

Why Unpaid Housework Does Not Contribute to GDP

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Abstract

Gross Domestic Product (GDP) is the default measure of economic progress, representing the total market value of final goods and services produced within a country. Cooking, cleaning, and childcare are included—provided money exchanges hands. Unpaid housework does not count, resulting in the famous paradox that GDP declines when you marry your housekeeper. This article explores the history of the household as a statistical unit and why unpaid work within the household, largely performed by women, lies beyond the so-called production boundary. It argues that the debate is not only about definitions but also about values. Excluding unpaid work is statistically equivalent to including it and assigning it no value.

To include or not to include

Before statisticians count, they must decide what counts. W. Edwards Deming illustrates the challenge with a classroom exercise: counting the number of animal crackers in a package. The task sounds simple until the crackers are broken or hard to classify. “Is this a cow? One leg is missing. Should I count her as a cow?”

Statisticians make these decisions all the time. They draw boundaries that determine what is and is not included in an official statistic. One controversial example is the decision to exclude most unpaid housework from Gross Domestic Product (GDP). The decision is controversial because cooking, cleaning, and many other unpaid household services are disproportionately performed by women.

GDP is the total market value of final goods and services. Measurement becomes difficult when goods or services are not bought and sold in ordinary markets. The current boundary set by the System of National Accounts includes some nonmarket production such as government and financial services. Unpaid housework, however, falls outside the production boundary and is excluded. Critics of the boundary argue that exclusion makes women’s labor disproportionately invisible to policymakers, who in focusing on the headline statistic miss opportunities to improve the productivity and welfare of women. Defenders of the boundary argue more

is not necessarily better. The market value of unpaid housework is difficult to determine, and GDP has proven useful without its inclusion.

How then should a country decide which boundary best serves the public? To answer that question, let's consider the origins of the household as a statistical unit and the evolution of the production boundary.

The household from social to statistical unit

The household has long marked the boundary between public and private life. Ancient Greek writers such as Plato, Xenophon, and Aristotle described the household as a fundamental unit of society: A male head represented the family in public affairs, while his wife was defined by her work within the household.

According to historian Marilyn Yalom, ancient Greek women were largely treated as commodities, passed from their fathers to their husbands upon marriage. Over the next two millennia, marriage slowly evolved “from ownership to limited partnership.” But as official statistics developed, the male-headed household remained a fundamental unit.

When statisticians carried the household over from a social unit to a statistical unit, traditional assumptions about the role of women followed. For example, historian Margo Anderson explains that the 1850 U.S. census recorded occupation only for free males over the age of fifteen. The work of women was assumed to be sufficiently defined by their civil status.

But these assumptions did not reflect the realities of the era. Many women performed paid work in factories, farms, and shops—most famously the Lowell mill girls who worked the textile factories of Lowell, Massachusetts beginning in 1823. Following the 1870 U.S. census, the Association for the Advancement of Women advocated for better enumeration of women workers, asking Congress to count women more carefully as laborers and producers. Yet official statistics continued to disproportionately miss the contributions of women well into the twentieth century.

The shifting production boundary

Women did not suddenly become textile workers in 1823—women had been producing textiles since before recorded history. What changed was the site of production, which transitioned from households to factories during the industrial revolution because of technological innovations such as the spinning jenny and the water frame. Economic historian Jan de Vries argues these innovations were themselves preceded by an “industrious revolution,” in which households greatly increased their participation in the market.

Market participation had another important byproduct. Market prices gave statisticians a common metric to compare otherwise incommensurable goods and services. William Petty used this insight to construct the first measures of national wealth and output in the mid-seventeenth century. Petty's definition of output was narrow by modern standards and only included income generated from property and laborers. That

definition slowly expanded through the work of economists such as Adam Smith and Alfred Marshall so that when governments called upon statisticians to calculate the size of the economy during the Great Depression, output meant all goods and services produced, at least in theory.

In practice, the measurement problem was that despite the growing participation of households in the market, many goods and services were still not bought and sold and thus had no market price. According to economist Richard Stone, the boundary ultimately chosen for GDP by the United Nations System of National Accounts following the Second World War “whereby commercial products are valued at market price, government services are valued at cost and unpaid household activities are simply ignored, is not a matter of principle but of practical convenience. It can be defended, therefore, only on practical grounds.”

That defense became increasingly difficult as GDP emerged as the default measure of progress over the second half of the twentieth century—a point first popularized by economist Marilyn Waring in 1988. Waring compared the goods and services counted by GDP to the actual effort spent by men and women. She found that GDP was disproportionately blind to time-intensive work performed by women in developing countries such as the collection of water and storage of crops. She concluded that policies aimed at increasing GDP would not alleviate the actual burdens that occupied women for most of the day.

The lesson is that statistical definitions need not explicitly exclude as in the 1850 U.S. census. Boundaries may appear neutral, but discrimination can still result as in the case of the production boundary.

The production boundary today

The production boundary is not set in stone. The international community has made several revisions over the years. For example, in 1993, the boundary expanded to include all goods produced by households for their own consumption. Yet unpaid housework remains excluded, largely because there is no consensus on how to measure value.

Paul Schreyer and W. Erwin Diewert discuss two approaches whose relative merits depend on the intended use of GDP. The first is to value housework according to its replacement cost, which would answer the question “How much money would it cost to hire someone else to do the work?” One measurement problem is that paid and unpaid housework may not be equivalent products—for example, a professional housekeeper may be more thorough or extensive than an amateur housekeeper—and thus adjustment is necessary for quality and productivity.

The second approach is to value the work according to the opportunity cost, which would answer the question “How much money did the houseworker forgo by performing unpaid housework instead of a traditional, paid job?” The measurement problem here is that value then depends on who does the work. Two households may perform the same housework but make wildly different contributions to GDP if, say, one is performed by a low-wage worker while the other is performed by a high-wage worker.

The line between definition and measurement

Should unpaid household work be included in GDP? GDP was designed as a measure of output, not welfare or happiness. Yet GDP has since become the default measure of economic progress. It is both used to achieve specific policy goals such as the Maastricht Treaty, which seeks to limit excessive debt defined as 60% of GDP, and more generally by political candidates, journalists, and the public to answer the question “Are things getting better?”

Economist Diane Coyle argues that GDP defines what we mean by “the economy,” rather than simply measuring it. The definition is easy to forget when we substitute the statistic for the phenomenon it is meant to describe. But if GDP is the arbiter of progress, then the decision to exclude unpaid housework is not neutral. Excluding unpaid housework is statistically equivalent to including it and assigning it no value.

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