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Working Papers

Number 19

Competences of Housework

What Modern Household Economics Tells us

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March 2011

Competences of Housework – What modern household economics tells us

By Prof. Dr. Michael-Burkhard Piorkowsky¹

There is a lot of debate on the under-valuation of households and families. The same holds true for the natural environment, maybe on common grounds. I have arranged my presentation to look at the reasons for this and try to contribute to a solution. My interest today is to stress the influence of contemporary mainstream economics on the under-valuation of household and family work as well as of the natural environment. Economics is one of the most important sciences and provides a frame and a structure for a common understanding of the economy and society and thus of households and families.

In *mainstream economics* as well as in the common sense, households and families are viewed as mere consumers of so called consumption goods and services, and their productive functions are neglected. On the other hand, firms are seen as producers and their consumption of labour, raw material and parts of the natural environment is neglected. Production is seen as valuable and consumption is seen as non-valuable or less valuable. The question we must ask is whether there is evidence and theory to paint another economic picture? If there is, can we overcome the myopic view of households and families?

A *new economic perspective* might contribute to a new understanding and consequently support change. This is the issue and main line of this paper. I will begin by examining what micro and macro economics tell us. We will then look at household and family functions in real-life economics. From these results I will discuss the required competences of housework – because it is only possible to assess the competences of housework only after we have considered what is necessary to fulfil household and family functions. Lastly, I would like to present a new household economics model of the economy.

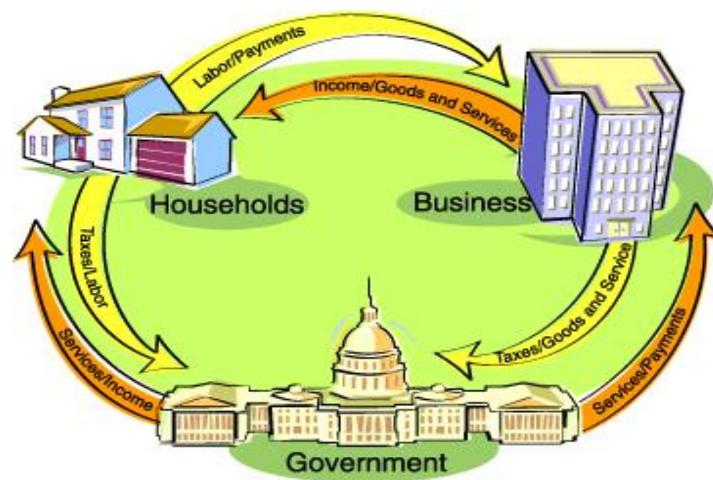
What picture does economics provide? I begin with two *micro economic models*. The most common model is the traditional theory of the *household as a consuming unit*. In this model it is stated that household members are employed in the market to earn a monetary income that is spent on perfect consumption goods which need no further household production. Decision making is not a productive activity in this model. Therefore, there is no household production according to micro economic theory as it is presented in standard textbooks.

On the other hand, we have the very ambitious work of Gary Stanley Becker, the world-renowned economist who received the Nobel Prize in 1992. He has drawn another picture of *households and families as productive units*. He argues that the production process does not stop at the doorstep of the household. Households are like small factories. They combine capital goods, raw materials and labour to clean, feed, procreate and otherwise produce useful commodities. Thus, economics has failed to see that households only have to allocate money, but – more fundamentally – they have to allocate the time of the household members. Time means in fact mental and manual activity and production means resourceful production of basic household commodities that cannot be bought in the market place, like a cosy home and well fed and educated children. This process is also called housework.

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G. S. Becker wrote his famous article on *A Theory of the Allocation of Time* in 1965 – 40 years ago. It was a revolutionary work in Economics and it was an economic rehabilitation of household work. However, we still do not find this in basic economic textbooks and, of course, it is only a piece in the puzzle.

What does *macro economics* tell us? The basic model you find either explicitly or implicitly in every macro-economic textbook is the so-called *circular flow model*. The problem with this model, however, is that we only see economic flows and related stocks if money is involved. This means, in fact, that if there is no money flow or no monetary stock, there is no economic activity displayed. What is wrong with this circular flow model that dominates our common understanding of the economic system? This model shows a theoretical and empirical reduced picture of the economy in the light of real-life economics.



First, we do not see the start-up of institutions besides the market. As you know the market raises from the interrelation of demand and supply. Where firms (supply) are coming from and where households (demand) are coming from is being neglected in this model. Second, we see no household work and family functions because there is no money involved. Third, we see no non-profit organisations. They do not exist in such a model. You see no voluntary workforce, not only is it invisible within the home but also in non-profit organisations. Fourth, we also do not see hybrid systems, that is, small interlinked systems like small family businesses and small self-help groups. They are neither pure households nor separate firms and formal associations respectively. Fifth, the circular flow model gives the impression that firms are big in terms of employees and turnover on the one hand and households are small on the other hand. The reality, however, shows another picture: most enterprises all around the world, even in so-called developed countries, are small in terms of employees, a great deal of them have one employee who is self-employed. Sixth, formal organised free associations and self-help groups do not exist either in this model. Eighth, there is no interdependence of the economy, the society and nature. The economic process looks like a self-sustaining monetary cycle. There is no social embeddedness. And there is no natural environment. Ninth, we do not see what economists call the structural identity of production and consumption. Structural identity means that production and consumption is nothing else than the transformation of matter and energy which we get from the natural environment into investment goods, consumption goods, household commodities and all the residuals as waste, global warming etc. that goes back earlier or later into the natural environment. Tenth, as a result of this the fundamental function of the household and family sector for the macrostructure of the economy and society is

neglected. Hence, in market economies with democratic political systems it is the individual in his primary context who is the driving force of all economic and social activities.

This brings us to the *household and family functions* which are developed outside of the traditional body of economics and sociology. It is clear that we see economic functions. Households have to form themselves and organise themselves. They have to allocate resources and contribute to market, public and household production. There is the *regeneration function* which is essentially recreation and tension management. We take biological reproduction into account as a function and this is the *procreation function*. We see the *socialisation function* as a process, namely enculturation and ongoing formation. We have a *political function*, in modern societies of course, the economic activities are not restricted to the market or to the household but extended to the public sphere as well. This includes provision of collective and public goods or being involved in the collection and production of public goods, e.g. going to the polls and being politically active. We also have something that we might consider as an *ecological function*. We are condemned to use the natural environment, there is no escape from this, but we have the responsibility to do it in a safe and sound way. Saving matter and energy means less consumption which in turn means less production and trying to get by with less material turnover. This has to be fulfilled in a personal, satisfactory and socially responsible way and this leads to welfare production for household members, to the family and therefore to the whole society because all members of society are related primarily in the private household. By fulfilling these functions we are shaping the structure of the economy of the society.

There is statistical evidence to underline the thesis that the household sector provides a *structuration function* for the economy and society. First, if we look at GDP we see that *expenditure on private goods* accounts for approximately 60% of GDP, which means that we pay in cash what we want to have. This is produced and reproduced for the market and, thus, leads to production, investment and employment. Second, time use studies in several countries like, Germany, Britain or the United States, show that *household production* is not a diminishing task in modern societies. In Germany about 63% of total working hours are related to family and household production, and 37% are related to paid work. Third, *enterprise start-ups* do not start at the stock-exchange. In Germany – as well as in other OECD countries – we see very small housework related enterprise start-ups and businesses. Normal small businesses are not a separated unit, but they are interlinked and mixed with the household and family sphere of the founder, because the functions and structure of the household and the firm are interrelated. Carefully counted we can say that 50% of all firms in Germany are hybrid systems that cannot be separated from the household and family sector. Fourth, *human capital* is produced primarily in the family. The primary investment for education in terms of money and in time is done in the family and not in the public sphere. There is no alternative to the family with respect to building human capital. Fifth, *public goods* are legitimized by political voting, ie. potentially by all adults – not with bills like expenditure in in the market place but with ballots. *Environmental damage*, the dark side of our economic activity, has been estimated at 50% after buying the market goods, e.g. the washing machine and the car.

What competences are required to fulfil all these functions on the micro-level and contribute to the macro-level? First, self-perception as a resourceful economic actor; second, insight into the social, economic and ecological nexus; third, setting up responsible life goals, forth, generating and allocating resources carefully; fifth, understanding money as a means not as an end, sixth, staying informed about economic and social data; seventh, starting and running a household

and a family and maybe a business; eight, “making the house a home” and; of course, ninth, feeling responsible for one’s own actions.

The figure below shows how we can incorporate this in a new household economics model of the society in a very simple approach. We start from a circular flow model in economics to draw a welfare production model. We see firms as producers. We see households as consumers and we add their function as producing units. We also add associations and non-profit organisations as well as hybrid systems. We put everything on the right foot so that the household is the basic institution where decisions and actions are the driving forces and all other institutions are derivative institutions. We put a social frame around it all and add a natural frame around that. Now we are aware that we have an input coming from this natural environment and an output that goes back to nature but in a degraded state.

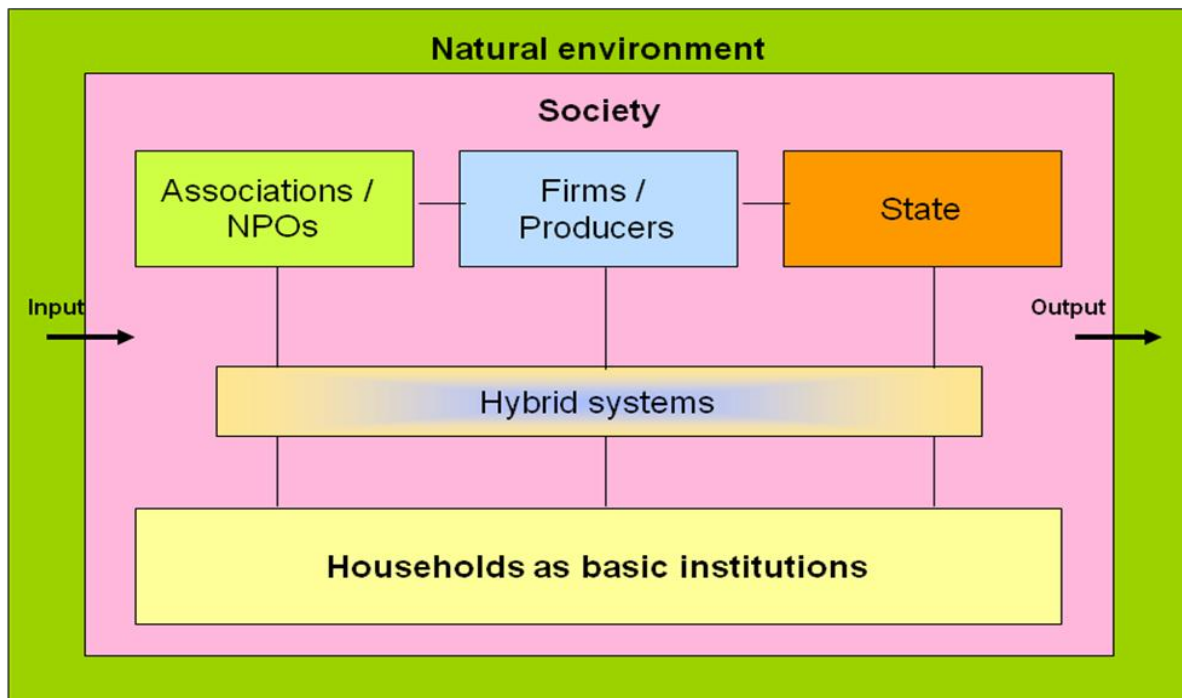


Figure: Households as basic socio-economic units and embedded in the economy, the society, and the natural environment