

# Should Unpaid Labor be Included in GDP?

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Should unpaid labor be included in Gross Domestic Product (GDP)? GDP has been one of the most widely-used summary measures of the value of all goods and services produced by a nation each year since the creation of the metric in 1937.<sup>1</sup> Unpaid labor describes work that household members do for free, whereas a non-household member performing these same tasks would be paid. This type of work varies within different cultures and nations; unpaid tasks may include cleaning, cooking, child or elder care, gathering firewood, and harvesting food.<sup>2</sup>

Because unpaid labor is disproportionately done by women, accounting for unpaid work in GDP could promote gender equality and positive societal change. In this paper, I review key normative and empirical arguments for and against including unpaid labor in GDP, in hopes of fostering more informed debate on this important yet underappreciated issue.

## Arguments for Inclusion

The first argument for including unpaid labor in GDP is normative, namely that it would be a huge step towards gender equality. Across the world, women consistently bear more of the burden of unpaid labor. In the United States, for example, women do an average of 242 minutes of unpaid labor per day compared to 148 minutes for men.<sup>3</sup> In India, women do an average of 352 minutes of unpaid work per day compared to only 52 minutes for men.<sup>4</sup> This unequal distribution is harmful to women because they have less time to learn, relax, work on hobbies, or put in extra hours at work to get a promotion.<sup>5</sup> This disparity between men and women directly inhibits women's quality of life and limits their financial mobility. In many societies, unpaid labor, often seen as "women's work," is not valued comparable paid work. For example, women dominate the food industry and do most of the cooking in most households and yet often do not reach the higher pay or prestige that male chefs do in restaurants.<sup>6</sup>

Some economists, such as Phyllis Deane, believe that including unpaid labor in GDP accounts for the tremendous economic value of tasks such as gathering wood and cooking at

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1 Luke Messac, "Women's unpaid work must be included in GDP calculations: lessons from history," *The Conversation*, June 20, 2018, accessed November 21, 2020, <https://theconversation.com/womens-unpaid-work-must-be-included-in-gdp-calculations-lessons-from-history-98110>.

2 Unpaid labor does not include tasks such as giving your child a hug, because this is not an essential household function. "Redistribute Unpaid Work," *UN Women*, accessed January 15, 2021, <https://www.unwomen.org/en/news/in-focus/csw61/redistribute-unpaid-work>.

3 Jillian Berman, "Women's unpaid work is the backbone of the American economy," *MarketWatch*, April 15, 2018, accessed November 20, 2020, <https://www.marketwatch.com/story/this-is-how-much-more-unpaid-work-women-do-than-men-2017-03-07>.

4 "Employment: Time spent in paid and unpaid work, by sex." OECD, 2020, accessed November 18, 2020, <https://stats.oecd.org/index.aspx?queryid=54757>.

5 Berman, "Women's unpaid work is the backbone of the American economy."

6 Nancy Luna, "Report: Gender Gap Widens in Key Food Industry Leadership Roles," *Nation's Restaurant News*, March 8, 2019, accessed February 1, 2021, <https://www.nrn.com/workforce/report-gender-gap-widens-key-food-industry-leadership-roles>.



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home.<sup>7</sup> For example, cooking food prevents starvation, nourishes those who go to work or school, and can allow a household's breadwinner to earn more income. Similarly, taking care of children allows other household members to spend time working, relaxing, or learning. All of these tasks hugely benefit individuals, the household, and community as a whole. Yet these economic contributions literally count for nothing in the traditional GDP measure, even though they would be included if non-household members were paid to do the same things. For example, someone cleaning their own house is unpaid labor and is excluded; however, if they were to hire a cleaner to clean their home that individual's work would be included in GDP. Quantifying the economic value of unpaid work in GDP would increase its perceived worth, reinforce the benefit this work brings to the economy, and recognize sacrifices that unpaid laborers make to allow other members of the household to do paid work and thus create a stronger paid workforce.<sup>8</sup>

Second, much data has been collected on unpaid labor, making its inclusion in GDP increasingly feasible for many countries. The Organization for Economic Co-Operation and Development (OECD) collected statistics on the amount of unpaid work done by men and women in dozens of nations, though they do not break down the types of work done or their monetary value.<sup>9</sup> The American Time Use Survey, a US Census phone survey which tracks how individuals spent their time in the last 24 hours, has collected some detailed data on unpaid labor and this process could be replicated in other nations.<sup>10</sup> Since unpaid labor can be measured and tracked with instruments not all that dissimilar to surveys of paid economic activity, as the availability of multiple surveys demonstrate, it can be included in GDP.<sup>11</sup>

### Argument Against Inclusion

There are few persuasive normative arguments in support of the traditional GDP measure. Depending on a nation's cultural perspective, unpaid work is not held to the same esteem as paid work. To some, it would be an insult to men and their work to include unpaid labor or "female" labor in GDP in the same way that "male" labor is included.<sup>12</sup> This problematic and outdated argument, however, further demonstrates why unpaid labor should be included in GDP for the purposes of furthering gender equality. If "men's labor" and "women's labor" were held as equal perhaps society would view women more equally as well.

Most objections focus on the mathematical challenges or logistical difficulties of including unpaid labor into a measure of GDP. Unpaid labor differs from paid work insofar as both unpaid household labor and volunteer work outside the home depend on volunteering one's time and thus do not entail monetary exchanges or set prices for labor performed.<sup>13</sup> How should GDP value unpaid labor in the absence prices or purchase records? Currently, GDP is calculated by gathering data from a diverse array of places and generally relies on receipts and tracked transactions to get values (e.g. for consumption, production, net exports) to aggregate into the GDP total. Some skeptics highlight the difficulty of measuring the output of unpaid labor since unpaid labor does not have formal transactions. Without these receipts, it would be

7 Economic value is defined as the value an individual person places on a good or service based on the benefit they receive from it. Messac, "Women's unpaid work must be included in GDP calculations."

8 Veerle Miranda, "Cooking, Caring and Volunteering: Unpaid Work Around the World." OECD Social, Employment and Migration Working Papers, 2011, accessed February 1, 2021, <https://www.oecd.org/berlin/47258230.pdf>.

9 OECD, "Employment: Time spent in paid and unpaid work, by sex."

10 Rachel Krantz-Kent, "Measuring time spent in unpaid household work: results from the American Time Use Survey," *Monthly Labor Review* (July 2009): 46-59, accessed January 23, 2020, <https://www.bls.gov/opub/mlr/2009/07/art3full.pdf>.

11 OECD, "Employment: Time spent in paid and unpaid work, by sex."

12 Messac, "Women's unpaid work must be included in GDP calculations."

13 Charlotte Overgaard, "Rethinking Volunteering as a Form of Unpaid Work," *Nonprofit and Voluntary Sector Quarterly* 48, no. 1 (2019): 128-145.

difficult to get consistent numerical values to add to GDP.<sup>14</sup>

Additionally, some claim that it would be too hard to get accurate data globally, especially in countries where detailed time use surveys are not conducted regularly. One of the benefits of GDP as a measure is the ability to compare levels of economic development across countries over time. In order to be legitimate, a GDP measure inclusive of unpaid labor would need to be representative of a nation and must enable tracking across countries over time. Collecting the necessary data may pose significant, but arguably not insurmountable, challenges, especially with additional investments in data collection.

### Developing an Alternative to GDP

Some economists, including Nobel prize winning economist Joseph Stiglitz, have proposed abandoning GDP as beyond reform and instead using a completely new indicator or switching to a current alternative.<sup>15</sup> They argue that GDP can often be misleading, because it is centered around a single number that cannot encompass the specifics of the life of an average person in that nation.<sup>16</sup> For example, it does not include measures for quality of life, resource depletion, economic inequality, or average debt individuals have, all of which would broaden understanding of the economic reality for the typical citizen.

If unpaid labor continues to be excluded from GDP, what alternative economic indicators could measure it? Historically, one metric that has been used as an alternative to GDP is the United Nations Human Development Index (HDI), which includes factors such as life expectancy, income per capita, and education level. Most of the data used to create the HDI comes from various organizations and recognized scholars across the globe, such as the International Monetary Fund and International Labor Organization.<sup>17</sup> Using available datasets from credible sources reduces the UN's workload and allows a focus on aggregation. However, this index has not overtaken GDP as a metric and is primarily seen as a supplement.<sup>18</sup>

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After examining several GDP alternatives, I believe that the Index of Sustainable Economic Welfare (ISEW) developed by Daly and Cobb would be effective if used on a broader scale. This index not only incorporates unpaid domestic labor, but other economic aspects such as personal consumption (adjusted for inequality). It also includes climate change related factors, such as environmental emissions, resource depletion, and land loss. ISEW has been attempted to be implemented in Australia, Chile, and even the state of Maryland. However, there have been some issues within nations relating to data collection and availability, especially in regards to cross national comparison.<sup>19</sup>

To ease a possible transition from GDP to ISEW, the hurdle of collecting data to complete

14 Jason Fernando, “Gross Domestic Product (GDP),” Investopedia, November 13, 2020, accessed

November 20, 2020, <https://www.investopedia.com/terms/g/gdp.asp>; UN Women, “Redistribute Unpaid Work.”

15 Arianne Cohen, “A Nobel-winning economist says it's time to kill the GDP,” *Fast Company*, November 25, 2019, accessed January 15, 2021, <https://www.fastcompany.com/90435788/a-nobel-winning-economist-says-its-time-to-kill-the-gdp>.

16 Messac, “Women's unpaid work must be included in GDP calculations.”

17 “Sources of data used,” United Nations Human Development Reports, accessed January 25, 2021, <http://hdr.undp.org/en/statistics/understanding/sources>.

18 Justin Fox, “The Economics of Wellbeing,” *Harvard Business Review*, January - February, 2012, accessed January 25, 2021, <https://hbr.org/2012/01/the-economics-of-well-being>.

19 Francesco Maria Chelli, Mariateresa Ciommi, and Chiara Gigliarano, “The Index of Sustainable Economic Welfare: A Comparison of Two Italian Regions,” *Procedia- Social and Behavioral Sciences*, 81 (2013): 443-448.

all of ISEW's categories is admittedly hard to overcome. To do this would likely require either domestic resource redistribution or for entities such as the United Nations or Gates Foundation with more resources to subsidize data collection. If ISEW data could be captured in a variety of countries, it is likely that its use would spread because it could be used for international comparison. However, these comparison issues highlight the appeal of including unpaid labor in GDP. GDP focuses on one economic measure versus a high number of values that ISEW measures. Adding one extra number to GDP calculation is easier than finding the extra time/money/data to implement ISEW in a multitude of nations.

### *Unpaid Labor GDP Inclusion Data Collection and Analysis*

Investments in data collection would be necessary to include unpaid labor in GDP. A survey would be the most effective form of data collection because it could reach a wide audience and get data directly from the households themselves. Surveys could be conducted via phone, mail, in person, or using online panels. Other sources of potential data on benefits distribution and tax information could come from various government, non-governmental, or international agencies. Having a variety of data sources would help to create a full informational picture of the amount and characteristics of unpaid labor within a nation.

Another key reason to collect data is to discern the monetary value of unpaid labor. To assign these values properly, types of unpaid labor would have to be categorized and coded both across and within countries. Additionally, the standard hourly compensation for the type of labor being done would need to be known. Once determined, the hours worked of unpaid labor can be multiplied by the standard hourly pay, so the monetary value of the unpaid labor can be included in GDP. These values would vary depending on the nation, and industry standards would likely vary regionally as well.

The coded survey question responses would need to be stored in a secure database and the identity of respondents would have to be protected. Following careful analysis and scrutiny of the data collected for accuracy (with the aid of machine learning), reports would be drafted. Currently, GDP in some nations such as the United States is released as an advance estimate, preliminary estimate, and a final estimate. This review and correction practice ensures that the final number given is reliable.<sup>20</sup> In order to maintain this standard of reliability, unpaid labor estimates should go through the same process as a component of GDP.

### **Conclusion**

While the question of whether unpaid labor should be included in GDP has not been a major focal point for discussion in policy circles, a dialogue on the issue is necessary. Reexamining traditional metrics ensures that the values we use to define our world are the best possible measures. Constantly challenging current practices leads to either affirmation that the systems we use are working well, or confirmation of the need for necessary improvement. Reexamining the current way we account for economic productivity highlights the need to include unpaid labor in GDP. There is massive benefit for its inclusion such as an increase of the valuation of women in society and a more accurate measure of economic value created by a nation. Additionally, the roadblocks against its inclusion such as concerns over data availability and reliability have been exaggerated and are surmountable with moderate investments. Overall, a change to GDP is needed to improve its accuracy and bring to light the contributions of those who work behind the scenes to keep economies running.

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<sup>20</sup> "Why is there such a time lapse getting the latest report on Gross Domestic Product (GDP)? In May 2005, we are just getting the preliminary GDP report for the quarter that ended in March 2005," Federal Reserve Bank of San Francisco, May 2005, accessed January 15, 2021, <https://www.frbsf.org/education/publications/doctor-econ/2005/may/gdp-quarter-report/>.