Developing a Satellite Account of Household Production

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1. Background

Time use studies show that people use significant amounts of time in producing goods and services in households. Estimates of the value of household work as a proportion of GDP has varied between 35 - 55 %. However, this significant area of economic activity is not covered by official statistics.

Calculations of the value of household production have been made in several countries during decades, but the problem is that there are no generally accepted guidelines how to construct the satellite accounts for household production or what is the best operational method to value household production.

Statistics Finland obtained Eurostat SUP.COM96 funding for a project to develop a proposal for a harmonised satellite system of household production and to evaluate the quality and applicability of time use data for the calculation of unpaid household labour. In the future European countries are prepared to launch harmonized surveys producing comparable data on time use.

2. National accounts and satellites

The aim of the household satellite is to provide an overall picture of the productive activities undertaken by households and to give an estimate of the value of household production. Small part of this production is covered by SNA, the core national accounts, but most of it is not.

Satellite accounts are compatible with the logic of national accounting, yet completely separate from national accounts. The concept of production in the household satellite is broader than in SNA. It applies the so-called general production boundary, which covers all production of goods and services both in the market and in households.

3. Satellite account of household production

SNA93 recognizes that household production is a part of economic activity in a general sense. Households produce goods and services quite similar as produced in market economy. SNA93 includes also goods produced in households, presumed that the production is significant for the whole economy.

SNA presents the sequence of accounts for households. This mode was mainly followed in developing a proposal for the satellite account. The task was restricted to using the so called input method because of opportunity to apply time use data.
The satellite account of household production consists of the following elements:

Labour input: time spent on housework valued at a "suitable" wage
+ consumption of fixed capital (household durable, means of transport, facilities etc.)
+ taxes less subsidies on production
\[= \text{gross value added of household production}\]
+ intermediate consumption used in production (raw materials, energy etc.)
\[= \text{output (total value of household production)}\]

Housework is the main input to household production. It refers to the unpaid work household members expend in producing goods and services for own use or volunteering. Time used on housework can be estimated fairly well by time use surveys.

The way the time will be valued has a crucial effect on the value of the whole household production. The project recommends that the valuation be based on the wages of generalist workers or s.c. housekeeper wage. It is the project’s view that the generalist’s tasks come close to household work in terms of both working conditions and productivity.

Further, it is recommended that the valuation of working time be based on gross wages including normal social security contributions: if households were to buy the products on the market, they would have to pay a price that included all employer expenses.

For household production some s.c. fixed capital and household durables are used, e.g. kitchen and oven for cooking, car for shopping etc. Therefore capital input, consumption of fixed capital, should be added. Taxes on production linked to housing, car etc. should be added as well and subsidies on production should be substracted.

Gross value added is the s.c. GDP component that can be compared with the gross domestic product figures. But to calculate the total value of household production “turnover” or output, intermediate consumption used in production should be added. This means raw materials etc. consumed during the production process. These data are collected in household budget surveys.

4. The project

The project consisted of Johanna Varjonen, Iiris Niemi, Eeva Hamunen, Taru Sandström and Hannu Pääkkönen. The project received valuable help and comments from many experts, mentioning especially Luisella Goldschmidt-Clermont, France and Duncan Ironmonger, Australia.

The report will be published in Eurostat Working Papers Series. Eurostat may set a task force to continue the work on preparing harmonised guidelines for satellite accounts on household production.

REFERENCES


RÉSUMÉ EN FRANÇAIS

L'objet du satellite des ménages est de fournir une image générale des activités productives entreprises par les ménages et de donner une estimation de leur valeur. Statistique Finlande a obtenu un financement d'Eurostat SUP.COM96 pour un projet de développer une proposition de système de satellite harmonisé de production des ménages. La tâche a été réduite à l'emploi de la méthode d'entrée en raison de la possibilité d'appliquer des données chronologiques. La valeur totale de la production des ménages se compose des éléments suivants:

Entrée de la main-d'œuvre: temps passé au ménage évalué selon un salaire "approprié"
+ consommation de capitaux immobilisés
+ impôts moins les subventions sur la production
+ consommation intermédiaire utilisée dans la production.