



“Summary of article by Ann Chadeau: Measuring Household Activities: Some International Comparisons” in Frontier Issues in Economic Thought, Volume 3: Human Well-Being and Economic Goals. Island Press: Washington DC, 1997. pp. 358-361

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## **“Summary of article by Ann Chadeau: Measuring Household Activities: Some International Comparisons”**

The unpaid (non-market) labor performed in households by and for the benefit of their members goes uncounted in most standard economic measures, which focus only on market transactions. Yet its importance as a source of economic value and as an essential condition for social reproduction is unassailable. This paper reviews several macroeconomic approaches to measuring this labor or the associated household production, discussing the aims pursued, the activities measured, the methodologies used, and the availability of statistical data. The results of a number of major macroeconomic studies all clearly indicate that the value of household labor as a percentage of GNP is significant. Data availability remains the greatest constraint to furthering our understanding of relations between the household and market sectors.

### **AIMS PURSUED**

Efforts to measure the non-market work or production of households usually pursue one of two main goals. The first is improving national accounts. It has long been recognized that in principle, measures of national income should include non-market production if they are to be an accurate reflection of total economic activity or total welfare. Exclusion of non-market production also leads to over-estimation of the rate of growth of national income. For example, as women increasingly shift from household work, where their production goes uncounted, to the market labor force, the real change in their total labor or production may be small, but the effect on measures such as GNP is substantial.

The second aim is comparison of productive activities in the household and market sectors, which can be done on either a monetary or non-monetary basis. Non-monetary measurement allows direct comparison of the number of hours of work in the market and non-market sectors, usually based on time use surveys. These studies are especially useful for comparison of the amount of household work done by women who do and those who do not participate in the market labor force, as well as for evaluation of how household work varies with other factors, such as the age and gender structure of the household.

Monetary comparisons require imputing money values to various types of housework, a complex methodological issue. Because the results are so sensitive to the method selected, analysts do not advise simply adding monetary estimates of the value of household labor or production to national income figures. This can, however, be a useful and illuminating basis for comparison, and does at least suggest an order of magnitude for the value of household contributions.

## **ACTIVITIES COVERED**

Neither "work" nor "production" encompasses all of the activities performed within a household, but either of these concepts can be used as the basis for selecting which activities matter. That is, we can consider either "unpaid household labor" or "production for own account", each of which yields slightly different results. One common approach to defining work in the household is the "third person" criterion: "housework is restricted to those activities performed within the household by one of its members for the others producing indirect utility and which could be done for pay by someone not belonging to the household." (240-241) This definition thus separates work from leisure, meeting biological needs, and market work.

The production approach takes a somewhat broader view of relevant household activities: "a productive act is one which can be performed by a unit distinct from the one who consumes the end result" (241), although for the production under consideration here the producing and consuming units - the household - are in fact the same. Implementation of this approach is more difficult than the work-based approach due to lack of data on the nature and quantity of household output, especially with respect to services, since most household surveys have focused only on time use. Quality differentiation is also problematic, as is accounting for the psychological value of production by household members for themselves, which has no market substitute.

## **METHODOLOGIES**

At present, the main methodological issue is how to confer a money value on unpaid household labor. There are two general approaches. The first entails estimating the cost of hiring someone else to do the work, i.e., the foregone expense. The wage rate used may either be that of a single housekeeper performing all functions in the household, or a number of task-specific rates can be used (e.g., cook, nanny, etc.). Alternatively, the value of all household production can be estimated based on the prices of equivalent goods and services in the market. The household is then treated as a self-contained producing unit, and intermediate consumption and capital expenses such as food and housing are subtracted from the total value of production. The net value added by household members can then be used to impute an income for this unpaid work.

The foregone wage approach entails estimating the money income that each individual in a household would have earned if he or she had been employed for the same amount of time at a market wage rather than doing unpaid household work. The wage rate used may be either that of a domestic household worker, or the wage that the individual could expect in the market given his or her qualifications (i.e., the opportunity cost or potential earnings approach).

There are a number of limitations to the estimates of the value of household labor or production generated by these methods. First of all, they can be quite unrealistic from a macroeconomic standpoint. For example, shifting all household work to the market would have profound impacts on prices and wages for the equivalent goods and services in the market, and it is simply implausible in any event. The potential earnings method, meanwhile, is based on the weak assumption that individuals are free to participate in the labor force at will, and that they can

always find jobs suited to their qualifications. It also produces the paradox that housework done by a person with high qualifications is more valuable than the same work done by a low-skilled individual.

Additional problems arise when making international comparisons, since each method is based on price systems, standards of production, and levels of social protection that vary from country to country. For example, a country's wage rates will depend on the degree to which it is socialized. Differences in tax rates or social security contributions can also complicate the comparison.

## **RESULTS AND CONCLUSIONS**

The results of a number of major macroeconomic studies that evaluate the value of unpaid household labor as a percentage of GNP indicate that although the precise values estimated must be treated cautiously, the order of magnitude of this figure is unquestionably significant. The lowest estimate (which only takes married women into account) was one-fifth of GNP, while the highest (which takes all men and women into account) was fully half of GNP.

Each method of analysis produced remarkably consistent results, although there was considerable variation in the estimates among the different methods. The potential earnings approach produced the highest estimates, while methods that based wage calculations on global substitutes (e.g., an all purpose domestic worker) produced the lowest values. This is because the wage rates of domestic servants in industrialized countries are well below average.

The results of the studies are inconclusive with respect to whether the trend in the relative magnitude of household work is increasing or decreasing. Factors such as declining family size, improved household equipment, and the move of women into the market labor force would suggest a declining trend, but changing standards of home size, comfort and cleanliness, decreasing average work hours in the market sector, earlier retirements, and other factors may contribute to the opposite trend. However, total time inputs in both the market and household sectors may not have changed significantly over time. Differences in the level of productivity in each of these sectors also remains a controversial issue.

Increasing the availability of statistical data is essential to further work in this field. Time use studies are useful sources of information, but more data on household production of goods and services would be especially valuable, because comparisons of production rather than work better represent interactions between the market and household sectors. This is especially true in developing countries, where non-market subsistence production is still so important, and where imputing money values for time is both more difficult and less realistic. In industrialized countries, recognizing and studying both the producing and the consuming functions of households would yield a clearer definition and understanding of the boundary between the market and the household and of how and why it shifts over time. Gathering data on the nature and volume of household output should be a priority of future studies.