Women's Employment, Unpaid Work, Government-Provided Services, and Economic Inequality

Sarah Kostecki (City University Graduate Center), Berglind Holm-Ragnarsdottir (City University Graduate Center), Janet Gornick (City University Graduate Center), Markus Jantti (Swedish Institute for Social Research)

Abstract

This study extends inequality analyses by using a new comprehensive income measure that has not been used for cross-national comparisons before. We arrive at this by adding the estimated value of unpaid work in the home and the estimated value of government non-cash transfers (specifically, early childhood education and care (ECEC), healthcare, housing, and primary and secondary education) to the conventional income basket (which includes cash and near-cash transfers). Using this broader, more inclusive income measure we assess how cross-national comparisons of inter-household income inequality and poverty change across the US and eight European countries when we shift from the conventional income to the comprehensive income measure. We also assess how levels of wellbeing vary across family types – comparing single- and two-adult families, both with and without children. Our main question is whether the use of this broader income measure substantially changes cross-national portraits of absolute and relative poverty rates that are normally based on narrower income definitions.

Research Design and Methods:

This project extends a completed cross-national study (Folbre et al., 2013) that added the imputed value of unpaid domestic work (i.e., child care and housework) to the conventional income basket. The project is the first to base cross-national inequality and poverty analyses on a measure that we have defined as the "comprehensive income measure". This comprehensive measure adds the estimated value of unpaid work in the home and the estimated value of government cash, near-cash, and non-cash services to the conventional income basket. This broad and inclusive measure of economic wellbeing has not been reported in the literature before.

This study requires intensive data collection and modeling. To create the comprehensive income measure, we begin with an income definition that includes all cash and near-cash income from the market and from government transfers; we add to that the imputed value of unpaid work (from the earlier study) and the estimated value of four non-cash transfers – early childhood education and care (ECEC), healthcare, housing, and primary and secondary education – net of the estimated taxes paid by households for these services. To impute the value of non-cash transfers, we follow the methodology laid out by

researchers at the OECD and other scholars (Garfinkel, Smeeding and Rainwater 2010;Garfinkel, Rainwater and Smeeding 2006).

The study includes the U.S. and eight European countries. Several different data sources are used. Micro-level household data come from the *Luxembourg Income Study (LIS) Database*. Time-use data come from the European and American Time Use Surveys. Finally, macro-level expenditure data on non-cash transfers come from the OECD SOCX and Educational Databases.

Conceptual Outline of the Comprehensive Income Measure

	In LIS Microdata	External Data (values will be imputed into the microdata)
Labor	*(1) Cash earnings*	*(3) Value of Unpaid Work* *"Extended Earnings measure"* *(1+3)* *[Folbre replication]* Harmonized European Time Use Survey/American Time Use Survey-Micro data
Government transfers	*(2) All other cash income (additional market + government cash and near-cash)* *"DPI"* *(1+2)* *[standard in LIS literature]*	*(4) Value of Non-Cash Transfers* *"Comprehensive Measure"* *(1+2+3+4)* *[entirely new!]* OECD Social Expenditures and Education databases – Macro data

The Importance of Unpaid Work and Non-cash Transfers:

As stated, our study is the first that adds both the value of unpaid work and non-cash transfers to conventional income measures. Adding the value of unpaid work and non-cash transfers to conventional income measures is important for several reasons. First, time devoted to non-market or unpaid work has received surprisingly little systematic attention, especially considering its implication for household wellbeing (England, Folbre, and Leana, 2012). Smeeding and Marchant (2004) argue, "The value of time spent in various activities is the last major under explored resource in the field of household survey research (in many nations, especially in the United States)." Therefore, adding the value of unpaid work to conventional income measures is important to gain a broader understanding of the contributions of men

and women to household wellbeing. Following the previous study, we assign a monetary value to the hours both men and women spend on unpaid work - specifically childcare and housework – using the hourly national minimum wage for each country[1] and impute these values down to the household level. Table 1 shows how earnings are affected when the value of unpaid work is taken into account.

Table 1: Earnings from Paid Work, Estimated Earnings from Unpaid Work, and Extended Earnings, 2004-2010 (married/cohabitating adults, ages 25-59, no other adults in household; earnings expressed in PPP-adjusted 2010 US Dollars)

	National Minimum Wage[2]	Replacement cost estimate of average value of unpaid work valued at minimum wage	Average annual earnings (net of taxes and social contributions zeros not included)	Extended Earnings	Ratio of Extended Earnings to Earnings from Paid Work
WOMEN					
Finland 2004	$8.19	$10,089.40	$16,161.34	$26,250.74	1.62
France 2005	$10.05	$13,349.37	$13,493.35	$26,842.72	1.99
Germany 2010	$13.07	$18,928.51	$15,981.91	$34,910.42	2.18
Italy 2010	$8.05	$14,150.53	$12,006.00	$26,156.53	2.18
Poland 2004	$5.25	$7,983.55	$0.00	$7,983.55	
Spain 2010	$4.81	$7,781.60	$13,888.69	$21,670.30	1.56
Sweden 2005	$11.20	$13,409.39	$17,009.20	$30,418.58	1.79
UK 2010	$8.97	$12,121.07	$22,182.13	$34,303.20	1.55
US 2010	$6.89	$8,881.37	$24,556.67	$33,438.04	1.36
average	***$8.50***	***$11,854.98***	***$15,031.03***	***$26,886.01***	***1.56***
MEN					
Finland 2004	$8.19	$5,755.32	$20,259.82	$26,015.14	1.28
France 2005	$10.05	$6,062.23	$22,556.46	$28,618.69	1.27
Germany 2010	$13.07	$9,786.77	$30,864.16	$40,650.93	1.32
Italy 2010	$8.05	$4,091.79	$23,301.82	$27,393.61	1.18
Poland 2004	$5.25	$3,920.87	$0.00	$3,920.87	
Spain 2010	$4.81	$2,781.98	$23,356.48	$26,138.45	1.12
Sweden 2005	$11.20	$8,874.07	$21,918.06	$30,792.13	1.40
UK 2010	$8.97	$6,405.87	$33,701.41	$40,107.28	1.19
US 2010	$6.89	$4,952.34	$43,191.58	$48,143.92	1.11
average	***$8.50***	***$5,847.91***	***$24,349.98***	***$30,197.89***	***1.21***

[1] The hourly minimum wage sets a very low value on unpaid work; however it provides a conservative lower-bound estimate of the effect they wanted to measure across countries.

Second, it is widely recognized that high-income countries reduce market-generated income inequality and poverty via the social safety net – albeit to widely varying degrees. In high-income countries, social safety nets are comprised of a variety of cash (pensions), near-cash (food stamps), and non-cash transfers. Like unpaid work, these transfers directly affect the wellbeing of households. However, conventional income definitions that are used to measure levels of poverty and income inequality normally only take cash and near-cash transfers into account. Many scholars, including Garfinkel et al. (2006) note that some countries, such as the U.S., spend more on non-cash than cash or near-cash transfers. Therefore, adding the value of non-cash transfers to conventional income measures provides researchers with a more accurate understanding of household poverty and income inequality levels across countries. With the broader availability of aggregate non-cash expenditure data, scholars have only increasingly begun to look at the effect of non-cash government transfers on household wellbeing. Our study will contribute to this growing body of literature.

Policy Implications:

Our analyses are focused on two primary questions:

1) First, we will examine how cross-national comparisons of inter-household income inequality, and poverty, change when we shift from the conventional income measure (earnings plus cash/near-cash transfers, net of taxes), to the extended earnings measure (earnings plus the value of unpaid work) to the comprehensive income measure (which includes all income sources: labor, unpaid work, cash/near-cash, and non-cash transfers, net of taxes).

2) Second, using the new comprehensive income measure, we will assess how levels of wellbeing vary across family types – comparing single- and two-adult families, both with and without children. Our main question is whether the use of this broader income measure substantially changes the cross-national portrait based on narrower income definitions. In this analysis, we will assess, across family types, both absolute and relative income levels and poverty rates.[2]

This study extends our understanding of the ways in which unpaid work and various forms of government transfers (i.e., cash, near-cash, and non-cash) contribute to the total resources available to households. These resources enable consumption of goods and services and thus affect the wellbeing of households and their members. We will assess the contributions of unpaid work and these various forms

[2] The proportion of single *parent* households has been growing in the US and other developed countries. We therefore think it is important to examine how single parents households might fare differently across countries when their unpaid work as well as the government transfers they receive are taken into account.

of social policy to household resources, specifically assessing how these diverse public transfers differentially affect family types both within and across countries.