

## **Satellite Accounts On Household Production: Eurostat Methodology And Experiences To Apply It**

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Household production, i.e. unpaid services produced for own consumption, is the most significant part of production which is excluded from the production concept in national accounts. Measuring the value of these services is again topical issue due to the recommendations by the Stiglitz-Sen-Fitoussi commission 2009 (S-S-F) that emphasized a wide production concept when measuring economic well-being. In spite of long tradition of studies on the measurement of unpaid household services, no worldwide consensus has been reached about the methodology. Moreover, many studies do not target the whole satellite accounts or the whole sequence of accounts, but instead value only time used for household work. This practice gives an incomplete picture of the household production. It should be recognized that important methodological work has already been done. About ten years ago Eurostat worked on this subject and established a task force. As a result was a manual that was published in 2003: Proposal for a methodology of Household Satellite Accounts (2003, Eurostat working paper)<sup>1</sup> The proposed methodology is based on the framework of national accounts consisting of the whole sequence of non-financial accounts with all transactions from output up to net lending. In the methodology, total value of service output is targeted rather than only the value of labour input used in the work. When the whole production account including capital consumption and intermediate consumption is calculated, it is possible to compare structures of market and non-market activities, the value of non-market household services to corresponding market services, and finally, it is possible to add the household non-market accounts to the official national accounts. One interesting feature in the methodology is that the household production is calculated by function in a similar way as government non-market services are calculated according to COFOG in the official national accounts. Examples of functions are: providing housing, food, adult and childcare, and clothing care. The Eurostat methodology has been applied in several countries. Finland has calculated satellite accounts for household production twice, for years 2001 (published in 2006) and 2006 (published in 2010). Other countries applying this methodology are e.g. Hungary, the Basque Country and Germany. Our paper will discuss basic features of the Eurostat methodology and experiences and challenges faced when applying it. The choice of valuation of unpaid working time is important. A great deal of research has been done that compares replacement cost, average cost and opportunity cost as a basis of valuation. Of these alternatives, the opportunity cost valuation seems least suitable in the national accounts framework – for employed people, household work can be understood as a

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secondary work where the value of labour is usually determined solely by skills required in the work rather than by other factors. A consensus on the valuation could and should be found.