The Invisible Homemaker – Who Values Household Work and by How Much?

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Extended definitions of households' material wellbeing that include the benefits from household production are gaining importance in national accounts as well as welfare distribution and poverty analyses. Yet, the evaluation of proceeds from household production remains a major challenge to researchers in these fields. While output-based methods require the full identification of outputs and market prices of their substitutes, input-based methods necessitate the assignment of monetary values to individuals' time spent in household production. Theoretical approaches to the latter problem like the opportunity cost and replacement cost method have recently been complemented by empirical estimates of the value of time (Aguiar & Hurst 2007; Gardes 2019). A noteworthy advance has been made by Alpman et al. (2018), who are the first to use subjective wellbeing data to derive explicit estimates of the value of time spent in non-market activities. The present paper contributes to this new strand in the literature, trying to uncover the value assigned to household work by analyzing individuals' satisfaction with their own standards of living.

Hypothesizing that satisfaction with living standards is positively affected by variables that enhance the consumption possibilities of a person and that household work is one of these variables, the proposed analysis is similar to studies that take a satisfaction approach to valuing other non-market goods and services (see e.g. Tsurumi & Managi 2017). It assigns monetary value to household work time by comparing its positive effect on individuals' living standards satisfaction with that of household income.

I carry out my analysis using 15 waves of panel data for childless couples living in Germany. I focus on only one type of household to be able to compare the monetary income of respondents. In theory, this sample restriction allows me to distinguish between the material benefits from household work and the disutility from unpaid labor, because individuals may benefit from their partners' work without bearing the burden of doing the work. Regressing living standards satisfaction on the respondent's and his/her partner's time spent on household work, I rely on a relatively detailed battery of time-use data included in the German Socio-Economic Panel alongside information on income, subjective wellbeing and other socio-economic variables. The panel nature of the dataset allows me to account for unobserved heterogeneity using fixed-effects regressions. To respect the ordinal nature of my dependent variable, which is measured on scale

from zero to ten, I employ the Blow-up-and-Cluster-Method as proposed by Baetschmann et al. (2015).