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RENEWING THE CULTURE OF THE HOME

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Valuing the Home
as Part of the Core Economy

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Valuing the Home as Part of the Core Economy

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In this paper I will be discussing the value of the work of the home from a policy perspective rather than a business perspective or with a particular focus on the labour market. There are about six programme areas in NEF, but what binds those different programme areas together are three overarching principles for our organisation: environmental sustainability, collective well-being and social justice. Although we cover a wide range of areas, what our work looks at are the overarching challenges for society today which are probably about the environmental crisis (climate change in particular) and also what is happening economically.

My approach to the topic is from the point of view of what can be said about sustainability with an understanding of the three economies. These three economies, which tie in with the overarching principles I have mentioned above, are a natural economy, a market economy and a core economy. By the core economy we are talking about human and social resources, that is, humans as assets in whatever sphere they occupy. Effectively the natural economy has a fixed size. There is not much we can do about that. We might do a bit of exploration and find some new resources but we cannot expand it. Because of the limitations of the natural economy, we are limited to the extent that we can grow the market economy. We are getting to the point where the pursuit of growth is probably not going to be sustainable in anything like the long-term. So what do we do about that and how do we move on? If what we are all after achieving is greater well-being, which in a sense is what I think in our individual lives what we are looking for, how do we deliver that? What we are looking at and the work we are doing is about how do we grow this core economy? This is something that really can grow. We can really grow the idea of people doing more for themselves, people doing more for each other and in what circumstances.

The core economy really does underlie the market economy. It is where our children are brought up, where old, frail and disabled people are looked after. It is that caring relationship. That is what really underlies the whole of our ability to function in the market as well as in society.

Our analysis at NEF suggests that there are various ways in which we can grow the core economy around things like employment policy, income support, childcare and how the family functions. The perspective that I come at it from, my area of work, is the system evaluation that we attach to that core economy. Our analysis suggests that if we are going to grow the core economy,

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we need to rethink the distribution of income and time. Family time is precious and there is not an awful lot of it, especially in some economies. We seem to have a bizarre situation where people who are very well paid tend to work incredibly hard and barely have any time with their families while there is a group of people who have no work at all. It is a strange distribution and it is a very overarching thing. How you solve that is clearly complex, but I think that nevertheless it is helpful to state it simply in those terms.

We are doing a lot of work on how we can, even in a conceptual sense, distribute income, time and, given our current situation, carbon to achieve the best that we can and grow that core economy which is how to prevent problems from arising in society. It is how you can help sort out issues of public service provision where funds might be getting tighter. In this country we have a public service provision that is about fixing problems once they have happened, rather than preventing those problems and preventing the harm starting in the first place. We all know that the first place you are going to prevent that harm is in the home. How do we build that? How do we make sure that all households have the resources they need, which is not just money but time and relationships. We need to be able to grow that as far as possible.

I head the Valuing What Matters Team at NEF and this is only one part of our work, but what we are doing is looking across policy areas to say 'what are our systems of value and are they right? What can we do about those?' Essentially what we are used to, particularly in the West, is a system of cost-benefit type analysis where we will value economic productivity partly because that is what actually counts when you are focussed on GDP and partly because it is actually quite hard to measure a lot of the other things that are not tangible and are not traded within the marketplace.

How do you attach value to a person's confidence or growth in their self-esteem or an increase in their well-being? It is really hard and because it is hard it does not get done. The problem there is that often you are valuing the short-term as well as the economic and you are forgetting about the long-term. So we talk a lot about the false economies of perhaps cutting spending now to increase efficiency of public services – but what does that do for long-term costs? In an intelligent system, you would be able to take account of those things. That is not to say it is easy, but nevertheless, it is worth striving for.

Just over a year ago we used our system of evaluation to look at the issue of pay and value in society and occupations. As a result, we produced a report called *A Bit Rich* just before Christmas

bonus season in 2009². We have a methodology that is like cost-benefit analysis but it is effective in bringing in all those really hard to measure outcomes from any activity. Anything we do is likely to have some kind of environmental consequence and some kind of social consequences. The field of economics would say the most efficient economic system is the one that brings in all those impacts so that the full costs and benefits are revealed. In that way you incentivise activities that are good for society and perhaps disincentivise activities that are less good for society. We were very interested in looking into this from the point of view of different occupations because so much in our Western world of status and opportunity is attached to what you earn. Inequality starts with wage inequality, effectively. What you earn will then allow you to do what you can do and it will also confer status. We were very interested in the question, 'how far does the current pay structure reflect the value that is being created in society by different occupations?' It was intended to shine a light on this and so we purposely took some controversial jobs, three high paid jobs and three low paid jobs. What we found is that by looking at the externalities, in economic parlance, and looking at the wider and indirect effects of these different occupations and putting a value on them we were able to say, 'okay, a City banker will generate a large GDP and pay a lot of taxes, but what else are they responsible for? What other costs need to be brought onto the books? What other benefits need to be brought onto the books?'

We looked at various low paid occupations as well and particularly a hospital cleaner and a childcare worker and the analysis that we produced suggested that you were looking at a lot more value creation from a hospital cleaner or a childcare worker than was being paid to them in their pay packet by quite a large multiple. We used very conservative assumptions – and it is assumptions based – to find that a hospital cleaner will generate around £10 in value for every £1 they are paid. Meanwhile, a banker or a tax accountant is generating a lot of value for the people they work for and helping them not pay so much tax, which is perfectly legal, but nevertheless there are costs to society for doing that. So they were destroying more value than they were creating. The obvious example now is that of the banker because of the recession we are in and the cuts to public spending. The idea was just simply to say that what people are paid does not necessarily reflect their worth to society and we need to talk about that.

This work had a huge media impact and I think the reason for that is it is something many people feel very strongly about. It was something that resonated with a situation that people feel

² Lawlor, E., Kersley, H., Steed, S. (2009). *A Bit Rich: Calculating the real value to society of different professions*. London, New Economics Foundation.

uncomfortable with. By putting numbers on it, it was a different way of accessing that debate. It was not just in the UK that there was interest but further afield as well.

I will use the example of the hospital cleaner which was one of the ones that was picked up most particularly to illustrate the point about pay not reflecting value. It is not just that they clean the hospital, their role – and this will be confirmed by any of them as well as their hospital managers – is about good health outcomes for patients. They are part of the trust mechanism of the National Health Service. They are the people who will make a cup of tea and sit with a relative. They are not just there to clean, but this part of their work is not valued in their pay packet. Therefore, you could argue that if you were to really look at their value and reflect that in their pay, they should be earning substantially more than they are. This really matters because a lot of these kinds of jobs are the glue of society. Moving back to the idea of the household and the core economy, we undervalue it. It is not paid although there is a whole debate going on about whether or not it should be paid. At the very least the very fact that it is not paid has an implication for how we think about its value. These are the kinds of issues that we are trying to uncover.

It is important with the core economy because of what that means for inequalities. There are whole issues here around the gender pay gap and the fact that it is mainly women who carry out unpaid work. Even now when most women go out to work, studies have shown that it is still women who do the bulk of housework but they are more constrained in time than male counterparts who are perhaps doing less in the home. It is about looking at the way in which we can confer the resources required to properly underpin the core economy and make sure that we have healthy outcomes and make sure that this has a sustainable implication for society and that we prevent social problems arising.

There is also the whole issue of the relationship between the household and consumption mechanisms and how you can change consumption patterns that mean that it is more environmentally sustainable. Nudging behaviour within a framework where people are very time-limited and perhaps resource-poor is perhaps not the best way to go about it. If you really want to tackle those issues of sustainability you need to tackle it systemically and pull apart the drivers of inequality and the lack of sustainability, which is the framework we are all operating within.