

6 Putting unpaid care work into the national accounts

The previous section has discussed, in general, how we can get unpaid care work to be 'seen' by economists. This section discusses how unpaid care work can be inserted into the national accounts.

6.1 Satellite or core?

As discussed above, the national accounts are the set of figures that are used to calculate GDP. As also discussed, the SNA which sets the rules for national accounts states that unpaid care work must not be included in the calculation of GDP. Instead, it suggests that a 'satellite' account be drawn up parallel to the 'core' national accounts to reflect unpaid care work.

Most economists will support this separation. And most Finance Ministries will be horrified if we suggest interfering with 'their' GDPs by adding unpaid care work. In support of their position they will raise the arguments discussed in an earlier section, such as difficulty of measurement, lack of comparability over time, lack of international comparability, and the supposed lack of interaction between the paid and unpaid economies.

On the other hand, Murgatroyd & Neuberger (1997:65) note that the danger of having unpaid care in a satellite account rather than the 'core' national accounts is that it will probably attract less attention. Further, 'satellite' is a strange word because it suggests a small appendage when, in fact, Australian Duncan Ironmonger suggests that the household industry produces a value larger than any single one-digit industry within the counted economy.

The Organisation for Economic Cooperation and Development (OECD) supports the SNA's exclusion of unpaid care work from the core accounts. However, it acknowledges that the exclusion 'gives a distorted picture of the magnitude, composition and trends of production activities' (Blades, 1997: 1). In particular, the macroeconomic measures produced by the national

accounts will not accurately reflect changes in total household well-being when there is a shift in provision of services such as child care and health care between the market and non-market sphere.

The OECD also notes that, because unpaid care work is done mainly by women, women might see its exclusion as an attempt to ‘downplay their contribution’.

6.2 Approaches to constructing satellite accounts

There are different approaches to constructing satellite accounts for unpaid care work. Varjonen et al (1999:7) describe how to construct a ‘household’ satellite account, which measures all production taking place in the household. This approach includes some production that is already included in GDP, as well as unpaid care work. For example, it would also include subsistence work and the wage of a domestic worker. Schafer and Schwarz (n.d.:6) also argue that satellite household production accounts should include both household work that is already included in national accounts, and that which is not.

The alternative approach is to estimate the value only of production that is excluded from the GDP calculations. This method is simpler, because it covers less. It is also easier to understand, because then total production is simply the sum of the ‘ordinary’ national accounts and the satellite accounts.

In the previous section we looked at how to assign a value, or ‘cost’, to unpaid care work. This is an important first step because labour is the main ‘input’ to the production involved in unpaid care work. Most studies use the costs of the inputs to production to value household production. The input method is also used as one method in standard national accounts, for example to value the production of government and non-profit institutions.

However, for private sector production the national accounts use the ‘output’ method. This calculates the value of what is produced, rather than what goes into producing it. The approach is better than the input approach if we are interested in welfare as it focuses on the goods and service produced or enjoyed. Unfortunately, it is usually not possible to use it for unpaid care work.

The output method is relatively easy when the goods and services are sold on the market, as the value is then assumed to be the same as the price. The output method is difficult when the goods and services produced are not sold on the market, as is the case for unpaid care work. We could, as with

wages for input, try to find the same sorts of goods and services in the market, and apply the price. For example, we could look at the price of a meal, or the price of a crèche, or the price of nursing services. But these data are not as easily available as data on wages.

One criticism of input-based methods is that they do not take different productivity levels into account. For example, two households may spend an equal number of hours cooking meals of similar nutritional value. However, because one household uses an electric stove, while the other uses woodfuel, the first household will spend far less time in preparing the meal. With the input-based approach, the meal of the second household would be given a higher value than the meal of the first household because the estimate is based primarily on time. With the output-based approach, the two meals would be assigned the same value. The input method measures the burden, while the output method measures the values of the goods produced.

Most critics assume that the input-based method will exaggerate the value of household production because people take longer to produce the goods and services than in the private sector, where they produce in bulk. For example, Blades (1997) suggests that the values in the household sector should be adjusted downwards by 50%-70% to reflect lower productivity.

However, Schafer and Schwarz (n.d.:8) argue that households are sometimes more productive than private firms. They note that when services are delivered to people, households may have better information about the exact needs, be more willing to provide services at inconvenient times, be more flexible, and adjust more rapidly to unexpected circumstances. Households will also usually not have the extra expenses related to travel, idle time and breaks which happen in the private sector.

