

Compendium

Chapter 1: Executive summary for household satellite account

Contact:
Dominic Webber and Chris S
Payne
hhsa@ons.gsi.gov.uk

Release date:
7 April 2016

Next release:
To be announced

Table of contents

1. [Authors and acknowledgements](#)
2. [Main points](#)
3. [What is a household satellite account?](#)
4. [The value of home production, 2005 to 2014](#)

1 . Authors and acknowledgements

Authors

Dominic Webber, Chris S Payne, Lee Mallett and Oliver Weedon

Acknowledgements

Thea J Thomas, Gerard Carolan

2 . Main points

This household satellite account measures and values home production in the UK, including adult and child care, household housing services, nutrition, private transport, clothing and laundry and volunteering.

Measures of the value of home production, although not captured within National Accounts, are important to gain a deeper understanding of the substitution of activities between the household and the market.

The proportion of total home production to GDP has grown by 3.9 percentage points, from 52.2% to 56.1% between 2005 and 2014. The total gross value added (GVA) of home production was £1,018.9bn in 2014.

'Extended GDP' (EGDP) – home produced services plus GDP – was £2,024.6bn in 2005 and £2,836.2bn in 2014, in current prices. This represents an annual average growth rate of 3.8% (where GDP excluding home produced services grew at an average annual rate of 3.5% per year).

The main drivers in the growth in the value of home produced services were childcare, due to growth in both childcare prices and child population, and household transport services, due to growth in the price of transport per mile.

GVA of informal childcare was £320.6bn in 2014 making it the largest component of home production, accounting for 31% of the total. The value of informal childcare grew by an average of 6.0% per year between 2005 and 2014 despite increasing substitutions from home to paid childcare for children under 5.

The value of private household transport was £235.8bn in 2014, accounting for 23% of total home production. This is approximately 6.5 times larger than total household expenditure on publicly provided transport.

There has been a general decline in the time spent cleaning, doing DIY, and gardening per person between 2005 and 2014. However, this is outweighed by growth in the market equivalent costs of home maintenance, resulting in the GVA of household housing services – providing and maintaining a home – growing by an average of 1.4% per year.

The value of home nutrition services declined by 7.0% between 2013 and 2014, from £155.2bn to £144.3bn. This was due to a decline in both the number of calories eaten in per person, and the cost of consuming calories out of the home.

The number of adults receiving informal adult care remained largely static between 2005 and 2014. However, there has been an increase in the number of hours per cared-for person, leading to 4.2% average annual growth in the GVA of informal adult care.

Hours of formal frequent volunteering declined by 6% between 2013 and 2014. As a result, GVA of home produced voluntary activity was £23.3bn in 2014 – a fall of 5.0% on the previous year.

GVA of clothing and laundry services was £88.4bn in 2014, growing by an average of 4.3% per year.

ONS will continue to develop the household satellite account. Current plans include measuring internet-based activities (e.g. booking holidays online). As noted in the Bean Independent Review of Economic Statistics (IRES), this is an increasingly important activity within households.

All values and prices in this report are in current prices so do not adjust for inflation.

3 . What is a household satellite account?

In 2002, the Office for National Statistics (ONS) published the first Household Satellite Account (HHSA) for the UK. This measured and valued most of the goods and services that are produced by households (home production), but are not included in the National Accounts (ONS, 2002; Holloway, Short and Tamplin, 2002). We have updated various elements of the full account since 2002; however, this is the first time the HHSA has been constructed in its entirety since that time. As before, the HHSA measures the value of informal adult and child care, household housing services, nutrition, clothing and laundry, transport and volunteering.

Following the publication of the report by the Commission for the Measurement of Economic Performance and Social Progress (2009), there has been fresh interest in estimating the value of household production. More recently, over the past year, Sir Charles Bean has delivered the Independent Review of Economic Statistics (IRES; Bean, 2016) which highlighted the UK Household Satellite Account as a valuable economic tool for measuring the modern economy. The implications of IRES for the Household Satellite Account are addressed later in this report but broadly IRES recommends the investigation of services which may have been carried out by the market but are now being produced by households themselves, possibly via the internet or through the sharing economy.

The original HHSA utilised an output approach for most sections¹ to develop value estimates of home production. This approach measures the volume of home production valued at a market equivalent rate. The methodology of this account is largely unchanged, with the exception of household housing services. This activity is now based on an input approach: measuring the hours of input, principally labour and valuing at the equivalent market wage rate.

The HHSA extends the production boundary of the core System of National Accounts (SNA, 2008) to include volunteer production of goods, housing services produced by owner occupiers, own account production and additional 'other services produced for own use' as seen in table 1.1 (Eurostat, 2003).

Table 1.1: Scope of the household satellite account in comparison with the System of National Accounts

Core SNA		Satellite account of household production	
		SNA production	Non-SNA production
Market production	Volunteer production (goods)	Household production for own use	
		Housing services produced by owner occupiers	Own account production (goods), in particular, own-account construction of dwellings
			Other services produced for own use
			Volunteer production (services)

Source: Eurostat, 2003

Activities which are classed as ‘Other services produced for own use’ and ‘volunteer production (services)’ (see table 1) are those activities which differentiate the contents of the core SNA from those in the HHSA. Their inclusion within the extended production boundary of the HHSA is decided by their suitability to meet the ‘third party criterion’². Within this HHSA, activity is divided into 7 principal functions:

- childcare
- adult care
- household housing service
- nutrition
- clothing and laundry
- transport
- volunteering

Notes for what is a household satellite account?

1. The output of volunteering was, and still is, estimated using an input approach. More details on the methodology can be found on [The National Archive](#)
2. The third party criterion was originally defined by Margaret Reid (1934) and posits that if an activity were both productive and could [under usual circumstances] be contracted out to a third party then it would be included in an extended boundary of production

4 . The value of home production, 2005 to 2014

The total gross value added (GVA) of home production was £1,018.9bn in 2014. This is equivalent to approximately 56.1% of UK GDP, up from 52.5% in 2005. Total GVA grew by 46.8% between 2005 and 2014 at an average of 4.4% per year where the main driving factors in the value of home produced services were childcare (due to growth in both childcare prices and child population) and household transport services (due to growth in the price of transport per mile). This is compared to UK GDP which grew at an average of 3.5% per year over the same period (in current prices).

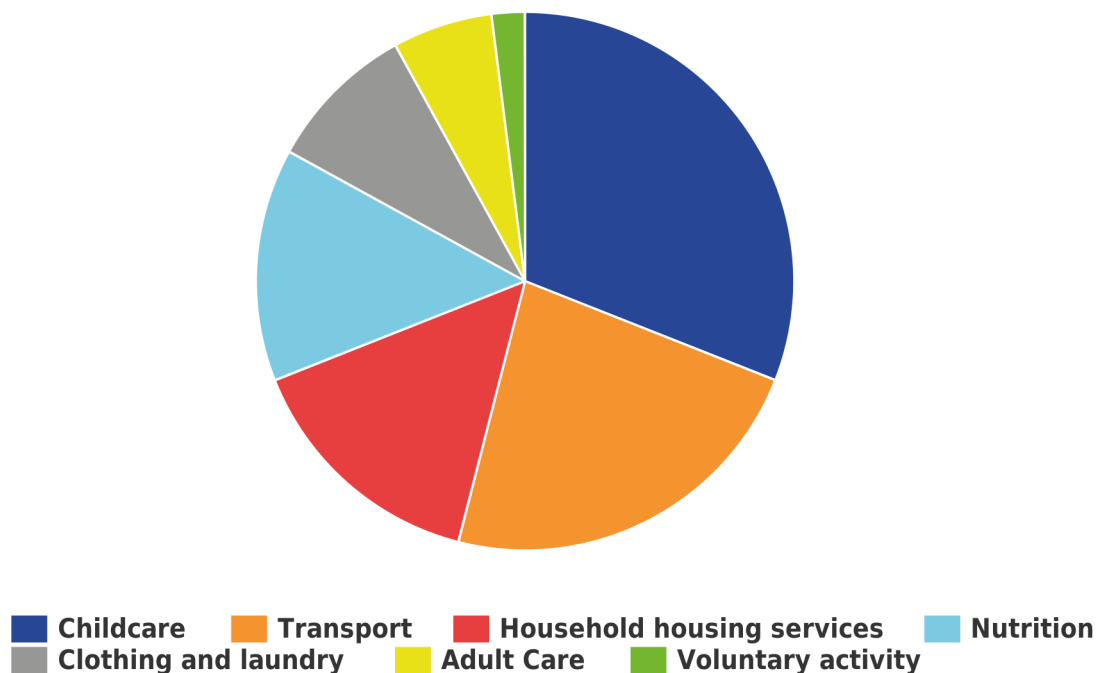
Considering the two together, 'Extended GDP' – the sum of GVA of home production and GDP – grew from £2,024.6 billion in 2005, to £2,836.2 billion in 2014. This represents an average annual growth of 3.8% between 2005 and 2014. This implies that if home produced services were included in GDP then GDP's average annual growth rate over the last 10 years would have been 0.3 percentage points higher. Due to the lack of a deflator for home production these measures of home production and GDP are expressed in current prices, and do not take into account the effects of inflation.

In accordance with the System for National Accounts (SNA, 2008), home production has historically been excluded from the core National Accounts (and therefore GDP) as it could potentially obscure what is happening in the markets, and reduce the usefulness of National Accounts data for analysis. While household production is relevant to thinking about well-being, it doesn't give rise to wages and salaries, and it doesn't provide a tax base for the government to raise revenue. The use of a satellite account to estimate home production facilitates analysis of home produced services while avoiding any of the aforementioned complications.

In 2014, informal childcare represents the largest share of total GVA, followed by transport services, accounting for 31.5% and 23.1% respectively. Household housing services (14.7%) and nutrition (14.2%) were the next largest activities. Finally, clothing and laundry, adult care and volunteering account for the remaining share (see figure 1.1).

Figure 1.1: Share of total non-market household GVA by activity, 2014

UK



Source: Office for National Statistics

