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A Framework for Mainstreaming Gender in National Accounts and National Budget

Words Need Numbers to Influence them

ECA - CEA



**ECONOMIC COMMISSION FOR AFRICA
COMMISSION ECONOMIQUE POUR L'AFRIQUE**

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**AFRICAN CENTRE FOR GENDER AND DEVELOPMENT
(ACGD)**

**A FRAMEWORK FOR MAINSTREAMING GENDER IN
NATIONAL ACCOUNTS AND NATIONAL BUDGET**

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1. INTRODUCTION

1.1 Unpaid Work and Macroeconomic Policies

1. Unpaid work has been identified as a key area of policy intervention by the United Nations through its Beijing Platform for Action (1995) and the Millennium Declaration Goal (2000) to improve the situation of those in the unpaid sector, especially women. These international commitments now need to be translated into national policies for implementation. Policies are a mechanism that will allow the state to introduce change by first integrating the statistically invisible unremunerated work into the System of National Accounts (SNA) and national budget.

2. Unpaid women's work has been traditionally underestimated in the National Accounts of developing countries, especially in Africa. A major reason for this has been the lack of data. Although large sample surveys, which take account of the informal sector have been carried out in many countries and the results are available, it remains difficult to isolate the contribution of women to the informal sector and to the GDP in the national accounts. The other reason reflects assumptions built in the macroeconomic model that unpaid work does not count. However, this is not the case. Time-use survey is now recognised as a tool to show that unpaid work is measurable and it counts.

3. Policies on unpaid work traditionally focus on how more equitable distribution between women and men can be achieved or how unpaid work can be recognised through social and economic instruments. The focus of the programme of the African Centre for Gender and Development (ACGD) of the Economic Commission for Africa (ECA) is on a third, underdeveloped, but very promising approach that, examines the links between unpaid work and the macroeconomy, and what the consequences of these links are for policy makers. This new approach of ACGD is part of a recent effort by feminist economists to develop new tools for policy makers and gender equity advocates, and to improve their skills to use these tools. It will develop analytical supports to shed light on a major outstanding issue in terms of a better-informed policy framework: how to use macroeconomic policy tools, especially, national accounts and national budget to mitigate the effects of unpaid work on women's welfare, long-term growth and poverty reduction.

4. Macroeconomics deals with aggregates such as Gross Domestic Product (GDP), savings and investments, exports and imports, and public expenditures and revenue. The three types of macroeconomic policies that affect and are affected by unpaid workers are: fiscal policy, monetary policy and exchange rate policy. A more dynamic assessment between the unpaid activities of households and communities, and especially, the economic framework of fiscal and monetary policies would simultaneously enhance policy efficiency and government commitments to greater equity.

1.2 What is Unpaid Work?

5. Unpaid work is "non-market" work or the "care economy" that includes domestic work, care of children, the sick and elderly, voluntary community work, participating in a family business, building family house, or maintenance work. Work is often classified as productive or reproductive. Productive work includes activities that produce goods and services for the market exchange. These may be carried out at work place, at home and in the formal or informal sectors. Reproductive work refers to activities like child bearing and caring activities for the household and the community.

6. Following pressure from the women's movement, the UN Statistical Commission recommended that national statistics offices prepare accounts for unpaid work - economic activities that are outside the current production boundary inform of *satellite accounts* (Ironmonger, 1996:38) based on time-use surveys. They should be separate from, but consistent with, the 1993 SNA, and could be used with the SNA as a basis for public policy. Although time-use surveys are now carried

out on a regular basis in many developed countries, they have recently been tested with support of the UNDP in a number of developing countries: Benin and Morocco in 1998, Nigeria, India, Nepal and Philippines in 1999, and South Africa in 2000. It is expected that more countries in Africa will soon be embarking on time-use studies to obtain better measures of women's unpaid work, and help implementation of the 1993 SNA. However, an Africa-specific approach is needed to achieve this.

1.3 Why Measure Unpaid Work?

7. Africa-specific approach is needed to measure unpaid work because, unlike other regions, unpaid work significantly underpins the economy. Unpaid work is motivated in developed countries by mainly two objectives: to get more exhaustive estimates of GDP, and to develop a better picture of welfare. However, in addition to these objectives, the programme is motivated to support counting of unpaid work by the following factors unique to Africa.

(i) Africa has enormous unexploited potential: Women who constitute 50% of Africa's population with about two-thirds of their work on unpaid labour, can be a potent force for accelerated poverty reduction if exploited. Gender statistics through greater use of country-specific time-use surveys and inclusion of unpaid work in national accounts and budget have a key role in eliminating stereotypes, in formulating policies, and in monitoring progress. Given that unpaid work has a significant role in employment creation, income generation and poverty reduction, data on the size and characteristics of the unpaid economy are also crucial for research and policy-making.

(ii) Invisibility of unpaid work gives inaccurate picture of GDP and regional/international comparability: Exhaustive estimates of GDP are the most relevant elements of the 1993 SNA. Exclusion of unpaid work in the SNA perpetuates the incomplete and inaccurate picture of national income, especially, in Africa where unpaid work contributes significantly to the economy. It causes levels of GDP and other data to be downward-biased, thus giving an inaccurate impression of the economy and impending international or regional comparability. This is important where, for example, monetary contributions made or received by a country depend on its GDP, or when poverty is measured by GDP per head. Also, productivity gains may lead to increased output or leisure, but GDP measures the first, thereby masking women's longer work hours.

(iii) Unpaid work affects and is affected by macroeconomic policies. Data series on unpaid economy would allow us to measure the existing links between unpaid and paid economy. The exclusion of unpaid women's work in the SNA assumes that it has little or no effect on most micro and macroeconomic activity. But this is not so. Recent research showed that policies (e.g. cutbacks in national budget, in health, family planning and other social services, reductions in subsidies for foodstuffs, rising unemployment) increase women's burden of unpaid work, restricting women's access to economic opportunities and benefits. Thus what may be seen as an increase in productivity or efficiency in the market economy is actually a shift of costs from the paid to the unpaid work sector (e.g. the cost to those who provide the unpaid work, in terms of loss of education, health).

(iv) Policy, programmes, services and resource allocation for unpaid work can lead to economic growth. New evidence suggests that distribution of human capital influences growth (e.g. the case for East Asian 'miracle' economies). And that income and wealth inequalities are linked to lower growth because they reflect the inability to invest in, or to borrow to finance education. If structural investments (education, health, infrastructure, market access) are weak, economies will grow more slowly leading to greater political instability, which also acts as a drag on growth. Women, who now provide more than 50% of the region's labour, lack equal access to education and factors of production. Public policy has a key role to play in promoting gender-inclusive growth and poverty reduction through Africa's enormous unexploited resources – the women.

(v) The burden of unpaid work risks women's ability to supply paid work, and reduces productivity and women's welfare. Women's employment is generally low because unpaid work tends to constrain women's participation in the formal, paid labor market. Time use data can help policy makers to identify the location of surplus labour per class, area, gender, age group, etc. and, together with measurement of returns on these activities, enable the measurement of the average productivity of unpaid work. This will facilitate appropriate policy formulation on unemployment and poverty.

(vi) Unpaid work contributes significantly to income generation, long-term growth and poverty reduction by supplying human and social capital to both private and public sectors. And, women's domestic chores and child-care prepare children to become future workers as part of building human capital. This would enhance women's economic status in a positive direction and would contribute to long-term endogenous growth strategies by opening up capacity/capabilities in areas such as health and education. However, women still have less access to income and assets, less wealth and less control over the economic processes they contribute to, hence, the need to measure unpaid work.

1.4 Scope, Goal and Objectives

1.4.1 Scope

8. The conceptual framework of ACGD's programme is provided by relevant international standards, especially, the 1993 SNA. Thus, the scope of the programme is economic production as defined by the 1993 SNA, which provides a solid basis but also implies a restriction on the range of issues that it considers within the care economy. The main focus of the programme is to support policy-making process through provision of new information on the division of paid and unpaid labour between women and men; and integration of women's unpaid work in *satellite* accounts and national budget. The programme will also provide guidance to national accountants and enumerators on how to produce gender-inclusive exhaustive GDP and people-centred national budget. Thus, as many unpaid activities as possible are counted during compilation of national development plans.

9. The programme will use communication and advocacy strategies based on analysis of information and data on the linkages between national poverty reduction strategies and women's unpaid work to promote integration of unpaid work in national accounts and national budget. The policy impact of valuing unpaid work is the provision of better information to policy makers, which is expected to lead to better understanding and appreciation of women's contribution to the economy. Accordingly, policy makers will have adequate grounds to initiate and advocate for policies that will give women a better share of gains from development.

1.4.2 Goal

10. To strengthen the capacity of national accountants (economists and statisticians) and enumerators in six African countries to use national accounts and national budget as tools to translate time-use data and statistics on unpaid work into policy agenda, with a view of mobilizing action and resources for unpaid workers, especially, women as one approach to reduce poverty in Africa.

1.4.3 Specific Objectives

11. The specific objectives are to:

- i. elaborate an Africa-specific "Easy Reference Guide" to guide valuation and integration of women's unpaid work in *satellite accounts* and national budget;
- ii. strengthen capacity of national accountants in six (6) African countries to measure and translate time spent by different individuals on paid and unpaid work into policy agenda;

- iii. support provision of new information on the division of both paid and unpaid labour between women and men in initially six (6) countries with existing time-use data and integrate women's unpaid work in *satellite accounts* and national budget;
- iv. establish a quality control and self-monitoring system, and convene at least four expert group meetings to review and validate the framework, tools, and methodologies of the programme;
- v. develop a country-specific gender-aware model in six (6) countries to demonstrate to policy makers how valuation and integration of unpaid work in national planning instruments can contribute to poverty reduction;
- vi. create awareness and motivate policy-makers to invest in greater application of time-use surveys and place the issue of unpaid work in policy agenda.

2. A CONCEPTUAL AND ANALYTICAL FRAMEWORK

2.1 Conceptual Framework

2.1.1 Basic Concept on Household Production

12. The conceptual framework provides the basic knowledge for ACGD's strategy to support valuation and integration of women's unpaid work in national accounts and national budget. It describes the concept on household production, definitions and accounting rules of the 1993 SNA that enable unpaid work to be systematically defined and analysed as outlined below in section 2.2. One of the key concepts in the national accounts is that of production. The framework is thus an attempt to further clarify the concept of household production and the valuation of unpaid work of household members who provide labour input into the production of goods and services.

13. In the context of unpaid work, the most relevant elements of the 1993 SNA concern the exhaustive measurement of GDP. The rules that have been developed to determine what is to be included as production and what is to be excluded in the estimation of GDP is the *production boundary*. First of all, the production boundary determines what is to be included in the accounts as output. Secondly, because the 1993 SNA recognises only uses of produced goods and services, the boundary also determines the scope of intermediate consumption – goods and services consumed as inputs in the process of production excluding fixed assets, and thus it also determines *value added*. *Value added* is the value of output less the value of intermediate consumption – it is a measure of the contribution to GDP by an individual producer, industry or sector.

14. To achieve exhaustive measurement of GDP, the first step is to delineate what should and should not be included in the accounts as production in economic sense and those, which are not. The second step is to define the boundary around the economic production that needs to be included in the national accounts. Regarding productive activities, the 1993 SNA introduce two fundamental boundaries: the *general production boundary* and the *SNA production boundary*. The *general production boundary* includes any human controlled activity resulting in outputs capable of being exchanged. And the SNA production boundary describes the range of productive economic activities that should be included in GDP estimates and is thus the relevant boundary for this purpose.

15. While production of goods by households for their own final use, either as consumption or capital formation, is included in national accounts, own-account production of domestic and personal services by members of the households for their own final consumption, is excluded. The excluded activities include: cleaning, preparation of meals, care, training and instruction of children, care of sick, infirm or old people; and transportation of members of the household or their goods, including community voluntary services. This unpaid work or the *care economy* is not included in the national accounts. The SNA 1993 has however recommended compilation of *satellite accounts* with the SNA

as the central framework for various types of analysis related to assets and resources. A *satellite account* provides a framework linked to the central accounts that enable attention to be focussed on an aspect of economic or social life (e.g. unpaid work) in the context of national accounts.

2.1.2 Market and Non-Market Output

16. The 1993 SNA identifies institutional units that are market producers and non-market producers. Market producers are financial and non-financial corporations, quasi corporations, and unincorporated household enterprises that are economically significant. Non-market producers also produce goods and services but the products are not valued at prices that are economically significant – prices with little or no influence on the quantities demanded. Non-market producers are general government, private non-profit institutions and household subsistence producers.

17. The value of output of market goods consists of the cost of the value of goods and services used for production and value added of the different factors of production. These include:

- the cost of goods and services used in the process of production (*intermediate input*);
- cost of labour (*compensation*);
- consumption of fixed capital (*use of fixed assets*);
- taxes net of subsidies on production; and
- operating surplus (*returns to natural and financial assets used in production*) or mixed income for household operated activities (*returns to natural and financial assets used for production and imputed compensation of operator and unpaid household worker*).

18. Non-market output is valued at prices that are not economically significant and excludes operating surplus. However, in the case of goods produced by subsistence production, the value might still include some elements of operating surplus especially if output is measured by multiplying volume of harvest by farm gate prices.

2.2 ACGD's Analytical Framework for Unpaid Work

19. The analytical framework supports establishment of the programme's conceptual framework. It deals with the definition of unpaid work and the development of a framework for different options for its analysis. As discussed in section 2.1, the 1993 SNA offers a coherent, internationally accepted conceptual framework for economic statistics, which is the starting point for identifying and analysing the unpaid work problem areas. The essence of the analytical framework is the division of unpaid activities into groups that help their identification and proper measurement.

2.2.1 Classification of Unpaid Work

20. Though under review, the United Nations' proposed International Classification of Activities for Time-Use Statistics (ICATUS) will be a basis for ACGD's classification of unpaid activities within its analytical framework. On this basis three types of activities are defined:

- Activities that fall within the SNA production boundary (SNA work activities).
- Activities that fall within the general production boundary, but outside the SNA production boundary (or "non-SNA work" activities).
- Activities that are not considered as production activities or are personal activities.

21. The focus of ACGD's analytical framework is on the second category: the non-SNA activities that need to be valued and integrated in the SNA and national budget (Figure 1).

2.2.2 Options for Analysing Unpaid Work

22. Figure 1 and subsequent discussion on non-SNA activities identify three types of unpaid work of household members based on the general definition of work, namely:

- Work providing unpaid domestic services for own final use within household;
- Work providing un-paid care-giving services to household members; and
- Work providing community services and help to other households.

Figure 1: A Framework for Analysing Unpaid Work

Types of time	Type of activity	Main Categories	Examples of Activities
Committed time	Non-SNA work	Providing unpaid services for own final use <ul style="list-style-type: none"> • Providing unpaid domestic services for own final use within household • Unpaid care-giving services to household members 	1. Work providing unpaid domestic services for own final use within household <ul style="list-style-type: none"> • <i>cleaning, decoration maintenance of dwelling occupied by the household;</i> • <i>preparation and serving of meals;</i> • <i>transportation of members of the household or their goods.</i> 2. Work providing un-paid care-giving services to household members <ul style="list-style-type: none"> • <i>Care, training and instruction of children;</i> • <i>care of sick, infirm or old</i>
	Non-SNA work	Providing unpaid domestic services, care giving services and volunteer services to other households, community, non-profit institutions serving households (NPISH).	3. Work providing community services and help to other households <ul style="list-style-type: none"> • <i>informal help to neighbours and relatives;</i> • <i>"informal/unorganised" volunteer and community work through neighbourhood and informal community associations;</i> • <i>"formal/organised" volunteer and community work through the Red Cross, welfare organisations, professional organisations, churches, clubs and other (NPISH).</i>

23. Pricing of output for the market is determined by price during the transaction. For non-market goods and services, sale price is generally lower than the cost of production of similar market services. Hence pricing of the output is based on the cost incurred in production, excluding imputed operating surplus. To value non-SNA activities, the common approaches are: *opportunity cost*, *replacement cost (specialist)*, and *replacement cost (generalist)*.

24. Opportunity cost: The cost of wages forgone as a result of opting to offer services in the market. The valuation will change depending upon who is engaged in the unpaid work. The approach values the time spent for the unpaid work based on the forgone income of the unpaid household member had this member opted to provide labour services in the market. For example, if a mother with a post-graduate degree, opted to stay at home to take care of her children and manage the household, her unpaid work would be priced according to her compensation in paid employment. This method requires data on the occupation of the worker that will match with the occupation in the market and the compensation rate. Moreover, the method also implies that there are always opportunities in the labour market for the person. In countries where there is excess supply of labour, this method would tend to overestimate the price for unpaid labor.

25. Replacement cost (specialist): This approach uses the wage paid to a person who produces similar services in the market (i.e. wage = wage rate * time spent). It is applied to specific household own-account services. For example, cooking would be valued at wage rate of employed cooks, laundry of paid laundry workers, caring of children to paid nanny, etc. This method assumes that the quality of the same services would be the same and these occupations are found in the market.

26. **Replacement cost (generalist):** This method values the unpaid work by the equivalent wages of paid domestic help (i.e. wage = wage rate * time spent). The wage depends mostly on the labour market situation in the countries. In some countries, where wages of domestic help is legislated, the price would be available; in others pricing would require additional statistics from labour and employment or household income and expenditure surveys.

3. **ACGD's FRAMEWORK FOR INTEGRATING UNPAID WORK INTO NATIONAL ACCOUNTS AND NATIONAL BUDGET**

27. In May 2002, an Ad hoc Expert Group meeting validated this programme's framework for integrating unpaid work into national accounts and national budget (Figure 2). The framework consists of the following four strategic inter-related processes designed to lead to informed decision-making. The activities are not sequential in time.

I. Conceptual and analytical framework. This activity will establish a conceptual framework based on the 1993 UN System of National Accounts (SNA) to provide the basic knowledge to support economic strategies for measuring unpaid work; and develop an analytical framework to analyse this work and time use.

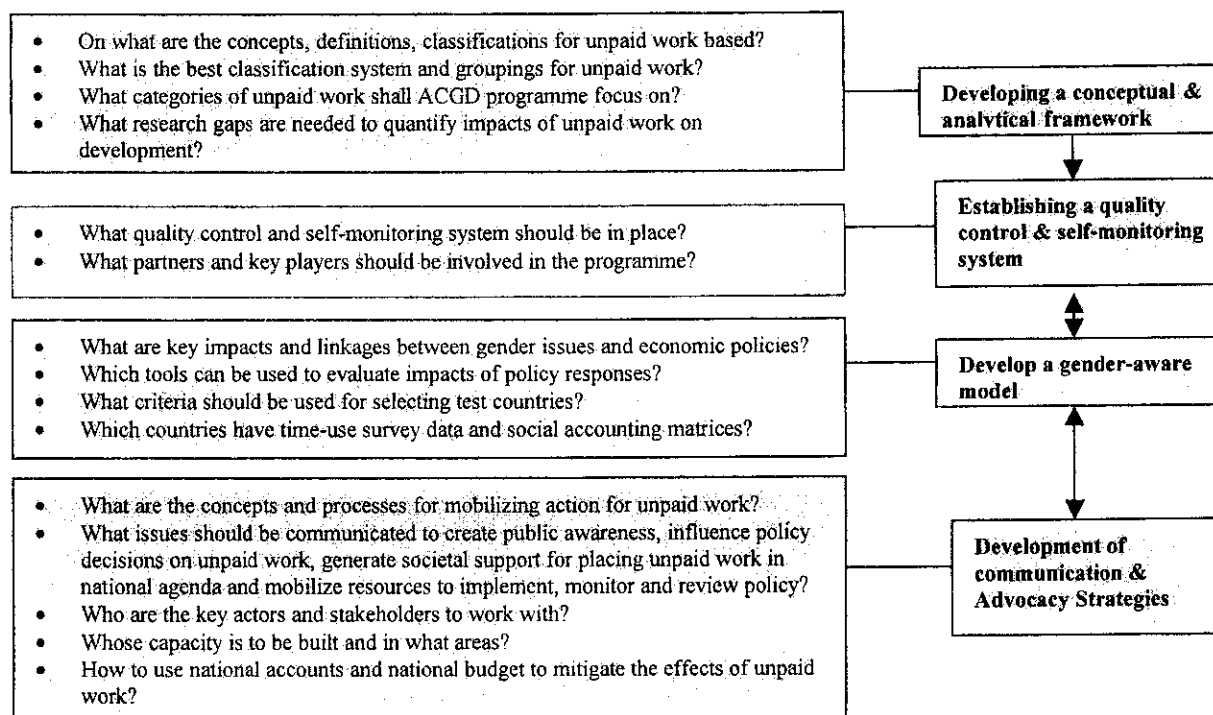
II. A Quality control and self-monitoring system: To ensure quality outcome from the activities of the programme, ACGD will establish a quality control and self-monitoring system by constituting and **Internal Working Group; African Expert Group** on mainstreaming gender into national accounts and national budget; and **Advisory Panel on Gender-aware Modelling**.

III. Modelling work – ACGD with its partners and consultants, will develop and calibrate for the first time in Africa in initially one country, a gender-aware economic model capable of testing how gender differences in national accounts and budget impact on women; short and long-term growth, and poverty reduction to facilitate policy choice and budget for poverty reduction.

IV. Mobilization of Public Action: Communication and Advocacy Strategies: (2002-2005)

- **Situation analysis:** ACGD will support defining specific facts about unpaid work and statistics on unpaid work policy makers can relate to.
- **Advocacy:** ACGD will support demonstration to policy makers, how valuation and integration of unpaid work in national accounts and national budget contribute to poverty reduction with a view of convincing policy makers to accept and show commitment to undertaking more time-use surveys and include issues of unpaid work in policy agenda. As a powerful tool to reach the greatest number of stakeholders to generate public support and agenda setting for advocacy purposes, ACGD will support national accountants in the development of media outreach.
- **Communication:** ACGD will support identification of the users of the information to be mobilized; analysing their information needs and expected behavioural outcomes; designing messages; selecting the right communication channels; producing information materials.
- **Capacity building:** ACGD will support sharpening skills of national accountants and enumerators in collecting, analysis, and integrating gender-disaggregated data from time-use survey in national accounts and national budget. It will elaborate an "Easy Reference Guide" on data collection tools and methods for integrating unpaid work into national accounts and national budget with a view of establishing norms and standards for the region. It will train national accountants in the use of the Guide. It will also support initially six (6) countries to conduct a time-use analysis for valuing and integrating unpaid work in satellite accounts and budget as a best practice example.

Figure 2: A Framework for Integrating Unpaid Work into National Accounts and National Budget (2001 – 2005)



CONCLUSION

28. This document tried to highlight a framework for ACGD's programme (2001 –2005) to engender national accounts and national budget through an underdeveloped approach to unpaid work. It examines the division of both paid and unpaid labour between women and men, and what the consequences might be of these links to policy makers. However, much of what we know currently is based on "stylised" facts or empirical information, which is indirectly related to the problem of unpaid work since little empirical work exists in Africa in this area. The main conclusion is that for the programme to mitigate the adverse effects of unpaid work, Africa-specific approach should be developed, given women's significant role in the economies of African countries. This will require that the skills of national accountants and enumerators in African countries should be sharpened to use national accounts and national budget as instruments to translate time-use data and statistics on unpaid work into policy agenda, with a view of mobilizing action and resources for unpaid workers, especially, for women as a potent force for accelerated poverty reduction in Africa. The ultimate goal is the provision of better information to policy makers, which is expected to lead to better-informed policy framework, and better understanding and appreciation of women's contribution to the economy, and how gender-aware policies impact on women and overall economy. Accordingly, policy makers will have adequate grounds to initiate and advocate for policies that will give women more effective participation and a better share of benefits from development.