Taking Account...

Accounting for Household Production: Another Step

The importance of nonmarket production has been a recurring theme in the U.S. and international accounts literature since the inception of national economic accounts. Economists have long recognized that a key component of nonmarket production is household activity.

Historically, the challenges of producing a consistent, up-to-date set of nonmarket production accounts that includes household activity have left most statistical agencies disinclined to officially measure household production, focusing instead on goods and services that could be measured with harder data.

But a 2005 National Research Council panel study, *Beyond the Market: Designing Nonmarket Accounts for the United States,* argues that given the developments in national accounting, the detailed data on wages, the data on nonmarket activities such as housing services, and the advent of the American Time Use Survey (ATUS) by the Bureau of Labor Statistics, nonmarket household production can be measured "with mild straining" indirectly.

The Bureau of Economic Analysis (BEA) does not officially produce household production statistics, though it continues to work towards establishing consensus on the measurement methodologies. Hopefully, better economic information can be developed about household activity in the United States, which is predominantly undertaken by women. Such information may shed light on the impact of rising women's labor force participation and the role of household production on the economy.

To that end, a recent paper, published in *The Review of Income and Wealth* in June, by BEA Director Steve Landefeld, former BEA Chief Economist Barbara M. Fraumeni, and former BEA economist Cindy M. Vojtech utilizes recent ATUS data and the harmonized time series database from the Multinational Time Use Study (MTUS) to update earlier "satellite account" estimates of household production.

The paper found:

- The value of "production" occurring in the household—including cooking, housework, shopping, and childcare—was roughly $3.1 trillion in 2004 (the last year for which estimates could be calculated).
- The value of household production was nearly a third as large as total market sector production in 1965 as measured by U.S. gross domestic product (GDP) but had fallen to a little less than a fifth in 2004. This shift in household versus market production reflects the increase in women's civilian labor force participation rates from 40 percent in 1965 to 60 percent in 2004.

The paper also provides estimates of major aggregates that include adjustments to show households as producers and consumer durable good as investment for 1965–2004.

The adjusted estimates show:

- Nominal GDP growth over the period was 7.2 percent, compared with 7.4 percent (unadjusted). Real GDP growth over the period was 2.9 percent, compared with 3.1 percent (unadjusted). The adjusted GDP growth rates reflect the growth of women in the workforce over the time period; household production growth was lower, while market production growth was higher.
- Labor income was boosted by household production significantly, 56 percent in 1965 and 33 percent in 2004. Using a broader income measure that included income from consumer durable services, personal income grew at a 7.3 percent annual rate compared to 7.6 percent (unadjusted).
- Personal investment and personal saving were also significantly boosted by household production. Gross saving grew 6.5 over the period, compared with 6.1 percent (unadjusted). However, the growth rate of private investment was unchanged at 7.4 percent.

A copy of the paper can be viewed on the BEA Web site at www.bea.gov/about/pdf/RIOW_Householdproduction.pdf.