

Abstract for “Equivalence Scales, Household Production and Child Care”

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Most research on equivalence scales focuses on empirical analysis of the relationship between family size/composition and measurable aspects of family income and consumption. Yet a growing literature calls attention to aspects of family income and consumption that are not captured by conventional household surveys—goods and services that are “home-produced,” including child care. The American Time Use Survey, conducted annually since 2003, shows that U.S. households, spend about the same amount of time in non-market work (activities that someone else, in principle, could be paid to provide) and market work.

Appreciation of the impact of non-market work on living standards has at least three important implications for equivalence scales. First, it suggests that household income should be adjusted in some way to account for major differences in the value of non-market work (as for instance, comparing a family with two wage earners with an otherwise identical family that enjoys the services of a stay-at-home parent). Second, it suggests the importance of considering economies of scale in household production, as well as household consumption, especially since the relative importance of household production has declined significantly over time. Third, it suggests that children are not merely additional consumers in households, but add significantly to the burden of non-market work and market-work related expenditures such as purchased child care services, reducing the material living standards of adults far more than expenditures on children’s housing, food, and clothing.

This paper will explore these implications in more detail, situating them within a review of recent relevant research. It will also outline possible strategies for empirical estimation of equivalence scale adjustments that take these factors into account.