 2 of this Manual, forming five major groups of social economy companies: a) co-operatives, b) mutual societies, c) social economy business groups, d) other companies in the social economy and e) non-profit institutions serving social economy entities.

Since social economy companies conduct their business in the market, they are obligatorily identified in various registers. The data in question are not confined to the compulsory filing of records such as the memorandum and articles of association, the appointment and removal of administrators, dissolution, liquidation, etc. These companies are also regularly obliged to file their annual accounts (balance sheet, profit and loss accounts, and annual report with notes on the accounts) and other reports. This is true in the case of Company Registers; these are public and their essential function is to make all the information that may interest the company's stakeholders available to the public as required by law.

In general, the organisations that are obliged to register with the Company Registers are every commercial company, as well as all credit and insurance financial companies including savings banks, mutual insurance companies and credit co-operatives.

Many countries have Registers of Co-operatives where the co-operatives are obliged to register their existence and their main actions, annual accounts and other reports.

These Registers of Co-operatives may consist of a single register covering all the co-operatives or of different ones for different kinds of co-operative, so they may be the responsibility of one or more government departments.

As well as the data that are available in these Registers, different government departments and institutions may conduct statistical classification and inspection of certain kinds of co-operatives, such as agricultural, workers', teaching, retail, etc. co-operatives Credit and insurance co-operatives are also classified and inspected by the national bank in each country.

Companies in the social economy, including co-operatives and mutual societies, have tax obligations, so the Treasury and Economy departments usually have very detailed files on the different types of company.

The same may be said of public social security bodies and Ministry of Labour departments, which have systematic records of companies and employees in the Social Security system.

Mutual societies and insurance co-operatives are also registered with the Ministry departments or sections responsible for insurance.

As regards social economy business groups, since these take a diversity of legal forms they require a more individualised search than other social economy companies. However, given their economic weight they are more difficult to overlook, as well as being fewer in number than other companies. In order to identify them and include them in the respective Statistical Registers of Companies in the Social Economy, a good source of information may be found in the social economy business federations, which are not numerous and are well-known. They too constitute one of the groups of Social Economy agents that must be included in the Register.

Companies in the social economy other than co-operatives and mutual societies may initially be identified through the organisations that represent them and subsequently sought in the records of the above-mentioned government departments.

The National Statistics Offices of each member state of the European Union themselves often publish company directories, which frequently give breakdowns for certain classes of social economy companies, while the European Commission services with responsibilities for the Social Economy also have abundant information on the subject.

The national and European social economy industry federations often also publish detailed information on the companies in their respective sectors.

Universities and research centres that specialise in the Social Economy must also be taken into particular account, as they conduct studies and publish reports of great interest for the Social Economy sector.

The Statistical Registers of companies in the social economy drawn up in each European Union member state on the basis of the criteria set out in this Manual will make it possible to identify and periodically update each of the entities in the business sector of the social economy, following homogeneous criteria that will allow international analyses and comparisons to be made. The Register will include all the necessary data to identify each entity both directly (name, address, telephone, e-mail) and in other Registers (tax identification number, social security number, entry in any other relevant register).

8.3. Data and sources of data

The basic accounting documents for drawing up the social economy enterprise satellite accounts are the balance sheets, profit and loss accounts and annual reports with notes on the accounts. The information contained in these documents must be transferred to the national account items by means of tables that link the accounts of these companies to the satellite accounts in accordance with the criteria established in this Manual.

The financial statements in question are filed with various of the public registers mentioned in the preceding section, such as Company Registers,

Registers of Co-operatives and others. Economy and Treasury Ministry departments have very detailed records of the different types of company, which include an annual balance sheet and profit and loss account in their corporate income tax returns. The financial statements of financial corporations are also filed with the different public bodies that regulate and inspect them, such as national banks and Ministry departments with responsibilities for the insurance sector.

In countries, or groups of companies, where it is not possible to access these accounting documents, surveys will have to be conducted to obtain the necessary data for drawing up the satellite accounts.

Certain other non-monetary data are of great interest for the market social economy satellite accounts because they give a clear view of these companies' contribution to social welfare in developed societies. They include information on employment, remuneration by type of employment, bringing youth and women into the labour market, social inclusion through work for groups at risk of social exclusion, number of members, correction of imbalances between geographical areas, local employment initiatives, etc.

This information may be obtained from public registers, from the organisations that represent the companies in the social economy and from universities and research centres.

Employment data may be found in public Social Security agencies and Ministry of Labour departments. They may also be found in Economy and Treasury Ministry departments, through the annual returns of income tax deducted at source.

Other data related to social inclusion through work, equality between men and women, etc. can be found in studies conducted by the organisations that represent the companies in the social economy and by research centres that specialise in the subject. Some of the organisations also keep registers and carry out their own statistical monitoring and evaluation of these variables.

In short, sufficient mechanisms and registers to collect the data required for drawing up the satellite accounts for the companies in the social economy already exist in the member states of the European Union.

However, these mechanisms and registers are scattered. With appropriate methods such as those set out in this Manual and the setting up of a Statistical Register of Companies in the Social Economy, the data can be collected relatively easily and, moreover, systematically, coherently and regularly, with homogeneous criteria that will make it possible to conduct international comparative analyses.

CHAPTER 9. STAGES IN PREPARING THE SATELLITE ACCOUNTS

9.1. Introduction

Based on the methodology set out in the preceding chapters, three stages in drawing up the satellite accounts of companies in the social economy can be distinguished:

- a) creating a Statistical Register of Companies in the Social Economy in each member state of the European Union;
- b) drawing up the satellite accounts of the social economy companies included in their respective Statistical Registers, by institutional sector and industry, in each member state;
- c) macroeconomic analysis of the results obtained from the satellite accounts.

9.2. Creating a Statistical Register of Companies in the Social Economy in each member state of the European Union

The first stage in drawing up the satellite accounts of companies in the social economy is to identify and classify the entire population it comprises in specific Statistical Registers in each member state of the European Union. This is an extremely important stage; by the end of the process it must ensure that the Register contains all the companies it should and that all the companies it contains should be in it. In other words, no significant group of social economy companies should be left off the Register owing to insufficient effort to identify and classify them, nor should companies that do not fulfil the behaviour criteria set out in the conceptual delimitation presented in Chapter 2 of this manual be included in the Register.

Section 8.2 mentions the five major groups of social economy companies that must be included in the Register and the various sources of data that can

be used to construct the Statistical Register of Companies in the Social Economy.

Based on the conceptual delimitation established in this Manual, complemented by the criteria of the organisations that represent the co-operatives, mutual societies and other companies in the social economy, a comprehensive list of the different classes of company to be included in the Register must be drawn up in each member state of the European Union. The questionnaire and delimitation of the work that are included in Annex A2 of this Manual are a useful tool for drawing up these lists.

The creation, development and maintenance of the Statistical Registers of Companies in the Social Economy must be coordinated by the Statistics Office in each member state, with the help of the social economy companies themselves and of the organisations that represent them.

9.3. Drawing up the satellite accounts of social economy companies by institutional sector and industry in each member state of the European Union.

After defining and identifying the population under study in the Statistical Registers of Companies in the Social Economy, the next stage is to draw up the satellite accounts themselves.

The method for drawing up these accounts by institutional sector is explained in Chapter 5 of this Manual, which makes it clear that the first step is to prepare linking tables between the accounts of the social economy companies (balance sheet and profit and loss account) and the satellite accounts in terms of the National Accounts for the institutional sectors in question.

These linking tables may be drawn up by the federations of co-operatives, mutual societies and other companies in the social economy from the financial

statements provided by the companies or may be obtained from the different registers mentioned in section 8.2. After drawing up the linking tables, they must be sent to the Statistics Offices of the respective European Union member countries so that these may supervise the work and proceed to draw up the satellite accounts as explained in Chapter 5.

In the case of companies in the social economy that do not publish their accounts, if these cannot be accessed through existing registers the data will need to be collected by means of a questionnaire before drawing up the linking tables by the methods already explained. The data that the questionnaire must obtain from these companies are shown in section 5.6 of this Manual.

The second stage also includes drawing up the satellite accounts by industry, following the method explained in Chapter 6 of this Manual.

9.4. Macroeconomic analysis of the results obtained from the satellite accounts.

The third and last stage in drawing up the satellite accounts is a macroeconomic analysis by sector and industry of the results obtained from the satellite accounts. While not precluding any studies in the EU member states, this analysis should be carried out centrally for the European Union as a whole. It should be initiated and coordinated by the European Commission Directorate-General with competence in matters of co-operatives and mutual societies, while the organisations that represent these companies in Europe should participate actively in the process.

CHAPTER 10. CONCLUSIONS

1. The principal general conclusion is that this Manual is a very important step towards *ending the institutional invisibility* that has hitherto surrounded the social economy in the internationally-accepted systems of national accounts, the 1993 SNA and the 1995 ESA. This invisibility is rooted in the lack of a clear, rigorous definition of the social economy and in a national accounts structure that prevents the companies and organisations in the social economy from being identified and counted.

The NPI Handbook published by the United Nations will make it possible to draw up homogeneous statistics for the non-profit sector, which includes a major group of social economy entities that is mostly made up of associations and foundations.

Logically, however, the main groups of agents in the business sub-group of the social economy – co-operatives, mutual societies and similar companies – are excluded from the scope of the NPI Handbook. The aim of this Manual is precisely to enable the economic activity of these agents to be ascertained.

2. To determine which companies in the economy of a company should be considered to belong to the market sub-sector of the social economy, behaviour analysis of their decision-making process (one person, one vote) and allocation of surpluses (co-operativised and mutualist transactions rather than share of the capital) should be used.
3. Based on the behaviour criterion, The Manual proposes a definition of the companies in the social economy and the study population that is clear, rigorous and enjoys wide political and scientific consensus. In accordance with this definition, social economy companies may be considered to fall into five major groups:

- a) co-operatives
 - b) mutual societies
 - c) social economy business groups
 - d) other social economy companies
 - f) non-profit institutions serving social economy companies
4. To determine which part of the market sector population of the social economy should be classified into each of the institutional sectors of the national accounts in the European System of National and Regional Accounts (1995 ESA), behaviour analysis of their principal function should be employed. Co-operatives and mutual societies are classified into the non-financial corporations sector if they produce goods and non-financial services and into the financial corporations sector if their function is financial intermediation, irrespective of whether they are set up as co-operatives or as mutual societies. This means that two institutional sub-sectors will be found among the companies in the social economy: non-financial corporations and financial corporations.
5. Co-operatives, mutual societies and other companies in the social economy are also grouped by industry in accordance with NACE (the Statistical Classification of Economic Activities in the European Community). To simplify the process of drawing up satellite accounts, the 1995 ESA allows all the activities of a social economy company to be included in the industry that corresponds to its main activity.
6. Drawing up an exhaustive catalogue of the different classes of company in each country that form part of the social economy on the basis of the conceptual delimitation and the criteria established in this Manual is a task that falls to the EU member states. Preparing an administrative and legal map of the companies in the social economy in each country is a stage that belongs after the circulation of this Manual.

7. A Statistical Register of Companies in the Social Economy must be created in each member state of the European Union, bearing in mind the guidelines, criteria and directions established in this Manual.
8. Due to the very concept of the national accounts system, little disaggregation of economic agents and their transactions appears in the national accounts: co-operatives, mutual societies and other market agents in the social economy are a case in point. This is why satellite accounts were conceived. They bring together the data on a field of economic or social concern, offering more detailed and flexible information than that provided by the central framework of the national accounts to which they are linked, which constitute their frame of reference, while simultaneously making it possible to link the non-monetary statistics to the central framework of the national accounts.
9. The Satellite Accounts of co-operatives and mutual societies by institutional sector as designed in this Manual will enable the macroeconomic figures for these sectors to be determined: output, value added, gross operating surplus, gross capital formation, compensation of employees, gross saving and net lending/borrowing, as well as the instruments used to meet their borrowing needs or to place their lending capacity on the market. This will make it possible to identify the co-operatives and mutual societies within the corporate economic activity of both individual EU member states and the EU as a whole.
10. The satellite accounts of co-operatives and mutual societies by industry make it possible to determine the production processes (cost structure, income generated, etc.) and the flows of goods and services (output, intermediate consumption and gross capital formation) for each industry in which they operate. For each industry, the satellite accounts will reveal the weight of these agents, both in each member state of the EU and in the EU as a whole.

11. The satellite accounts of co-operatives and mutual societies in the form of social accounting matrices (SAM) allow data on non-monetary activities such as employment, remuneration by type of employment, number of members, number of companies, company size, etc. to be included alongside the monetary data. This is an aspect that has seldom been addressed to date. SAMs focus on the role of people in the economy. Integrated matrices constitute a tool for analysing the social framework in which the co-operatives and mutual societies conduct their business in each EU member state and in the EU as a whole.

12. The basic data for drawing up the Satellite Accounts of co-operatives and mutual societies by institutional sector are:

a) the Comparative Balance sheet, obtained from the balance sheets of two consecutive years, showing the variations in the assets and liabilities held over the year.

b) the Profit and Loss Account, which records economic transactions or flows between institutional units.

c) the Statement of Source and Application of Funds, which shows the financial resources obtained during the financial year and their different sources, as well as their application or use in fixed or current assets.

13. The national accounts and business accounts models are models that describe the economic activity of one or more agents.

The economic circuit of a company can be represented by the following processes:

a) production and sale of goods and services

b) distribution of value added generated during the production process

c) accumulation, in other words, investment in true assets that allow companies to replace or expand their production capacity

d) financing, which covers the financial transactions that change the company's credits and/or debits

As a result, it is possible to ascertain the fundamental stages of the macroeconomic circuit of companies in the social economy through the

accounts of the co-operatives and mutual societies, which is what this Manual proposes.

14. Despite the rapprochement that has been achieved between business accounts and national accounts, automatic integration of the accounts of co-operatives and mutual societies into the national accounts is not possible and certain adjustments need to be made. For this reason, the Manual shows how the transactions conducted by co-operatives and mutual societies fit in with national accounts items. It also gives model tables to link the accounts of the co-operatives and mutual societies to the satellite accounts in terms of the national accounts for these institutional sectors and explains the process of preparing them.
15. Since the conceptual framework of the satellite accounts of the co-operatives and mutual societies is the same as that of the national accounts, the satellite accounts described in the Manual group the transactions of co-operatives and mutual societies into accounts with the same structure as those of the European System of National and Regional Accounts (ESA 95), which is binding on all the countries of the European Union, although it does so in less detail, as the majority are small and medium enterprises. However, all the top level items in the national accounts appear in the satellite accounts, so they are perfectly integrated. When the Manual comes into effect, it will be possible to ascertain the activity of the companies in the social economy throughout the European Union and by member state in national accounting terms, using a common methodology and compiling the data in standardised accounts.
16. The accounts that show the activities of the co-operatives and mutual societies are the following: production, generation of income, allocation of primary income, secondary distribution of income, use of income, capital, financial and other changes in assets. The Manual includes models of these accounts that must be completed by the co-operatives and mutual societies.

17. To make the task of the social economy companies easier while achieving the necessary reliability, the Manual includes a table to link the production and generation of income satellite accounts of the co-operatives and mutual societies to industries, as well as model production and generation of income accounts by industry. It also includes a model Social Accounting Matrix for co-operatives and mutual societies.

CHAPTER 11. ABBREVIATIONS AND ACRONYMS

LIST OF ABBREVIATIONS AND ACRONYMS

1993 SNA	System of National Accounts, 1993
1995 ESA	European System of National and Regional Accounts, 1995
ACME	Association des coopératives et mutuelles d'assurance européennes – Association of European Cooperative and Mutual Insurers
ADDES	Association pour le Développement de la Documentation sur l'Économie Sociale (Association for the Development of Documentation on the Social Economy)
CES	Centre d'Économie Sociale, University of Liège (Belgium)
CIRIEC	Centre International de Recherches et d'Information sur l'Économie Publique, Sociale et Coopérative – International Centre of Research and Information on the Public, Social and Cooperative Economy
CMAF	Co-operatives, Mutual societies, Associations and Foundations
DG	Directorate General
EC	European Communities
EEC	European Economic Community
EESC	European Economic and Social Committee
ESA 95	European System of National and Regional Accounts, 1995
ESC-CMAF	European Standing Conference on Co-operatives, Mutual societies, Associations and Foundations
EU	European Union
EUROSTAT	Statistical Office of the European Communities
FISIM	Financial intermediation services indirectly measured
GDP	Gross domestic product
IAS	International Accounting Standards
IEF	Instituto de Estudios Fiscales, Madrid (Spain) (Fiscal Studies Institute)
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IUDESCOOP	Instituto Universitario de Economía Social y Cooperativa de la Universidad de Valencia (Institute of the Social and Cooperative Economy, University of Valencia)
KAU	Kind-of-activity units
n.e.c.	Not elsewhere classified

NACE	Statistical Classification of Economic Activities in the European Community
NPI	Non profit institution
NPISH	Non-profit institutions serving households
OECD	Organisation for Economic Cooperation and Development
R&D	Research and Development
SAM	Social accounting matrix
SCE	European Cooperative Society
TNI	Transactions not included
TTI	Transactions to be included
UAM	Autonomous University of Madrid (Spain)
UCITS	Undertakings for the Collective Investment of Transferable Securities
VAT	Value Added Tax

CHAPTER 12. ANNEXES

ANNEX 12.A.1

A GUIDE TO THE 1995 ESA FOR NON-SPECIALISTS

A.1.1 The ESA as a system

The European System of National and Regional Accounts (1995 ESA) is the European version of the System of National Accounts (1993 SNA), jointly produced under the responsibility of the United Nations, the IMF, the Commission of the European Communities, the OECD and the World Bank, and is more focused on data needs in the European Union. The 1995 version completes and modifies the previous versions.

The ESA framework consists of two main sets of tables: a) the sector accounts; b) the input-output framework.

A.1.2 The input-output framework

This chapter covers the analysis of economic activity from a functional point of view, studying the technical/economic relationships that characterise the production processes whereby inputs are used to produce outputs, in other words, the production of goods and services which, in turn, generate income. The relevant resident unit – a resident unit is one with a centre of economic interest in the national economy – is the unit of homogeneous production. A homogeneous production unit is characterised by a single activity defined by its homogeneous inputs, production process and outputs. The products that constitute the inputs and outputs are themselves distinguished by their physical characteristics and the extent to which they have been processed, as well as by the production technique used, with reference to a product classification.

When a producer unit has a main activity and one or more secondary activities it has to be divided into as many homogeneous producer units; the secondary activities are placed in their respective product classifications, separate from that of the main activity. For instance, if a company produces both vehicles and

household appliances it is not a homogeneous production unit and has to be partitioned by type of activity.

Local kind-of-activity units (local KAUs) are an operational approach that is intended to meet this requirement. A local KAU groups all the parts of an institutional unit, in its capacity as producer, which are located at one or more sites in the same vicinity and which contribute to the performance of an activity at class level (4 digits) of the NACE rev. 1. The group of all local KAUs engaged on the same, or similar, kind-of-activity constitutes an industry.

Cross-referencing goods, services and distribution transactions strictly linked to the production process with the different industries gives rise to the input-output framework. The input-output framework consists of supply and use tables by industry, tables linking the supply and use tables to the sector accounts and symmetric input-output tables by homogeneous branch.

Supply and use tables are matrices showing how the output of industries is broken down by type of product and how domestic and imported supplies of goods and services are allocated between various intermediate or final uses, including exports. This makes it possible to discover the structure of the production costs and of the income generated through the production process; flows of goods and services produced within the national economy; and flows of goods and services with the Rest of the World.

Symmetric input-output tables are product by product or industry by industry matrices that describe the domestic production processes and the transactions in goods and services of the economy in great detail. The difference between these tables and combined supply and use tables is that supply and use tables relate products to industries.

From the input-output tables, the overall equation of the country's macroeconomic equilibrium can be obtained, namely, that total jobs are equal to total resources.

A.1.3 The sector accounts

A.1.3.1 Institutional units

When the information of interest is not so much the product as the agent that produces it, the data to consult are those for institutional units. The institutional unit is an elementary economic decision-making centre characterized by uniformity of behaviour and decision-making autonomy in the exercise of its principal function. A resident unit is regarded as constituting an institutional unit if it has decision-making autonomy in respect of its principal function and either keeps a complete set of accounts or it would be possible to do so. That is the case of general government, financial corporations, and non-financial corporations. Some entities, however, do not clearly possess both characteristics of an institutional unit but by convention are deemed to: e.g. households, which always enjoy autonomy of decision but do not keep a complete set of accounts, and quasi-corporations. These keep a complete set of accounts but have no independent legal status. However, they are often very important at local level and are therefore considered institutional units.

A.1.3.2 Sectors

Just as units of homogeneous production needed to be grouped into branches because of the impossibility of taking millions of flows between units into account, institutional units too must be combined into groups called **sectors**: Non-financial corporations, Financial corporations, General government, Households, Non-profit institutions serving households and Rest of the world.

A specific concern of the ESA is that the accounts should be useful for economic analysis, as a forecasting tool and as a means to analyse the behaviour of these sectors. Within the general government sector, for instance, Central Government bodies do not exhibit the same behaviour as Social Security agencies. Among the credit institutions, a central bank does not behave in the same way as other monetary financial institutions. These sectors therefore need to be disaggregated into more precise sub-sectors with more homogeneous functions (cf. Table A.1.1).

Table A.1.1

Sectors and subsectors

Non-financial corporations

Financial corporations

Central Bank

Other monetary financial institutions

Other financial intermediaries, except insurance corporations and pension funds

Financial auxiliaries

Insurance corporations and pension funds

General government

Central government

State government

Local government

Social security funds

Households

Employers (including own-account workers)

Employees

Recipients of property incomes

Recipients of pensions

Recipients of other transfer incomes

Others

Non-profit institutions serving households

Rest of the world

The European Union

The member countries of the EU

The institutions of the EU

Third countries and international organizations

A.1.3.3 Type of producer, principal activities and functions classified by sector

How does one discover where to place each institutional unit? The institutional units are grouped into sectors on the basis of the type of producer they are and on their principal activity and function, which are considered to be indicative of their economic behaviour.

Table A.1.2 shows the types of producer and principal activities and functions which are characteristic of each sector. Three types of producer are distinguished in the ESA: private and public market producers, private producers for own final use and private and public other non-market producers.

Table A.1.2

Types of producer, principal activities and functions classified by sector

Sector	Type of producer	Principal activity and function
Non-financial corporations (S.11)	Market producer	Production of market goods and non-financial services
Financial corporations (S.12)	Market producer	Financial intermediation including insurance Auxiliary financial activities
General government (S.13)	Public other non-market producer	Production and supply of other non-market output for collective and individual consumption and carrying out transactions intended to redistribute national income and wealth
Households (S.14) - as consumers - as entrepreneurs	Market producer or private producer for own final use	Consumption Production of market output and output for own final use
Non-profit institutions serving households (S.15)	Private other non-market producer	Production and supply of other non-market output for individual consumption

In the case of non-financial corporations and quasi-corporations, the principal activity and function is to produce market goods and non-financial services. The main function of Financial corporations is to finance; that of Insurance

corporations is to procure financial intermediation as the consequence of the pooling of risks; General government produces services for collective and individual consumption and redistributes national income. Households act mainly as consumers and possibly also in some cases as producers; Non-profit institutions serving households produce non-market services for households.

When the same institutional unit produces different goods or services, the criterion for placing it in one sector or another is its principal function. For instance, the Autonomous University of Madrid (UAM) has cafeterias, bookshops, a pharmacy, a travel agency, etc. In other words, it is producing services such as catering, book selling, etc. However, these services are not its main activity, which is producing an education service. This principal function of providing an education service indicates the sector in which the University should be placed.

A.1.3.4 The 50% criterion (production costs)

The previous example raises a new problem: both general government and non-financial corporations can provide education services. When the principal function criterion does not suffice, a second criterion is applied: the proportion of **principal resources**. This 50% criterion is applied as follows: a) if more than 50% of the production costs are covered by sales, the institutional unit is a market producer and is classified into the non-financial or financial corporations sector; b) if sales cover less than 50% of the production costs, the institutional unit is an other non-market producer (either a public producer or a private NPI).

In the case of the UAM, to use the same example, students pay fees that do not cover 50% of the cost of the education service they receive, so the main funding comes from the national budget and the UAM is included in the general government sector. If the reverse were the case and student fees covered over 50% of the cost of their education, the University in question would be placed in the non-financial corporations sector.

Another significant example is television channels, which are usually partly funded by advertising and partly through the budget. The principal resources

criterion would need to be applied, as the percentage can vary from one country to another. When income from advertising is their principal resource they should be classed as non-financial corporations; if the main resource is the national budget they will appear in general government. The first criterion is the principal function; in doubtful cases, that of principal resources is employed.

Holdings are an important exception. A holding company is not classed according to its main function but placed in the sector that includes the majority of the units in its group.

The rest of the world is a very peculiar sector: it is a grouping of institutional units which is not characterized by similar objectives and types of behaviour. It groups together non-resident institutional units insofar as they carry out transactions with resident institutional units.

A.1.4 The system of accounts

A.1.4.1 Principles

For in-depth analysis, the transactions are grouped into accounts.

An account is a means of recording, for a given aspect of economic life, the uses and resources or the changes in assets and the changes in liabilities during the accounting period, or the stock of assets and liabilities existing at the beginning or at the end of this period.

The system employs the term “resources” for the right side of the current accounts, where transactions which add to the amount of economic value of a unit or a sector appear. The left side of the accounts, which relates to transactions that reduce the economic value of a unit or sector, is termed “uses”.

The right side of the accumulation accounts is called “changes in liabilities and net worth” and the left side is called “changes in assets”. Balance sheets are

presented with “liabilities and net worth” on the right side and “assets” on the left.

For a unit or sector, national accounting is based on the principle of double entry. Each transaction must be recorded twice, once as a resource (or a change in liabilities) and once as a use (or a change in assets). The total of transactions recorded as resources or changes in liabilities and the total of transactions recorded as uses or changes in assets must be equal, thus permitting a check on the consistency of the accounts.

With the exception of some variables concerning population and labour, the system shows all flows and stocks in monetary terms.

A.1.4.2 Sequence of accounts

The ESA records flows and stocks in an ordered sequence of interconnected (T-) accounts describing the economic cycle from the generation of income, through its distribution and redistribution, to its accumulation in the form of assets. The full sequence of accounts for the institutional units and sectors is composed of current accounts, accumulation accounts and balance sheets.

Current accounts deal with the production, generation, distribution and redistribution of income and the use of this income in the form of final consumption. Accumulation accounts cover changes in assets and liabilities and changes in net worth (the difference between the assets and liabilities of an institutional unit or group of units). Balance sheets present stocks of assets and liabilities and net worth.

It is not possible to envisage a complete set of accounts being compiled for a local KAU, because such an entity is not capable of owning goods or assets in its own right or capable of receiving or disbursing income. The sequence of accounts for local kind-of-activity units and industries is shortened to the first current accounts: the production account and generation of income account, the balancing item of which is the operating surplus.

A.1.4.3 Current accounts

This section gives a synoptic presentation of the accounts.

a) Production account (I)⁴⁵

The production account shows the transactions relating to the production process. It is drawn up for institutional sectors and for industries. The production account can be used to obtain one of the most important balancing items in the system — value added — and a vital aggregate: gross domestic product. Value added is economically significant for both institutional sectors and industries.

Production account (I)	
Uses	Resources
Intermediate consumption	Output
Value added, gross / Gross domestic product	Taxes /less subsidies on products
Consumption of fixed capital*	
Value added, net / Net domestic product*	

*In all the accounts, the net values are obtained by deducting the consumption of fixed capital from the gross balance.

b) Distribution and use of income accounts (II)

Distribution and use of income are analysed in several stages in the ESA:

- The first stage concerns the generation of income resulting directly from the production process and its distribution between the production factors (labour, capital) and general government (via taxes on production and imports and subsidies). It enables the operating surplus and primary income to be determined.
- The second stage traces redistribution of income via transfers other than social transfers in kind. This yields the disposable income.
- The third stage describes how the income is consumed and saved, yielding the saving.

⁴⁵ Following the ESA account-numbering system

Account II.1.1 measures the operating surplus, which is the surplus (or deficit) on production activities before account has been taken of the interest, rents or charges. The operating surplus corresponds to the income which the units obtain from their own use of their production facilities. It is the last balancing item which can be calculated for both the industries and the institutional sectors.

Account II.1.1: Generation of income account

Uses	Resources
Compensation of employees	Value added, gross / Gross domestic product
Taxes on production and imports	
Less Subsidies	
Operating surplus, gross	

“Primary income” in Account II.1.2 is the income which resident units receive by virtue of their direct participation in the production process, and the income receivable by the owner of a financial asset.

The allocation of primary income account can be calculated only for the institutional sectors because in the case of industries, it is impossible to break down certain flows connected with financing and assets.

Account II.1.2: Allocation of primary income account

Uses	Resources
Property income	Operating surplus, gross
Balance of primary incomes, gross / National income, gross	Compensation of employees
	Taxes on production and imports
	Less Subsidies
	Property income

In Account II.2, the secondary distribution of income account shows how the balance of the primary income of an institutional sector is allocated by redistribution: current taxes on income, wealth, etc., social contributions and benefits (excluding social transfers in kind) and other current transfers. The

balancing item of the account is disposable income, which reflects current transactions and explicitly excludes capital transfers.

Account II.2: Secondary distribution of income account

Uses	Resources
Current taxes on income, wealth, etc.	Balance of primary incomes, gross / National income, gross
Social contributions	Current taxes on income, wealth, etc.
Social benefits other than social transfers in kind	Social contributions
Other current transfers	Social benefits other than social transfers in kind
Disposable income, gross	Other current transfers

In Account II.4.1, the use of disposable income account includes the concept of final consumption expenditure financed by the various sectors concerned: households, general government and non-profit institutions serving households. The balancing item in the use of disposable income account is saving.

Account II.4.1: Use of disposable income account

Uses	Resources
Final consumption expenditure	Disposable income, gross
Savings, gross	

A.1.4.4 Accumulation accounts

The accumulation accounts record the various causes of changes in the assets and liabilities of units and the change in their net worth. Changes in assets are recorded on the left-hand side of the accounts (plus or minus), changes and liabilities and net worth on the right side (plus or minus).

a) Capital account (III.1)

The capital account makes it possible to determine the extent to which acquisitions less disposals of non-financial assets have been financed out of saving and by capital transfers. It shows a net lending corresponding to the

amount available to a sector for financing other sectors, or a net borrowing corresponding to the amount which a sector is obliged to borrow from other sectors.

Account III.1.1: Change in net worth due to saving and capital transfers account

Changes in assets	Changes in liabilities and net worth
Changes in net worth due to saving and capital transfers	Saving, net
	Current external balance
	Capital transfers, receivable
	Capital transfers, payable (-)

Account III.1.2: Acquisition of non-financial assets account

Changes in assets	Changes in liabilities and net worth
Gross fixed capital formation	Changes in net worth due to saving and capital transfers
Consumption of fixed capital	
Changes in inventories	
Acquisitions less disposals of valuables	
Acquisitions less disposals of non-produced non-financial assets	
Net lending (+), net borrowing (-)	

b) Financial account (II.2)

The financial account records, by type of financial instrument, the changes in the financial assets and liabilities that compose net lending or borrowing.

Account III.2: Financial account

Changes in assets	Changes in liabilities and net worth
Monetary gold and SDRs	Net lending (+), net borrowing (-)
Currency and deposits	Currency and deposits
Securities other than shares	Securities other than shares
Loans	Loans
Shares and other equity	Shares and other equity
Insurance technical reserves	Insurance technical reserves
Other accounts receivable/payable	Other accounts receivable/payable

A.1.4.5 Balance sheets

The aim of the balance sheets is to give a picture of the assets, liabilities and net worth of units at the start and end of the accounting period.

A.1.4.6 The Rest of the World Account

The Rest of the World account covers transactions between resident and non-resident institutional units.

As the rest of the world plays a role in the accounting structure similar to that of an institutional sector, the Rest of the World account is established from the point of view of the rest of the world. A resource for the rest of the world is a use for the total economy and vice versa. If a balancing item is positive, it means a surplus of the rest of the world and a deficit of the total economy, and vice versa if the balancing item is negative.

The sequence of Rest of the World accounts follows the same general pattern as the institutional sector accounts, i.e.: current accounts, accumulation accounts, balance sheets.

A.1.4.7 Goods and services account (0)

The purpose of the goods and services account is to show, by product group and for the total economy, how the products available are used.

Uses are recorded on the right-hand side of the goods and services account and resources on the left, i.e. on the opposite side from that used in the current accounts for the institutional sectors, since the product flows are the counterparts of the monetary flows.

The goods and services accounts is by definition in balance and therefore has no balancing item.

Account 0: Goods and services account

Resources	Uses
Output	Intermediate consumption
Taxes on products /less subsidies on products	Final consumption expenditure
Imports of goods and services	Gross fixed capital formation
	Changes in inventories
	Acquisitions less disposals of valuables
	Exports of goods and services

A.1.4.8 Aggregates

The aggregates are composite values which measure the result of the activity of the total economy considered from a particular point of view; for example, output, value added, disposable income, final consumption, saving, capital formation, etc. Although the calculation of the aggregates is neither its sole nor its main purpose, the system does recognize their importance as summary indicators and key magnitudes for purposes of macro-economic analysis and comparisons over time and space.

Two types of aggregates can be distinguished:

- a) aggregates which refer directly to transactions in the system, such as the output of goods and services, final consumption, gross fixed capital formation, compensation of employees, etc;
- b) aggregates which represent balancing items in the accounts, such as gross domestic product at market prices (GDP), operating surplus of the total economy, national income, national disposable income, saving, current external balance, net worth of the total economy (national wealth).

A.1.4.9 Other presentations of economic accounts

One of the novelties in the 1995 ESA, following the 1993 SNA, is the introduction of integrated economic accounts. The latter give a concise overview of the accounts of an economy: current accounts, accumulation

accounts and balance sheets. They bring the accounts of all the institutional sectors, the total economy and the rest of the world together in the same table and balance all the flows and all the assets and liabilities. They also enable the aggregates to be read off directly.

The full sequences of accounts and balancing items can also be presented in a matrix format. In this table, all transactions are presented for the total economy and for the rest of the world, respectively. In addition, an aggregate goods and services account is included.

A.1.5 Information to complement the central framework

A.1.5.1 Quarterly accounts

So far, only annual flows have been mentioned. Returning to the main purpose of national accounts, if their intended function is as a forecasting tool the data need to be as up-to-date as possible for reliable predictions to be made. Previous version of the ESA already envisaged drawing up **quarterly accounts** to allow short-term economic developments to be studied, as the annual scope of the central framework does not account for short-term movements.

The first objective of the quarterly accounts is to achieve quarterly national accounts in order to facilitate the study of phenomena involving delays (gaps between the perception of income and its expenditure, between wage rises and their effect on prices, between increased production and its effect on employment). Additionally, the second objective of quarterly accounts is to allow short-term predictions to be made and provide a coherent framework for the different indicators used in short-term studies.

A.1.5.2 Regional accounts and other information

The central framework views the country as the only group but because of the large differences between regions, the need to take not only the country but

also each of the regions as the framework soon became apparent. **Regional accounts** began to be drawn up in 1972.

The additional information provided by the ESA also includes **population, employment and active population statistics**.

A.1.5.3 Satellite Accounts

For some specific data needs the best solution is to draw up separate **satellite accounts**. Satellite accounts aim to collect information on flows relating to a function or a sector that is spread between different economic agents.

For example, health is a function that involves many sectors: the households that consume it, the households/sole entrepreneurs (doctors, nurses, etc.) that produce it; corporations (hospitals, clinics) and general government (Social Security). They involve both output (goods and services) and distribution transactions. It is practically impossible for users of the central framework of the national accounts to glean all the health-related transactions from these accounts.

The health satellite account groups all the health-related economic flows into a single, coherent system. Obviously, this could be done without reference to the national accounts, but linking the two has the advantage of simplifying the statisticians' task, as they can use the same body of surveys and data as input for all the accounts; it also allows global analyses to be made by linking the particular area covered by the satellite account to the macro-economy.

As well as health, other satellite account needs arise when analysing: a) from a functional point of view: education, social services, tourism, the environment, research and development; b) from a sector point of view: entrepreneur households, the social economy (as defined in previous chapters).

Satellite accounts can serve many data needs by showing more detail where necessary and enlarging the scope of the accounting framework by adding non-monetary information.

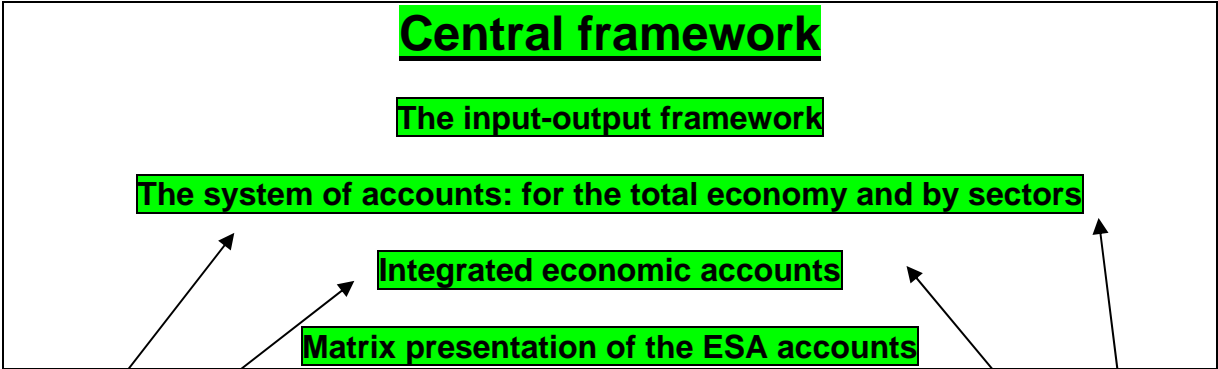
An important feature of the satellite accounts is that in principle, all basic concepts and classifications of the standard framework are retained. Only when the specific purpose or the satellite account definitely requires a modification are changes in the basic concepts introduced. In such instances, the satellite account contains a table showing the link between the major aggregates in the satellite account and those in the standard framework.

The standard framework does not pay much attention to stocks and flows which are not readily observable in monetary terms. The satellite accounts offer a possibility of linking such statistics in non-monetary units to the standard national accounts framework.

Overview of ESA 95

Transactions by industry and product appear in

Analysis of production



Institutional sector accounts appear in

Analysis of behaviour

Data from the agents' accounts are related to the national accounts by

linking tables

More detailed analysis is made possible thanks to the

complementary accounts

The system is completed by

Quarterly accounts	Regional accounts	Population and employment statistics
Specific functions and sectors are examined in the satellite accounts for:		
	<u>Education</u>	<u>Health Care</u>
	<u>Non Profit Organisations</u>	<u>Welfare</u>
	<u>Mutuals and Cooperatives</u>	<u>Social Economy</u>
		etc.

APPENDIX 12.A2
QUESTIONNAIRE AND CONCEPTS USED IN DRAWING UP A
CONCEPTUAL, ADMINISTRATIVE AND LEGAL MAP OF SOCIAL
ECONOMY COMPANIES IN THE EUROPEAN UNION

QUESTIONNAIRE

1. Is there any specific legislation for co-operatives and/or mutual societies in your country? If so, please indicate the name, number and date of enactment of the different laws and regulations that apply exclusively to co-operatives and/or mutual societies.

2. Even if there is specific legislation for co-operatives and/or mutual societies, is there any other legal form, typical of other financial and non-financial corporations, under which a significant number of co-operatives and/or mutual societies could have been created? If so, please indicate the name, number and date of enactment of the laws and regulations in question.

3. If there is no specific legislation for co-operatives and/or mutual societies, is there any other legal form, typical of traditional financial and non-financial corporations, under which co-operatives and/or mutual societies could mostly have been created? Please indicate the name, number and date of enactment of the laws and regulations in question and the specific sections, if any, that refer to co-operatives and/or mutual societies.

4. If co-operatives and/or mutual societies have been set up under the same legal forms as other companies or under forms proper to these, can they be identified separately from other companies that are not co-operatives and/or mutual societies? How?

5. Are there any business *groups or holdings* set up by cooperatives and/or mutual societies in your country? If so, which are the main legal forms under which they were created? Indicate the name, number and date of enactment of the laws and regulations in question. Can they be identified separately from other groups of companies not set up by co-operatives and/or mutual societies?

6. Besides co-operatives and/or mutual societies, are there any other private market producer companies in your country which, in their essential aspects, meet the delimitation criteria laid down in points 1 and 8 of the Concepts attached to this questionnaire? If so, are these companies regulated by any specific law or regulation? If they are, please indicate the name, number and date of enactment of the law(s) and regulation(s) in question.

CONCEPTS EMPLOYED

1. Working definition of co-operatives, mutual societies and other similar companies

The working definition of the co-operatives, mutual societies and other similar companies in the social economy included in these satellite accounts is as follows:

The set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote.

Consequently, co-operatives, mutual societies and other similar companies in the social economy have the following characteristics:

a) *They are private*, in other words, they are not part of or controlled by the public sector.

b) *They are formally organised*, that is to say that they usually have legal identity in their own right.

c) *They have autonomy of decision*, meaning that they have full capacity to choose and dismiss their governing bodies and to control and organise all their activities.

d) *They have freedom of membership*, meaning that it is not obligatory to join them.

e) *They are created to meet their members' needs through applying the principle of self-help*, i.e. they are companies in which the members and the users of the activity in question are usually one and the same. The central

objective of these companies is to satisfy and solve the needs of their members, who are, basically, individuals, households or families.

f) *They are market producers*, which means that their output is mainly intended for sale on the market at economically significant prices.

g) *While they may distribute profits or surpluses among their user members, this is not proportional to the capital or to the fees contributed by the members* but in accordance with the member's transactions with the organisation.

h) They are democratic organisations that apply the principle of 'one person, one vote' in the decision-making process, regardless of the capital or fees contributed by the members. The user members have majority or exclusive control of the decision-making power in the company.

2. Co-operatives and mutual societies in the ESA 95 and in the satellite account of companies in the social economy

The conceptual demarcation of social economy companies established above means that for the purposes of the ESA 95 national accounts framework they are *formally-organised private market producers and, therefore, are institutional units which are classified into the non-financial corporations sector or the financial corporations sector.*

The scope of this conceptual delimitation clearly excludes all the agents that are placed in the “general government”, “households” and “non-profit institutions serving households” institutional sectors in the national accounts. Consequently, the next sections will identify the various agents in the “non-financial corporations” and “financial corporations” sectors that meet the above requirements for being considered part of the business sector of the social economy. The first step is to analyse the characteristics of the most unequivocal business agents in the social economy: co-operatives and mutual societies.

Table 1 identifies the ESA 95 sectors and the different kinds of institutional unit that are included in each, showing how the social economy

business sector for which the satellite account is to be drawn up corresponds to the sector S11 and S12 institutional units in this business sector.

TABLE 1
CO-OPERATIVES, MUTUAL SOCIETIES AND SIMILAR COMPANIES IN THE
SATELLITE ACCOUNT OF COMPANIES IN THE SOCIAL ECONOMY

INSTITUTIONAL UNIT CLASSIFICATION	INSTITUTIONAL SECTORS IN THE ESA 95					SOCIAL ECONOMY BUSINESS SECTOR
	NON-FINANCIAL CORPORATION SECTOR (S-11)	FINANCIAL CORPORATION SECTOR (S-12)	GENERAL GOVERNMENT SECTOR (S 13)	HOUSEHOLD SECTOR (S 14)	NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS SECTOR (S 15)	
CORPORATIONS	C ₁	C ₂	G	H	N	K = K ₁ + K ₂
PUBLIC OTHER NON-MARKET PRODUCERS						
HOUSEHOLDS						
PRIVATE OTHER NON-MARKET PRODUCERS						
CO-OPERATIVES, MUTUAL SOCIETIES AND SIMILAR SOCIAL ECONOMY COMPANIES	K ₁	K ₂				

3. Concept of co-operative

The concept of co-operative employed in these satellite accounts is as follows⁴⁶:

A co-operative is a legal entity in which the principal object is to satisfy its members' needs and/or advance their economic and social activities, in accordance with the following principles:

- Its activities should be conducted for the mutual benefit of the members so that each member benefits from the activities of the co-operative in proportion to his/her participation,
- Members must also be customers, employees or suppliers or be otherwise involved in the activities of the co-operative.

⁴⁶ "Whereas' clauses 7 to 10 of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Co-operative Society (SCE).

- Control should be vested equally in members, in accordance with the principle of 'one person, one vote'. The right to vote is vested in the individual and entails that members cannot exercise any rights over the assets of the co-operative. Although weighted voting may be allowed in order to reflect each member's contribution to its activities, a limit is set to prevent any member taking control of the co-operative.
- Interest on loan and share capital should be limited, In some circumstances, co-operatives may also have among their members a specified proportion of investor members who do not use their services, or of third parties who benefit by their activities or carry out work on their behalf
- The voting rights of investor members, if authorised, must be limited so that control remains vested in the user members.
- Profits must be distributed in proportion to the transactions with the co-operative, or retained to meet the members' needs.
- There should be no artificial restrictions on membership (open membership principle); there are specific rules on membership, resignation and expulsion.
- In the event of winding-up, net assets and reserves must be distributed according to the principle of disinterested distribution, in other words, they must be assigned to another co-operative pursuing similar aims or general interest purposes.

As the operating principles of co-operatives set out above adhere to each and every one of the 8 characteristics of companies in the social economy set out in section 1, *co-operatives are the first great business agent in the social economy*. Co-operatives are self-help organisations set up by citizens (they are private and are not part of the public sector) which are formally-organised and have autonomy of decision. In order to satisfy the needs of their members or conduct their business they operate on the market, from which they obtain their main source of funding. They are organised democratically in accordance with the principle of 'one person, one vote' and their profits are not distributed in proportion to the share capital contributed by their members.

4. The co-operatives in practice

In the European Union, co-operatives are subject to very different and varied bodies of law. Depending on the country, they may be considered commercial companies, a specific type of company, civil associations or organisations that are difficult to catalogue. There may even be a total lack of specific legal regulation, obliging them to follow the rules for companies in general, which normally means commercial companies. In such cases, it is the co-operative's members who include the operating rules in the articles of association which enable a company to be identified as a 'co-operative'.

In terms of the business they conduct, co-operatives are found in both the non-financial corporations sector and the financial corporations sector and in practically every kind of activity.

In general, it may be stated that the great majority of co-operatives in the European Union have a shared core identity based on the historical origin of the co-operative movement and on acceptance, to varying degrees, of the operating principles mentioned in section 3. As a result, a priori, the satellite account will include all the co-operatives in the European Union, identified through the relevant official Registers or, if these do not exist, through the Registers of the organisations that represent the co-operatives in the countries in question. Only when the organisations that represent the co-operatives which identify with these operating principles expressly exclude what are known as false co-operatives will such co-operatives be excluded from the satellite accounts.

It is possible for co-operatives to be set up as the result of altruistic, volunteer initiatives to supply goods or services to other, non-member persons free of charge or at prices that are not economically significant. In this case, the co-operative would be a non-market producer institutional unit and would fall outside the scope of these satellite accounts.

However, this is not the case of Italy's social co-operatives, in which the people that benefit from their actions must be members, or to the other similar social action co-operatives that exist in other European countries. The laws that regulate them and their behaviour in practice mean that all of these, a priori, are market producer institutional units that meet the criteria delimiting the companies in the social economy.

5 Concept of mutual society⁴⁷

The concept of mutual society employed in these satellite accounts is as follows:

A mutual society is an autonomous association of persons (legal entities or natural persons), united voluntarily for the primary purpose of satisfying their common needs in the insurance (life and non-life), providence, health and banking sectors, which conducts activities that are subject to competition. It is managed according to the principle of solidarity between the members, who participate in the governance of the business, and adheres to the following principles:

- *Absence of shares:* Mutual society funds do not consist of shares which would produce (even low) returns for the shareholders. Mutual societies operate on the basis of an initial capital - or own funds - financed by the members or by borrowing. These funds are the collective, indivisible property of the mutual society.
- *Freedom of membership:* Mutuals are open to anyone who fulfils any conditions that may be laid down in the articles of association and abides by mutualist principles.
- *Lack of pure profit-making objectives:* The main objective of mutual societies is not to make a profit but to satisfy the members' interests.

⁴⁷ <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/social-cmafagenda/social-cmaf-mtuas.htm> and consultation document "Mutual Societies in an enlarged Europe", 2003 <http://europa.eu.int/comm/enterprise/entrepreneurship/coop/mutuals-consultation/index.htm>.

The lack of a pure profit motive does not mean that mutuals are not economically active or that they do not endeavour to be economically viable or even to produce a surplus. To be viable and to ensure their continuity, mutuals must be competitive and must balance their accounts. Surpluses are not used to pay a return on capital. They are reinvested in order to improve the services offered to members, finance the development of the business or increase the own funds or, subject to certain limits, are distributed among members.

- *Solidarity*: The members of a mutual society aim to meet individual requirements through collective action, pooling resources and/or activities to meet everyone's needs.
- *Democracy*: Mutual societies are run democratically, with members actively participating in the governance of the business in accordance with representation systems that vary from country to country. Through the principle of 'one person, one vote', each member has equal power in the decision-making bodies. Although in practice this principle is often adapted to allow a certain amount of weighted voting, the democratic principle is generally preserved by limits in the articles of association on the number of votes that a member may hold.
- *Independence*: Mutual societies are independent businesses which do not depend on state subsidies to subsist.

These operating principles are very similar to those of the co-operatives, with the differences that will be discussed below. Like the co-operatives, they too comply with each and every one of the eight characteristics of companies in the social economy stated in section 1, so *mutual societies are the second great business agent in the social economy*.

However, *social security management bodies and, in general, mutual societies of which membership is obligatory and those controlled by companies that are not part of the Social Economy are excluded from the sphere observed and analysed by these satellite accounts*.

6. The mutual societies in practice

As in the case of the co-operatives, mutual societies in the European Union are governed by very diverse bodies of law and therefore possess very different characteristics. *Depending on their principal activity and the type of risk they insure, mutual societies are divided into two large classes or categories. One group comprises mutual provident societies. Their field of activity is mainly, and very often exclusively, to cover the health and social welfare risks of individuals. The second group is mutual insurance companies. Their principal activity usually centres on insuring goods (vehicles, fire, third party insurance, etc.), although they can also cover life insurance related areas.*

In some cases the mutual *provident societies* are integrated into the social security system. In others, membership is obligatory. Certain mutuals do not possess autonomy of decision and are controlled by institutional units that are not part of the Social Economy.

In short, the satellite account will only include the mutual societies that operate in accordance with the principles set out in section 1 and the concept of mutual in section 5 above. Accordingly, the bodies responsible for drawing up the satellite accounts in each country must always exclude mutual societies that are social security management bodies, those of which membership is obligatory and those controlled by companies that are not part of the Social Economy from the satellite account population.

7. Business groups in the Social Economy

With increasing frequency *business groups* are being set up by one or more companies in the social economy. Groups of companies are *set up to obtain advantages and create value*, offsetting – in net terms – the cost of the group organisation. These business groups can adopt various legal forms or even not specifically adopt any.

When a company or coalition of companies in the social economy sets up and controls a business group to improve the delivery of its objectives for the benefit of its rank and file members, this group is considered a *social economy group, regardless of the legal form it adopts*.

To summarise, *the group is a social economy business group if the company or coalition of companies that manages and controls the decision-making processes of the group and benefits from its activity meets the requirements established in section 1 for defining the companies in the social economy*.

Social economy business groups may be part of the non-financial corporations sector or of the financial corporations sector. In the European Union, there are groups that engage in agri-food, industrial, distribution and retail, social welfare and other activities. Banking and mutual society groups are also found in the social economy. All of these are incorporated under different legal forms.

8. Other social economy companies

In European Union countries, a wide range of business agents, taking different legal forms, operate according to principals that, in essence, fit the definition of social economy companies established in this manual. They are *private market producer companies* and are classified into either the non-financial corporations sector or the financial corporations sector.

The non-financial companies include various integration and other social action organisations that operate on the market and adopt different legal forms, in many cases as co-operatives and in others as commercial or similar companies. They are generally known as *social enterprises*, produce a continuous output of goods and/or services, have a high degree of autonomy and a significant level of financial risk and use paid work. In addition, they are

private companies set up by groups of citizens, there is direct participation by the persons affected by the activity, their decision-making power is not based on the ownership of capital, distribution of surpluses and profits is limited and they have the explicit object of benefiting the community.

In other words, social enterprises are non-financial corporations which, irrespective of their legal status, possess the features of social economy companies established in point 1.

In some countries there are also certain non-financial corporations, set up in order to create or maintain stable employment for their members, in which the majority of shares are owned by the workers, these control the governing bodies and the company is organised on a workers' self-management basis. While these companies often take the form of public limited companies or limited companies, the workers' equity is equally divided among them, so these companies are, in fact, characterised by democratic decision-making processes and equitable distribution of profits. The best-known example of this type of company is the labour company (*sociedad laboral*) in Spain.

Lastly, in some countries the financial corporations sector includes savings and loans societies and savings banks which, in their essential aspects, fit the definition of social economy companies given in section 1. These too are included in the satellite accounts.

9. Non-profit institutions serving social economy entities

The only non-profit institutions which are included in these satellite accounts are those serving companies in the social economy. These organisations are funded by fees or subscriptions from the group of companies in question which are considered payments for the services performed, i.e. sales. Consequently, the non-profit institutions in question are market producers and are placed in the non-financial corporations sector if they serve cooperatives or similar social economy companies in this sector, or in the

financial institutions sector if they are at the service of credit cooperatives, mutual societies or other social economy financial organisations.

BIBLIOGRAPHY

ANHEIER, H. (1995): "Para una revisión de las teorías económicas del Sector no lucrativo", in *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, no. 25, pp. 23-34.

ANHEIER, H.K. and MERTENS, S. (2002): "International and European Perspectives on the Non-profit Sector. Data, Theory and Statistics", in *New Trends in the Non-profit Sector*, OECD (forthcoming), pp. 209-229

ANHEIER, H.K., RUDNEY, G. and SALAMON, L.M. (1997): "Nonprofit Institutions in the United Nations System of National Accounts: Country Applications of SNA Guidelines", *Voluntas*, vol. 4, no. 4, pp. 486-501.

ANHEIER, H.K. and SALAMON, L.M. (1998): "Nonprofit Institutions and the 1993 System of National Accounts", *Working paper*, no. 25, The Johns Hopkins Comparative Nonprofit Sector Project, Baltimore.

ANHEIER, H.K., KNAPP, M. and SALAMON, L.M. (1993): "Pas de chiffres, pas de politique. Est-ce qu'Eurostat peut mesurer le non-lucratif ?", *RECMA*, no. 46, pp. 87-96.

ARCHAMBAULT, E. and KAMINSKI, Ph. (2003a): *Vers un compte satellite des institutions sans but lucratif en France*, ADDES, XVIIIe Colloque, Paris.

ARCHAMBAULT, E. (2003b): *Comptabilité nationale*, 6^e édition, Economica, Paris.

ARCHAMBAULT, E. (1996): *Le secteur sans but lucratif. Associations et Fondations en France*, Economica, Paris.

ARCHAMBAULT, E. (1988): *Comptabilité nationale*, 4^e édition, Economica, Paris.

BARBETTA, G.P. (1993): "Defining the Nonprofit Sector: Italy" in *Working Paper of the Johns Hopkins Comparative Nonprofit Sector Project*, John Hopkins University.

BAREA, J. and MONZÓN, J.L. (1999a): "Tercer Sector e instituciones sin fines de lucro en la contabilidad nacional" in *La economía del non-profit* (G. Vitadini y M. Barea, Dres), Ed. Oikos-Nomo, Madrid, pp. 149-176.

BAREA, J., JULIÁ, J.F. and MONZÓN, J.L. (eds.) (1999b): *Grupos Empresariales de la Economía Social en España*, Ed. CIRIEC, Valencia.

BAREA, J. and PULIDO, A. (1998): *Valoración de la actividad económica de las instituciones sin fines de lucro al servicio de los hogares* (ISFLSH). Study funded by EUROSTAT and INE. Internal document.

BAREA, J. (dir) (1997): *Gasto público en servicios sociales en España: marco teórico y metodología para su cuantificación*, Ministerio de Trabajo y Asuntos Sociales, Madrid.

BAREA, J. and MONZÓN, J.L. (1995): *Las Cuentas Satélite de la Economía Social en España: una primera aproximación*, Ed. CIRIEC-España, Valencia.

BAREA, J. (ed.) (1993): *Análisis económico de los gastos públicos en sanidad*, IEF, Ministerio de Hacienda, Madrid.

BAREA, J. and MONZÓN, J.L. (1992): *Libro Blanco de la Economía Social en España*, Ed. Ministerio de Trabajo y Seguridad Social, Madrid.

BAREA, J. (1991): "La economía social en España" in *Revista de Economía y Sociología del Trabajo*, no. 12, pp.8-16.

BAREA, J. (1990): "Concepto y agentes de la economía social" in *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, no. 8, pp. 109-117.

BAREA, J. (1987): "El Plan General de Contabilidad revisado. Una aproximación al análisis económico de la empresa, *Revista española de Financiación y Contabilidad*, vol. XV, no. 51.

BAREA, J. (1982): *Problemática de la integración de la contabilidad de empresas en la contabilidad nacional*. Ministerio de Hacienda.

BORZAGA, C. and DEFOURNY, J. (eds.) (2001): *The Emergence of Social Enterprise*. Routledge, London, 386 p.

BORZAGA, C. and SPEAR, R. (eds.) (2004): *Trends and challenges for Co-operatives and Social Enterprises in Developed and Transition Countries*. Edizione 31, Trento, 280 p.

CHAVES, R., MONZÓN, J.L., STRYJAN, Y., SPEAR, R. and KAFAROLAS, S. (Eds.) (2005): *The future of co-operatives in a growing Europe*. Actas del Congreso Científico de la Alianza Cooperativa Internacional de Segorbe (España), Ed. CIRIEC, Valencia (Papers of the Research Conference of the International Co-operative Alliance, Segorbe (Spain).

CHAVES, R. and MONZÓN, J.L. (2001a): "Les groupes d'Économie Sociale: Dynamiques et trajectoires" in *Les holdings coopératives: évolution ou transformation définitive* (D. Coté, ed.), Ed. De Boeck Université, Bruxelles.

CHAVES, R. and MONZÓN, J.L. (2001b): "Economía Social y sector no lucrativo: Actualidad científica y perspectivas" in *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, no. 37, pp. 7-35.

CHAVES, R. DEMOUSTIER, D., MONZÓN, J.L., PEZZINI, E., SPEAR, R., THIRY, B. (2001): *The Enterprises and Organizations of the Third System in the European Union*, Ed. CIRIEC, Liège (Spanish edition: *Economía Social y Empleo en la Unión Europea*, Ed. CIRIEC, Valencia, 2000, ISBN 84-95003-12-0).

CHAVES, R. and MONZÓN, J.L. (2000): "Las cooperativas en las modernas economías de mercado", *Economistas*, no. 83, pp. 113-123.

CIRIEC (CHAVES, R. DEMOUSTIER, D., MONZÓN, J.L., PEZZINI, E., SPEAR, R., THIRY, B.) (2000), *The enterprises and organisations of the third system. A strategic challenge for employment*, Ed. CIRIEC, Liège (Edition in French: *Les entreprises et organisations du troisième système. Un enjeu stratégique pour l'emploi*, Ed. CIRIEC, Liège).

CIRIEC (2000): "Contribution of co-operatives, mutual societies and associations to the social cohesion and economic development of Europe" 4th *European Conference of the Social Economy*, Ed. CIRIEC, Liège.

CIRIEC (2000): *Entrepreneurship and Cooperatives in Europe 2000*. Ed. CIRIEC and Instituto Luzzatti (with EC support)

CNLAMCA (1982), *La lettre de l'économie sociale*, Paris.

COMMISSION OF THE EUROPEAN COMMUNITIES, INTERNATIONAL MONETARY FUND, ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, UNITED NATIONS, WORLD BANK (1994): *System of National Accounts, 1993*, Brussels/Luxembourg, New York, Paris, Washington, D.C., United Nations publication, Sales No. E.94.XVII.4.

COMMISSION OF THE EUROPEAN COMMUNITIES – see also EUROPEAN COMMISSION

CONSEIL WALLON DE L'ECONOMIE SOCIALE (1990): Rapport à l'Executif Regional Wallon sur le secteur de l'Economie Sociale, Liège.

COTÉ, D. (ed.) (2001): *Les holdings coopératifs: évolution ou transformation définitive?*, De Boeck, Bruxelles.

CUICCHIO, S., MALIZIA, R. and ZAMARO, N. (2001): *The Handbook on Nonprofit Institutions - Report on the Italian Pilot Test Results*, ISTAT, Rome.

DEFOURNY, J. et al (1999): *L'Économie sociale au Nord et au Sud*. De Boeck, Bruxelles.

DEFOURNY, J. and DEVELTERE, P. (1999): "Origines et contours de l'économie sociale au Nord et au Sud", in DEFOURNY, J., DEVELTERE, P., FONTENEAU, B. (eds): *L'économie sociale au Nord et au Sud*, Éditions De Boeck, Paris et Bruxelles, pp. 25-56.

DEFOURNY, J. and MERTENS, S. (1999): "Le troisième secteur en Europe : un aperçu des efforts conceptuels et statistiques", in GAZIER, B., OUTIN, J.-L., AUDIER, F. (eds): *L'économie sociale*, L'Harmattan, Paris, pp. 5-20.

DEFOURNY, J., MERTENS, S. and SALAME, M. (1996): "Le non-marchand, frein ou moteur pour la croissance ?", in DEFOURNY, J. et JACQUEMIN, J.-C. (eds): *Avec quelle croissance devons-nous apprendre à vivre ?*, XII^{ème} congrès des économistes belges de langue française, CIFO, Charleroi, pp. 115-150.

DEFOURNY, J. and MONZÓN, J.L. (eds.) (1992): *Economie sociale, entre Economie Capitaliste et Economie Publique; The Third Sector, Cooperative, Mutual and Nonprofit Organisations*, De Boeck-Wesmael, Bruxelles.

DEMOUSTIER, D. (2006): "Débats autour de la notion d'Économie Sociale", *RECMA*, no. 300, pp. 8-18.

DEMOUSTIER, D. (2003): *Économie sociale et solidaire*. Syros, Paris.

DESROCHE, H. (1983): *Pour un traité d'économie sociale*. CIEM, Paris.

DOMAR, E.D. (1967): "The Soviet Collective Farm as a Producer Cooperative", *American Economic Review*, LVI, September 1966 and March 1967.

EISNER, R. (1996): "Expansion of Boundaries and Satellite Accounts", in KENDRICK, W. (ed.): *The New System of National Accounts*, Kluwer Academic Publishers, Boston, Dordrecht, London, pp. 91-113.

EUROPEAN COMMISSION (1997): *The cooperative, mutual and non-profit sector in the European Union*, Office for Official Publications of the European Communities (Eur-Op), Luxembourg, no. CA-82-94-642-**-C (*Le secteur coopérative, mutualiste et associatif dans l'Union Européenne*, Bruxelles, Eurostat – DG XXIII – Commission Européenne).

EUROPEAN COMMISSION (1995): *Accounting Harmonisation: a new strategy vis-a-vis international harmonisation*. Communication from the Commission COM 95 (508) EN (*Armonización Contable: una nueva estrategia de cara a la armonización internacional*. Comunicación COM 95 (508) ES).

EUROPEAN COMMISSION – see also COMMISSION OF THE EUROPEAN COMMUNITIES

EUROPEAN COMMISSION / EUROSTAT (1996): *European System of Accounts – ESA 95*, Office for Official Publications of the European Communities, Luxembourg (*Sistema Europeo de Cuentas SEC-1995*, Luxembourg).

EUROPEAN COMMUNITY (2003): Statute For a European Cooperative Society (SCE), Council Regulation (EC) No. 1435/2003 of 22 July 2003 (Estatuto de la sociedad cooperativa europea, Reglamento (CE) nº 1435/2003 del Consejo de 22 de julio de 2003).

EUROPEAN COMMUNITY (1990): Statistical Classification of Economic Activities in the European Community (NACE). Council Regulation (EEC) No 3037/90 of 9 October 1990 (Clasificación Estadística de actividades económicas en la Comunidad Europea (NACE). Reglamento CEE 3037/90 del Consejo de 9 de octubre de 1990).

EUROPEAN COMMUNITY (1978): Fourth Council Directive 78/660/EEC of 25 July 1978 (IV Directiva. Julio 1978).

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE (1986): COMITE ECONOMIQUE ET SOCIAL DES COMMUNAUTES EUROPEENNES, *Les organisations coopératives, mutualistes et associatives dans la Communauté européenne*, Delta, Bruxelles

EUROPEAN PARLIAMENT and COUNCIL (2002): Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards (Reglamento (CE) nº 1606/2002. Julio 2002).

EUROPEAN PARLIAMENT and COUNCIL (2001): Directive 2001/65/EC of 27 September 2001 (Directiva 2001/65 (CE)).

EVERS, A. (2000): "Welfare dynamics, the Third Sector and Social Quality", in BECK, W. et al. (eds.): *Social Quality: a vision for Europe*, London: KluwerLaw International, pp. 213-235.

EVERS, A. (1998): "Sur l'étude de Johns Hopkins. Un commentaire critique", in *Revue du Mauss*, no. 11, pp. 99-110.

EVERS, A. and LAVILLE, J.L. (2004): *The Third Sector in Europe*. Edward Elgar, Cheltenham, 288 p.

FENINA, A. and GEFFROY, Y. (2005): *Comptes Nationaux de la santé 2004*, Etudes et statistiques, Ministère des affaires sociales, 76 p., ISBN: 2-11-006043-3.

GUI, B. (1991): "The economic rationale for the Third Sector" in *Annals of Public and Co-operative Economics*, vol. 61, no. 4, pp. 551-572.

HANSMANN, H. (1980): "The role of Nonprofit enterprise", in *Yale Law Journal*, vol. 89, no. 5, pp. 835-901.

JOHNS HOPKINS COMPARATIVE NON-PROFIT SECTOR PROJECT (1997-1999) (1997): *Project Manual: Johns Hopkins Comparative Non-Profit Sector Project*, Baltimore: Johns Hopkins Institute for Policy Studies.

JONES, D.C. (1976): "British Economic Thought on Associations of Labourers 1848-1973", *Annals of Public and Cooperative Economy*, 1976, vol. LLVII, pp.5-36.

KAMINSKI, Ph. (2006): *Le Compte Satellite des Institutions Sans but Lucratif en France*, ADDES, Paris.

KAMINSKI, Ph. (2003): *Du compte satellite des ISBL au compte satellite de l'économie sociale*, ADDES, XVIIIe Colloque, Paris.

LEMAIRE, M. (1987): "Satellite Accounts: a Relevant Framework for Analysis in Social Fields", *Review of Income and Wealth*, series 33, no. 3, pp. 305-325.

LEVI, Y. (1998): "Rethinking the For-profit versus Non-profit Argument: a social enterprise perspective", in *Economic Analysis, Journal of enterprise and participation*, vol. 1, no. 1, pp. 41-55.

LIPIETZ, A. (2000): *Pour le tiers secteur*, Paris: La Découverte-La Documentation Française.

MARCZEWSKI, J. (1965) : *Comptabilité nationale*, Dalloz, Paris.

MEADE, J. (1972): "The theory of Labour Managed Firms and of Profit Sharing", *The Economic Journal*, March 1972 (special issue), pp. 402-408.

MEIER, R. (1999): "Comptes satellites du tourisme : l'exemple pratique de l'OCDE", in ARCHAMBAULT, E. et BOËDA, M. (eds.) (1999): *Comptabilité nationale: nouvelles frontières*, VIIe colloque, Paris, Economica, pp. 245-256.

MERTENS, S. (2003): *Le compte satellite des associations en Belgique*, ADDES, XVIIIe Colloque, Paris.

MERTENS, S. (2002): *Vers un compte satellite des Institutions sans but lucratif en Belgique*, PhD thesis, Université de Liège.

MERTENS, S. (1999): "Nonprofit organisations and social economy: two ways of understanding the third sector" in *Annals of Public and Cooperative Economics*, vol. 70, no. 3, pp. 501-520.

MERTENS, S., ADAM, S., DEFOURNY, J., MAREE, M., PACOLET, J. and VANDEPUTTE I. (1999a): "The Nonprofit Sector in Belgium - Results of a Pilot Survey: Statistical Overview and Elements of an International Comparison" in SALAMON, L.M., ANHEIER, H.K., LIST, R., TOEPLER, S., SOKOLOWSKI, W. and Associates (1999): *Global Civil Society. Dimensions of the Nonprofit Sector*. The Johns Hopkins Center for Civil Society Studies, Baltimore.

MERTENS, S. and LEFEBVRE, M. (2001): *Testing the Handbook on Nonprofit Institutions in the System of National Accounts, Belgian Report to the Global Nonprofit Information System Project* - Johns Hopkins University and UN Statistical Division, Centre d'Economie Sociale, Université de Liège.

MOCAN, H.N. and ERDAL, T. (2000): *Non-Profit Sector and Part-Time Work: An Analysis of Employer-Employee Matched Data of Child Case Workers*. National Bureau of Economic Research Working Paper, No. 7977. Cambridge, Massachusetts: National Bureau of Economic Research.

MONZÓN, J.L. (2004): "El Tercer Sector y la Nueva Economía Social" in *Economistas*, no. 12.

MONZÓN, J.L. (2003): "Cooperativismo y Economía Social: perspectiva histórica", *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, no 44, pp. 9-32.

MONZÓN, J.L. (1998): "Gli strumenti per lo sviluppo delle cooperative" in *Revista della Cooperazione*, no. 3-4, pp. 77-86.

MONZÓN, J.L. (1997): "Contributions of the Social Economy to the General Interest" in *Annals of Public and Cooperative Economics*, no. 3, Vol 68, pp. 397-409.

MONZÓN, J.L. (1989): *Las cooperativas de trabajo asociado en la literatura económica y en los hechos*, Ministerio de Trabajo y Seguridad Social, Madrid.

MONZÓN, J.L., SPEAR, R., THOMAS, A., ZEVI, A. (1996): *Cooperatives, Markets, Co-operative Principles*, Ed. CIRIEC, Liège, 1996 (Edition in French: *Coopératives, marchés, principes coopératives*, De Boeck Wesmael, Bruxelles, 1995, ISBN 2-8041-2205-0).

MONZÓN, J.L. and BAREA, J. (1994): "Las cifras clave de la economía social" in *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, no. 16, pp. 9-48.

NATIONAL ACCOUNTS INSTITUTE – NATIONAL BANK OF BELGIUM (2004): *Satellite account of non-profit institutions 2000-2001*, Brussels (with the Centre d'Économie Sociale of the University of Liège).

PEZZINI, E. (2000): "El reconocimiento de la Economía Social por las instituciones europeas etapa por etapa", in *Economía Social y Empleo en la Unión Europea*, CIRIEC, Valencia.

PICHET, A. (1979): *Comptabilité Nationale*. Dunod, Paris.

PIRIOU, J.-P. (2003): *La Comptabilité nationale*, La Découverte, Repères.

SAJARDO, A. (1996): *Análisis económico del sector no lucrativo*, Valencia, Tirant lo Blanc.

SALAMON, L. and ANHEIER, H. et al. (2001): *Global civil society. Dimensions of the Nonprofit Sector*, Baltimore, The Johns Hopkins Center for Civil Society Studies.

SALAMON, L. and ANHEIER, H. (1997): *Defining the Non-Profit Sector: A Cross-National Analysis*. Manchester and New York: Manchester University Press.

SALAMON, L. and ANHEIER, H. (1992a): "In Search of the Nonprofit Sector I: The question of definitions" en *Working Paper*, no. 2, Johns Hopkins University.

SALAMON, L.M. and ANHEIER, H. (1992b): "In Search of the Nonprofit Sector, II: The Problem of Classification", in *Voluntas*, Vol 3, no. 3, pp. 267-310.

SÉRUZIER, M. (1996): *Construire les comptes de la nation, selon le SCN1993*, Economica.

TICE, H.S. & MEMBERS OF THE NPI TEST GROUP (Bain, D., Bailey, S., Brenner, N., Cuicchio, Liwendahl, C., Magnusson, B., Malizia, R., Mertens, S., Roosendaal, Zamaro, N.) (2002): "Portraying the Nonprofit Sector in Official Statistics : Early Findings from NPI Satellite Accounts", Paper presented at the 27th General Conference of the IARIW, Djurham

TICE, H.S. and SALAMON, L.M. (2000): *The Handbook of Nonprofit Institutions in the System of National Accounts: An Introduction and Overview*, Paper presented for the 26th General Conference of the International Association for Research in Income and Wealth, Cracow, Poland.

UNITED NATIONS (2003): *Handbook on Non-profit Institutions in the System of National Accounts*; New York.

VANEK, J. (1970): *The General Theory of Labor Managed Market Economies*, Cornell University Press, Ithaca.

VASILLE, L. et al (2003): *Les comptes satellites du Tourisme 2003*. Editeur: ONT, ISBN: 2-11-092-417-9.

VIENNEY, C. (1999): *L'économie sociale*, La Decouverte, Paris.

VIENNEY, C. (1980): *Socio-économie des organisations coopératives*, CIEM, Paris.

WARD, B. (1958): "The firm in Illyria: market syndicalism", *American Economic Review*, XLVIII, September 1958, no. 4, pp. 566-589.

WEISBROD, B.A. (ed.) (1998): *To Profit or Not Profit: The Commercial Transformation of the Non-Profit Sector*. Cambridge, United Kingdom, New York and Melbourne, Australia: Cambridge University Press.