

The Determination of Extended Income Equivalence Scales from Income Satisfaction and Time Use Data

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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 greater monetary equivalence weights for adults than for children. At given levels of monetary wellbeing, the value of household production increases more strongly in the number of children than in the presence of an adult partner. Differences in relative needs tend to balance out in the extended income equivalence scale, assigning adults and children almost identical weights of about 45 percent. I illustrate the implications of these estimates for measures of income inequality using the same dataset.