

# **THE DETERMINATION OF EXTENDED INCOME EQUIVALENCE SCALES FROM INCOME SATISFACTION AND TIME USE DATA**

**Melanie Borah\***

Otto von Guericke University Magdeburg

## **Abstract**

In this paper, I estimate extended income equivalence scales from income satisfaction and time-use data contained in the German Socio-Economic Panel. Designed to capture the needs of additional household members, these scales account for both, increases in households' money income and domestic production requirements. The estimation procedure determines equivalence weights in these two components separately. My findings suggest relatively low equivalence weights in monetary incomes, especially for children whose parents do not work full-time. At given levels of monetary well-being, the value of household production increases massively in the presence of an adult partner and a bit less, but still considerably, in the number of children. The resulting extended income equivalence scale assigns greater weights to both, adults and children, with the difference between them being smaller than in the money equivalence scale. I illustrate the implications of these estimates for measures of income inequality using the same dataset.

JEL Classification Codes: D13, I32, J13, J22

Keywords: equivalence scales, income satisfaction, household production

---

\* Otto von Guericke University Magdeburg, Faculty of Economics and Management, P.O. Box 4120, 39016 Magdeburg, Germany, email: Melanie.Borah@ovgu.de