

The Contribution of Unpaid Household Services to Household Consumption: Theoretical and Empirical Challenges

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Now's the Time

- Debates on contribution of unpaid work go back to 19th century, often connected to women's rights campaigns
- Dramatic expansion of nationally representative time-use surveys
- Proliferation of satellite income accounts
- BUT Relative lack of attention to household level estimates and their implications

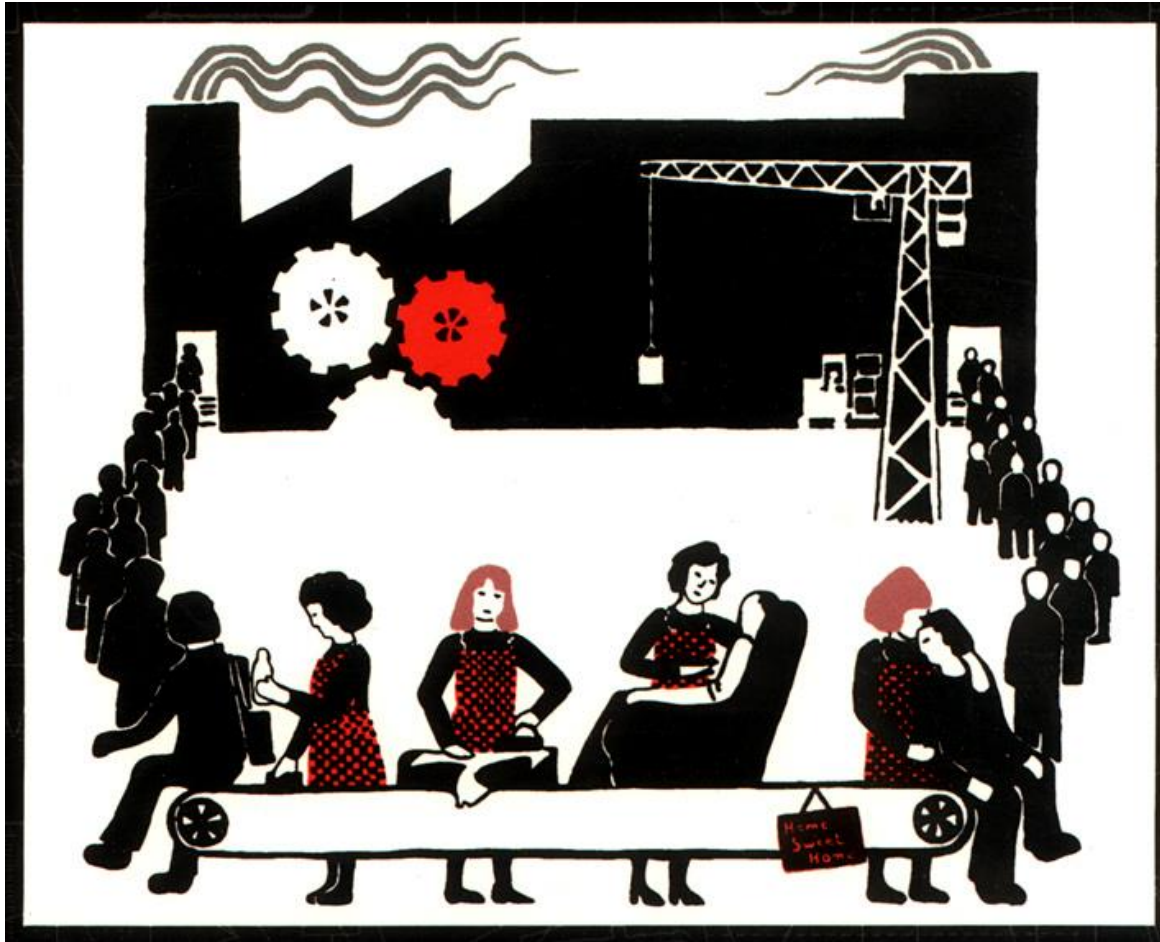


Margaret Reid would be pleased.

My Vantage Point

- **1997-2003.** Co-chair of MacArthur Research Network on the Family and the Economy co-sponsored a planning conference for the ATUS with BLS.
- **2003-2004.** Member of the National Research Council group that generated *Beyond the Market*, co-authored by Katherine Abraham and Chris Mackie.
- **2008-2010.** Member of the Commission on the Measurement of Economic and Social Progress chaired by Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi
- **2018-2020.** Member of the Intersecretariat Working Group on National Accounts (ISWGNA)
- **2021-2022.** In collaboration with Pilar Gonalons of University of Pennsylvania and Shawn Fremstad of Center for Economic Policy Research writing a report on sources of federal data for analysis of care provision, funded by the Hewlett Foundation.

Outline



- Utility vs. living standards
- Consumption vs. investment
- Individuals vs. households
- Measuring & valuing unpaid work
- Equivalence scales
- Inequality among households

Material Living Standards vs. Utility/Happiness

- “Classical” vs. “Neoclassical,” “objective” vs. “subjective” well-being.
- For consistency with national income accounts (no consumer surplus) material living standards appropriate. No valuation of leisure in consumption.
- Measures of leisure and subjective well-being, including “happiness,” can be developed separately

Consumption vs. Investment

- Growing literature on human capital (more broadly) the production of human capabilities—including the development of national “human capital accounts” suggests that some household expenditures AND unpaid services should be considered investment rather than consumption.
- John Kendrick (1976) argued for a cost-based estimate of the value of human capital that would include at least some family childrearing costs. Eisner (1988), held that some unpaid childcare activities should be considered investment.
- Could be compared with estimates of “output” value (e.g. Fraumeni/Jorgenson).

Individuals vs. Households

- Expanded consumption measure relevant to estimates of total expenditures on children regularly published by the US Department of Agriculture (USDA), foster care reimbursement rates and child support awards.
- Distinguish between expenditures and unpaid services that contribute to household public goods and those that directly benefit members of specific gender/age groups (feasible to some extent with both CE and ATUS). Extensive micro-literature, e.g. Lundberg/Pollak.
- Expanded measure of consumption also relevant to debates over gender inequality, including relative contributions to total household consumption and distribution of spending on private goods.

Measurement of Unpaid Household Services

- Include what ATUS terms “secondary childcare” (a child under 13 “in your care,” a much bigger constraint on maternal employment than time devoted to specific childcare activities.
- Note joint production (supervisory time combined with other unpaid work and with leisure)
- A reason to use quality-adjusted replacement cost with a relatively low wage rate for time devoted to supervisory responsibilities alone.
- What to do with ATUS estimates of care of non-household members (who is the “consumer” in this instance?). This is significant for elderly. Also means that child care by non-household kin (e.g. grandma) will be missed.

Valuation of Unpaid Household Services

- Most valuations in this context apply replacement cost wages, but the output valuation method developed by Ironmonger and applied by the British Office of National Statistics is an important alternative/supplement.
- The main rationale for estimating only labor costs has been lack of info on capital and raw materials—the CE will provide such info.
- Potentially the greatest-value added of combined analysis of CE and ATUS.

Equivalence Scales

- Household public goods create economies of scale.
- Economies of scale in consumption--neighborhood, housing, utilities.
- Economies of scale in household provision of childcare and food, compared to consumption expenditures on these items.
- Children require fewer cash expenditures than adults but far more unpaid household service time (require different age-based weights).
- Different equivalence scales should be applied to consumption expenditures and value of unpaid household services (Folbre et al.,2018; Borah 2020).

Implications for Inequality Among Households

- In the cross-section, likely to reduce household consumption inequality (Frazis/Stewart, 2011).
- However, might increase trend toward increased inequality over time, since there is greater variance in women's earnings than in valuation of their unpaid services (amplified by assortative mating). In the 1950s and 60s, housewives helped equalize.
- Two-earner families and single mothers will look worse off relative to breadwinner/homemaker families.

What About Poverty?

- Consumption looks different if employment-related costs including loss of time for non-market work are considered (Meyer and Sullivan, 2008; Albelda, 2011).
- Need for more research on income/time poverty. (e.g. Vickery, Levy Institute Measure).
- Certainly not a linear tradeoff between unpaid services and purchased substitutes.
- Are there threshold effects? What is elasticity of substitution?

Conclusion

We could and should do so much better.