



Community Economics

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Unrecorded Work in Rural Wisconsin

by
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“Comparing the average hours (403 per year) with the median hours (126 per year) conveys an important point about the nature of such work: it is highly skewed. Similarly, the average value (\$4115 per year) was nearly three times the median value (\$1386 per year). Apparently, while some households devote extensive time to such work, most participants do not. Thus while many households participate only a few households receive significant economic benefit from such work in any given year.”

Rural areas frequently lag behind urban ones in typical socioeconomic measures such as unemployment rates or income levels. In 1996, for example, per capita income was \$25,315 in metropolitan areas of Wisconsin, but only \$19,402 in non-metropolitan areas. One factor often proposed as an explanation for such gaps is unrecorded (informal) work such as do-it-yourself work (self provisioning) or small activities to make money. The greater availability of land provides rural areas with more opportunities for some of these types of home production (e.g. hunting, fishing, raising crops or animals, farmwork, etc.). If such work were extensive, individuals might decrease their formal labor market activity, resulting in the observed labor market differences. This month's bulletin examines a number of questions rural policy analysts have often asked regarding the importance of informal work to rural economies. How many people participate? How many hours do they devote? How much value does it provide to them? Might such activity be extensive enough to explain the differences in urban/rural income levels?

Data on informal activity in non-metropolitan Wisconsin is available from a survey of 1611 non-metropolitan families conducted by several researchers at the University of Wisconsin - Madison in 1996. The activities (and the percent of households participating in them) were: hunting or fishing (3.3 percent), raising animals (4.2 percent), raising crops (11.6 percent), yardwork or landscaping (4.5 percent), crafts (5.8 percent), car or appliance repairs (32.3 percent), house repairs (35.3 percent), home construction (12.3), other building activities (3.6 percent), personal services (4.6 percent), and boarding (0.5 percent). Respondents also gave one of six reasons for the activities - make money, save money,

barter, favor, hobby, or other reason. Illegal sources of income and extensive under the table income were excluded. In order to best approximate the notion of informal work as a replacement for formal market work, this study examined only those activities done to make money, save money, or barter.

Results for participation rates, annual hours and annual value of the activities by activity reason are given for men, women, and households below. Participation in such activities was fairly common. Nearly 60 percent of all households (50.2 percent of men and 28.2 percent of women) participated in at least one of the activities. Activities to save money clearly drive most of these results, with 54.8 percent of all households (47.8 percent of men and 25.1 percent of women) involved in them. In contrast, only 12 percent of households (8.7 percent of men and 6.5 percent of women) had any activities to make money. On the other hand, average hours devoted to activities to make money greatly exceeded hours devoted to activities to save money. Across all activities, participants had average annual hours of 403 hours per year. Interestingly, women had approximately the same average hours as men, though their participation rate was only about

half that of men. Overall, this work would have an approximately average value of slightly over \$4000 a year for participating households.

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Unrecorded Economic Activity: Participation, Hours and Value

	Make Money			Save Money			Barter, Make Money, or Save Money		
	Male	Female	Household	Male	Female	Household	Male	Female	Household
A. Participants									
Participation Rate	8.7	6.5	12.3	47.8	25.1	54.8	50.2	28.2	59.3
Average Hours	373	396	465	238	234	340	276	276	403
Median Hours	180	245	258	73	84	110	90	104	126
Average Value	2932	2819	3496	2653	2433	3704	2917	2648	4115
Median Value	1560	1750	2028	768	780	1047	960	910	1386
B. General Population									
Average Hours	23	18	39	114	59	164	138	78	206
Average Value	179	129	295	1268	612	1784	1465	748	2102

The overall extent of such work in the rural economy is perhaps best conveyed by considering the average for all members of the sample, not just participants. Assuming the sample is representative of the whole population, this would amount to about 138 hours a year for men, 78 hours a year for women, and 206 hours per year for households. Calculated on a replacement cost basis, this would have a value of approximately \$2102 per year for all households. This amount is far lower than the nearly \$6000 urban/rural income gap noted above.

It appears that informal work is far too little to make up for lower formal market income in itself, even if one assumes that urban households do little informal work. However, this would be an unrealistic assumption for two reasons. First, metropolitan residents do engage in some home production like repairs. Second, activities which require land and thus are easier for rural residents to do (hunting, fishing, raising animals or crops, etc.), accounted for only about a quarter of all informal work.

While insufficient to make up for lower overall formal market income, this does not imply that this work is unimportant. Perhaps the best sense of the relative importance of informal work for the rural economy is obtained by comparing it with total work hours. Since total informal work reported is approximately 5-7 percent of all hours for any work, formal or informal, it hardly appears to be a substitute for formal market work. On the other hand, hours spent in second jobs amount to only 3-4 percent of all work hours. Consequently, perhaps informal work more likely serves as a substitute for taking a second formal market job and its economic impact on the rural economy roughly equivalent to that of second jobs.

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