

## **Within-household inequalities and public policy: issues, questions and plans**

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### **I Introduction**

The aims of this project are

- To explore alternative approaches to understanding the behavioural and distributional impact of policy change which take account of gender inequalities in power and influence within the household.
- To use such approaches to analyse the effects of actual and potential changes in fiscal, social security and associated labour market policies in the UK.

The original plan is ambitious and hopes to combine qualitative research with two types of quantitative modelling into one integrated design. Since there are formidable challenges arising from the research questions themselves, from the lack of ideal data and from combining methods in this way, we also intend to make sure that each part of the project will have its own methodology and stand-alone outputs that are independent of the other parts. Indeed, we expect to have several different starting points and a range of approaches.

The original proposal (with an expanded section on methods) is provided in the Appendix. This explains how qualitative interviews with couples would be used to help formulate key questions for the quantitative analysis. This in turn would attempt to identify robust indicators of relative power within the household. These would be applied during simulation of alternative policies, to capture the differential effects on men and women within households. We now think that these three stages might not run as consecutive phases but might take place to some extent concurrently. Some quantitative work – perhaps simply in the form of exploration of existing data sources - could usefully inform the qualitative study; a specific stand-alone policy simulation exercise (see section III) need not necessarily wait for prior analysis.

This preliminary paper mainly focuses on a particular approach to the middle ‘quantitative modelling’ step in order to help us think about both what we need to know from the qualitative research and what it could deliver for simulation modelling. The following section discusses this, followed by two shorter sections on the simulation modelling and the qualitative study respectively.

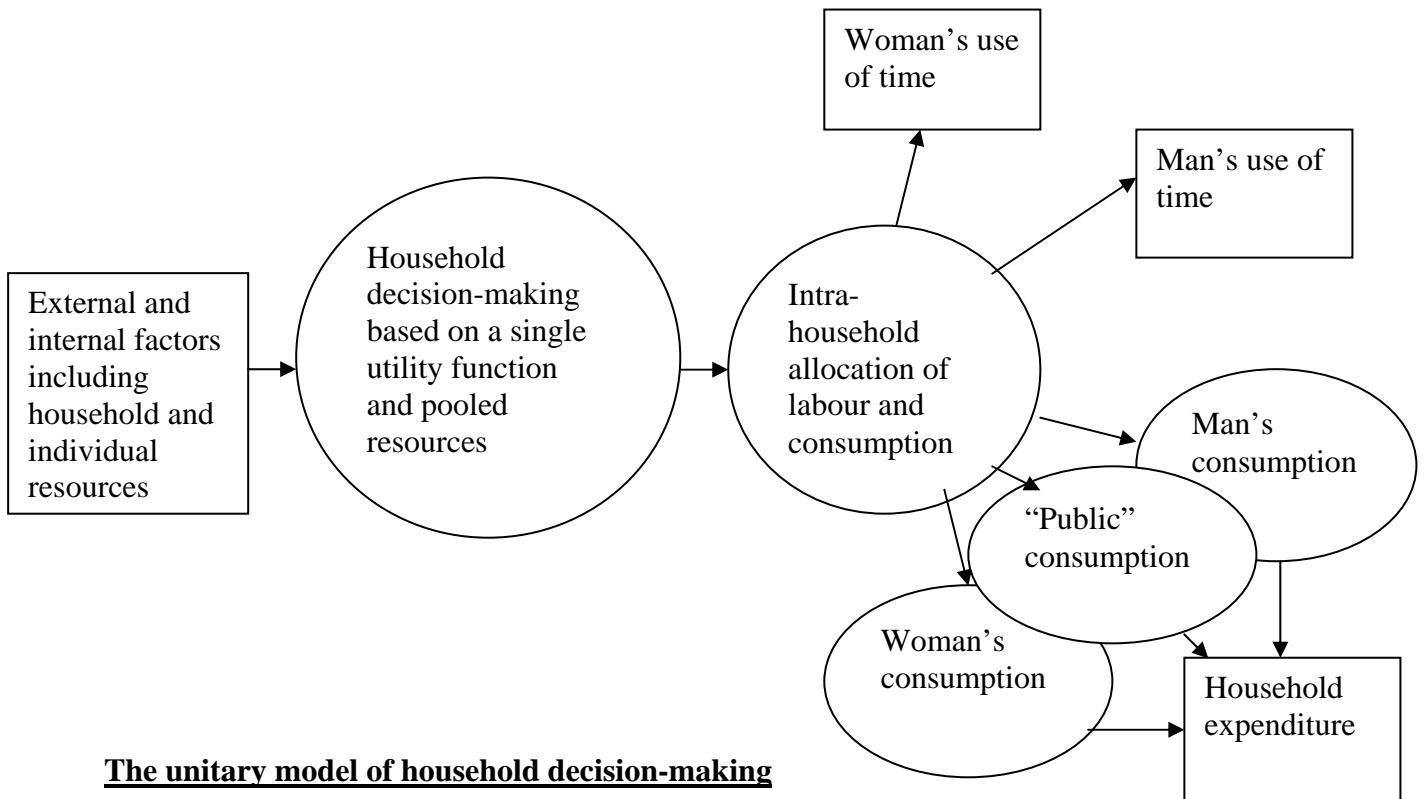
**We would particularly welcome comments on these initial ideas about overall design, as well as any specific suggestions on each part of the project.**

## II Quantitative modelling

This section reviews the issues we have identified from a preliminary reading of some of the quantitative economics literature.

### Unitary models of household-decision making

The standard neoclassical model of household decision-making looks like this:



### The unitary model of household decision-making

*Note: latent variables in round boxes; variables in square boxes are available directly. There are data available on individual time use. There are few data on consumption per se. Data on expenditure at the individual level refer to who does the shopping and are therefore usually made use of aggregated over the household. "Public" consumption means goods or services that are consumed collectively by members of the household.*

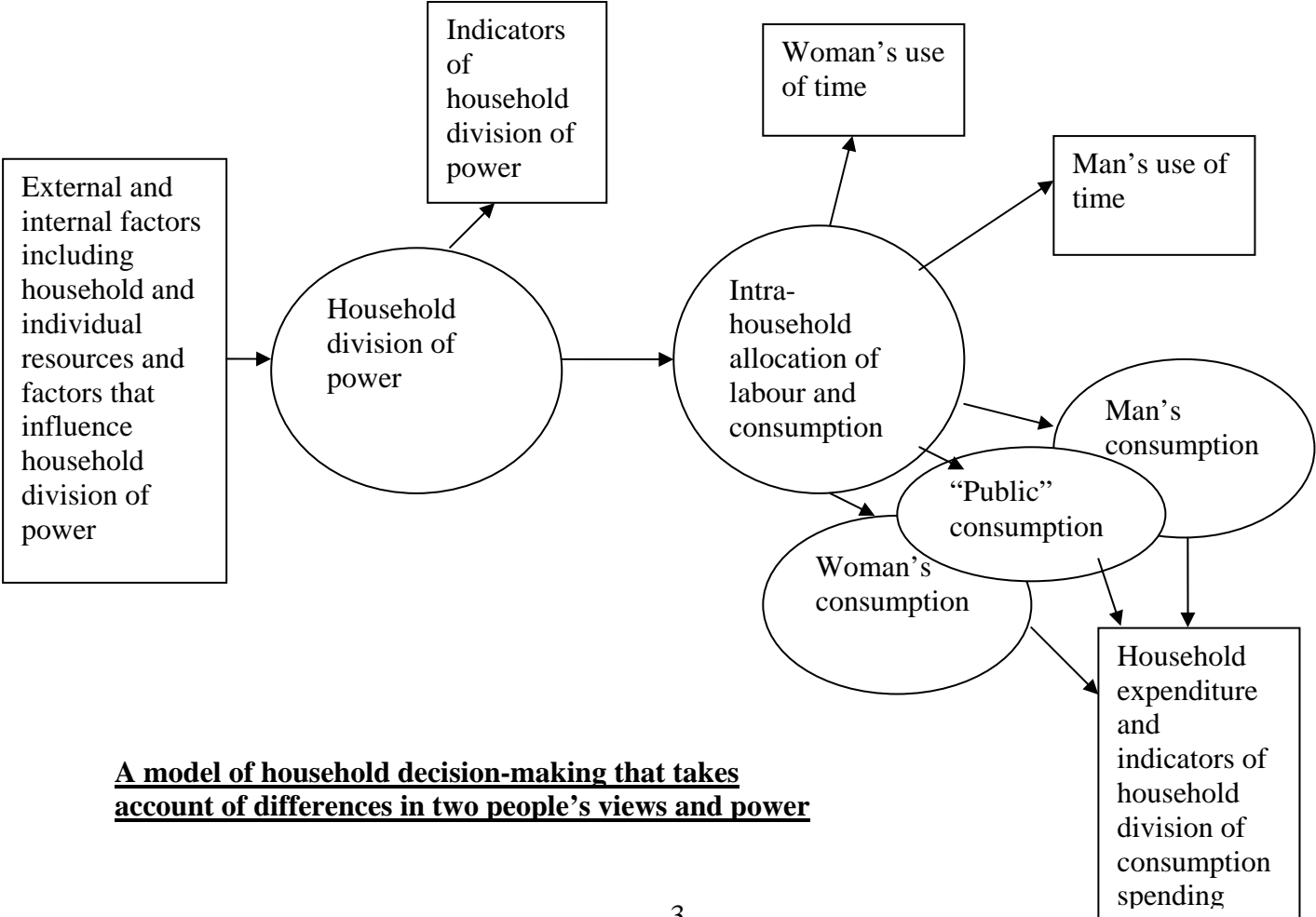
The household is treated as a unitary decision-making unit with a single utility function. This means that on the basis of external conditions (e.g. wage rates for men and women) and given household resources (e.g. physical and human capital of household members) the household makes a decision for all its members about both what they will do (how much time they will spend on the labour market and how much on unpaid domestic work) and what each will consume. The salient feature of this model is that the household is taken to be a single decision-maker with a common set of interests, encapsulated in a single household utility function. There are two variants: in Samuelson's model, the household utility function arises out of family affection and mutual supportiveness; in Becker's more widely cited model, the household utility function is that of its altruistic head who is sufficiently powerful to impose what he wants.

Such unitary decision-making doesn't necessarily imply an assumption of equality within the household. For example, the household may decide that it is more important to feed sons than daughters, and that women should do more domestic labour than men – it is just that all members accept this decision because either they agree with it (Samuelson) or accept it because the consequences of doing so are better for them than anything else (Becker – this is known as the 'Rotten Kid Theorem', but it is really meant to apply to wives.) . It means that it does not matter how much of the household's initial resources are contributed by each partner. All resources are pooled and it is the 'household' that decides everything; no individual household member decides or has control over anything (except the household head in Becker's model who decides everything, but then he is the household).

Such models are commonly used both in economic theory and in policy making. For example, working out the disincentive to second earners that tax credits provide is based on treating increasing household income as the common goal of both partners. The take-home pay of a woman whose husband is receiving a tax credit is not affected when the tax credit is reduced if she earns more; it is her husband's take-home pay that falls. So it is really the consequent reduction in benefit to the household as a whole that is talked about as the disincentive to her. To see the disincentive to her as equal to that full effect on total household income is correct only in terms of the unitary model.

**Our project**

Our project's aim is to go further and investigate what happens if we do not assume such a unitary household, with a single utility function. The following diagram represents how we want to use quantitative modelling to look at the household-decision making process.



**A model of household decision-making that takes account of differences in two people's views and power**

The difference in this from the unitary model is that we assume that external and internal factors affect not only the possibilities and resources at the household's disposal but also the balance of power in decision-making within the household. Thus the members of the household do not necessarily have identical views, nor does one always get his way, but both partners can influence the decisions made according to their relative power. And external as well as internal factors may affect that relative power, e.g. if tax credits are paid to women rather than men they may have more power over their household's spending. The unitary model could not take account of such a possibility.

The aim is to show how such factors, particularly policy-relevant ones, can influence the division of power in the household and consequently its division of labour and consumption. However, for the quantitative analysis we will have to use data sets in which neither the household division of power nor the intra-household division of consumption is measured directly. We will therefore have to treat them as latent variables in our analysis and find appropriate indicators for them. [The unitary model had that problem too with respect to the division of consumption.]

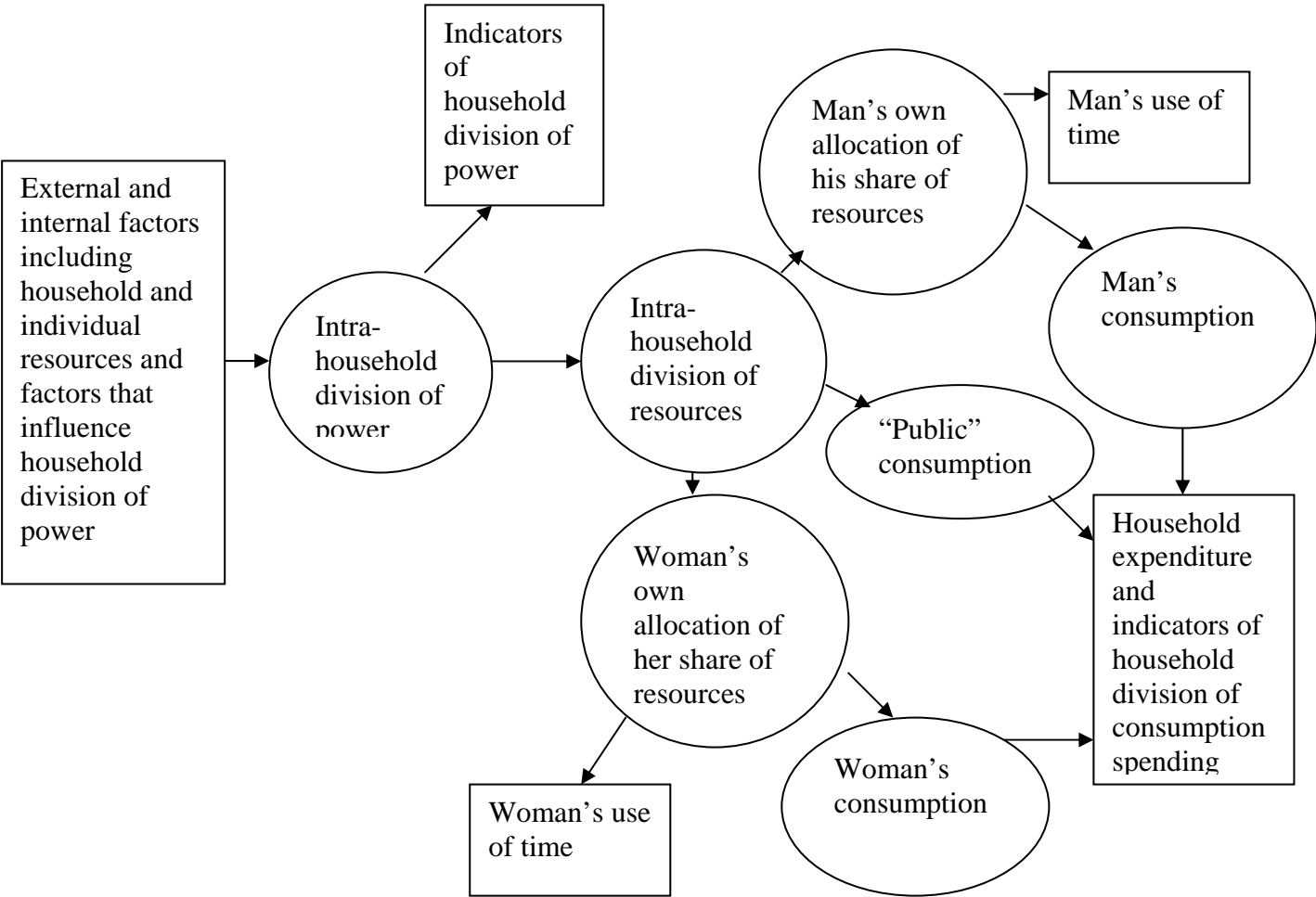
There is an existing quantitative literature on factors affecting intra-household distribution, but it says nothing about indicators of power. Indeed there is little recognition of the two-stage process involved, so the quantitative literature tends only to look at indicators of the final outcome, the household division of labour and consumption. This is partly because in the rational choice framework utility is both the measure of individual well-being and what an individual tries to maximise in decision-making, so by definition how much one can improve one's own well-being is a measure of how much power one has in decision-making. From there it is a short, though erroneous, step to identify well-being with consumption. It is erroneous to do so for two reasons: first, because people might use their decision-making power to influence other things about their lives, for example, what they do rather than what they consume; and second, because people might be using their decision-making power to help others – for example, many studies have shown that women are more likely than men to spend extra income that they control on their children. In rational choice terms there is no contradiction in this, since this is seen as increasing the welfare of the woman – otherwise she wouldn't use her power in that way.

However, while data on individual hours of paid work exist, and time use surveys may be able to tell us about the distribution of unpaid work, individual consumption is not usually measured. So some assumption about a type of spending that does specifically improve an individual's welfare is needed to identify an indicator for their particular share of household consumption. Household expenditure surveys such as the Family Expenditure Survey do not record individual consumption, but they do differentiate between spending on different types of goods, and so the standard indicator that is used is expenditure on men's and women's clothing, the only item that is recorded in a clearly gendered form. So whatever else women like to use their power to do, the assumption is always made that they also use it to spend more on clothing for themselves. For our project, it would be very useful to be able to develop and use a wider range of indicators.

### **The existing literature on non-unitary models of household decision making**

Among the existing literature, collective models are the broadest type of models that still work within a rational choice framework but do not assume that a household is a unitary decision-making unit. The sole assumption these models make is that the process of

household decision-making is co-operative. This means that the outcome is Pareto optimal, which means that one partner cannot be made better off without the other being made worse off. The justification for assuming this is that households have some continuity, which should enable the partners to realise the gains from cooperation. Repeated games tend to arrive at Pareto optimal solutions in which inefficient outcomes (non-Pareto optimal ones) are bargained away. (Although that outcomes are Pareto-optimal is a common assumption in the literature, and one without which it is hard to say anything much, a further class of household models exists based on non-cooperative game theory, and we intend to investigate those too.)



**The collective model of household decision-making**

Under the assumption of cooperation, any outcome can be seen as the result of available household resources being divided between the partners and then each deciding what to do with their own share of those resources – see diagram above. Where collective models allow for household public goods (such as children!) the allocation for them is made prior to the division of remaining resources between partners. (Actually one other assumption is required: that the partners do not care about what each other does or consumes except in so far as it affects their partner's utility – we may or may not think that assumption is a significant one. It means that the models can allow for mutual caring by altruistic partners, but only in a restricted form, which means that women's clothing can be identified with women's well-being only if spending on it is an effect of her desire to wear nice clothes and her partner's to

see her happy, but not of his to see her well-dressed. It certainly wouldn't apply for an adult looking after a child, but between consenting adults it might be acceptable.)

Note that resources that the collective models see as being divided between individuals are fixed endowments that chosen actions cannot affect. Once public consumption is allowed for, the collective models see everything that is a choice being decided by each individual by themselves on the basis of their share of those fixed endowments. It is as if each partner, once they know what their share of those fixed resources is, decides individually how to spend their time and the consequent income earned on whatever gives themselves most utility (which could include spending time or money on raising the other's utility through the limited form of altruism mentioned above). In particular, the partners decide individually how to use their individual fixed endowments of 24 hours a day, i.e. whether to use them as leisure or unpaid work or whether to turn them into income by getting a job. That decision will be informed by what they know they are getting from the intra-household splitting rule (and what is being spent on public consumption). If the splitting rule gives them a lot of resources they may choose not to get a job; if the splitting rule gives them very little or even a negative amount (ie they are expected to contribute more resources than they already have to their partner or to public consumption), then they will have to get a job. Those fixed resources include time (24 hours each), non-contingent state benefits (e.g. child benefit once the children are born) and other endowed income - but not earned income, which depends on decisions about time-use (e.g. whether to take employment), nor means-tested benefits or tax credits that also indirectly depend on that decision.

These models have become more and more sophisticated and can now cope with choices that involve the existence of public goods in the household (how children are seen in this framework), household production (i.e. unpaid work), differential wage rates, unearned income that is collective or owned by individuals in the household and various other refinements. However, we haven't so far seen any that can cope specifically with choices that have implications for benefits means-tested at the household level, such as tax credits - but that may not require a huge modification.

Most papers are concerned with just showing that their particular model fits the data better than the unitary model. Only a few models try to look at what might determine the splitting rule, i.e. the share of household resources that each partner gets to control. Even these cannot tell you actually how much each partner gets (because of identification problems); but in some cases they can tell you how a shift in some external factors can affect the sharing rule - which may be all we would really need.

There is a problem in the interpretation of the splitting rule. In the literature, it is taken to be a measure of each partner's welfare, but in fact it is really a measure of their power - it tells us the share of resources over which they have control. It is interpreted as a measure of welfare on the assumption that people use resources that they control to maximise their own utility. As we have seen, this does allow for people to be altruistic in a particular way, but maybe that notion of utility then doesn't capture what we might want to mean by individual welfare. If a husband's and wife's individual preferences (utility functions) are such that she will choose to spend more of 'her' resources - the ones she controls - on him than he will choose to spend of 'his' resources on her, then he will be better off materially than she is if they have equal power in decision-making. So if control equals welfare they will be equally well off, but not if by welfare we mean actual material individual well-being. (Amartya Sen has written about

this, using a capabilities approach to get around this problem, and we intend to look at that to see if it gives us a useful handle on this).

Further, for the models to be able to be statistically estimated some assumptions need to be made about commodities that can be assigned to each partner; they are ones for which an increase in the level of consumption indicates a movement in the splitting rule towards one partner rather than the other. There are two candidates for that sort of commodity in the literature: men's and women's clothing, as mentioned above, and their respective 'leisure' times - i.e. non-employed time. [This is a standard way neo-classical economics looks at labour market decisions. It allows them to be seen as a type of consumption decision, usually on the assumption that all time not spent in paid work is leisure.] Using leisure as a consumption good in this way, as was done in the early papers, of course gave perverse effects that women who were employed for shorter hours (and therefore had more 'leisure' time) were perceived as having a more favourable splitting rule than those employed for longer hours. It was recognition of the implausibility of this that led to models being built that incorporated household production (unpaid work). However, identification problems make these models even more difficult to use. Once public consumption and household production are added, then data on the unpaid labour of each partner is needed for identification.

**Bargaining models** are a special case of collective models in which factors that influence the sharing rule do so only through determining the threat point in the bargaining process. The threat point is what each partner can fall back on if bargaining breaks down; in some models the threat point is what would happen if the partners got divorced, in others it is what would happen if cooperation broke down within the household. Bargaining theory would say that the partners split between them the relative gains of cooperation, so that the higher each partner's threat point the less they gain from reaching an agreement relative to the other, so the more the other partner has to give them to keep them cooperating. So bargaining models have some implicit rationale for the ways external and internal factors affect the sharing rule. Collective models more generally don't specify any particular sharing process; in that respect, they are rather like the unitary models in treating the household decision-making process as a black box. We may be happy with this, we may prefer the more explicit bargaining models or we may want to investigate the actual decision-making process itself (through the qualitative research).

Collective models can allow for results that are surprising in the bargaining model framework - e.g. if a woman can only get a low wage, the bargaining framework would say this lowers her threat point and thus her bargaining power and share of family resources. However, it could be argued that a woman with low earning power would be likely to get a larger share of the unearned income of her household income to compensate for not being able to earn much (this is how her husband could even get a negative share). The bargaining framework couldn't encompass the latter.

### **The factors influencing decisions and intra-household inequality of outcomes**

In the unitary model, the factors influencing decisions are those that determine the outcome on the assumption of a single decision maker. These can be external or internal to the household – including, for example, the national tax and benefits system and the two partners' individual levels of education, since both of these factors will affect what income the household can actually get. As we have seen, the outcomes of such decisions are not necessarily egalitarian; it may be more 'efficient' for the household to allocate resources unequally.

In models which recognise the additional issue of the intra-household division of power, those same factors may be involved again and there may also be other factors that would not be relevant to the unitary model - e.g. to whom benefits or tax credits are paid could influence the intra-household division of power but wouldn't have any effect on the unitary model. In models which take account of intra-household power differences there can be inequality in outcomes from a second source, not only due to 'efficiency' considerations about what is best for the household, but also due to an imbalance of power in determining what is considered best.

In both cases the factors involved may be environmental and common to all households or specific to the particular household. So the benefits system's rules and the two partners' respective levels of education are both likely also to influence the balance of intra-household power by affecting how well-off each partner would be if they got divorced, for example. Such environmental factors are known in the literature on intra-household models as EEPs, or extra-household environmental parameters. The term 'Gender Specific Parameters' (GSPs) arose in the literature through Nancy Folbre's comment that the EEPs were in practice often gendered.

### **How we could put this into practice**

The econometrics of these models is very complicated and with specific requirements on the data that may be hard to meet. The literature in the 1990s, when most of these models were developed, was largely theoretical, because the problems of estimation were so formidable. More promising empirical work seems to be being done now, in which researchers set themselves a more limited task. Some restrict their data set to a group that is homogenous with respect to hours of work - e.g. just couples with both partners working full-time. This gets around an endogeneity problem: the fact that the division of labour and hours worked and thus the earned income of each partner are supposed to be an outcome of decision-making - i.e. subsequent to the splitting of initial resources, rather than an input to it. We could probably do that too, though we would be grateful for advice on how to allow for selection effects here. However, if we only looked at groups homogenous with respect to their employment decisions we could not then see whether factors similar to those that determined the intra-household division of power and consumption affected those employment decisions.

In particular, for our project we have to think about how to treat benefits and tax credits. We could use the actual levels paid to individuals and households in cross-sectional analysis, but if we were getting round the endogeneity problem by only looking at couples in similar labour market positions we wouldn't get much variation between them - or, rather, what variation we saw would be due to their different wage rates and we would not be able to identify effects specific to the benefit or tax credit levels. (Actually, household means testing makes that not strictly true. If tax credits were means-tested on individual incomes, all people earning the same amount would get the same level of tax credits. So if we were interested in how couples with different incomes shared their resources, we would not be able to sort out the effect of their earnings from that of their tax credits. But because tax credits are means-tested on household income, you could get some (small) variation in the amount of tax credit people earning a given amount of income actually receive, and we might therefore be able to sort out which effects are due to differences in their wages and which to differences in the tax credits received. In this way we might be able to use household means-testing to our advantage.) In a longitudinal analysis, we could treat changes in the benefit/tax credit regime as environmental

parameters. This has been done in some previous papers, treating changes in policy as providing a ‘natural experiment’.

All the quantitative analysis can do is to show how the various indicators of the household division of power and resources are affected by whichever factors relevant to intra-household distribution we identify. The quantitative analysis will not be able to say anything about the actual processes involved (the links between the square boxes in the above diagram).

However, the qualitative interview study could potentially uncover those processes. In doing so, it could feed into the quantitative analysis by identifying the indicators of intra-household division of power and resources that we should be looking for, as well as suggesting potential intra-household distributional factors to test. In the proposal for this project, we said that we would use the qualitative analysis to help identify GSPs (gender specific intra-household distribution parameters), and we expect to use it to do so. However, there is a greater need, from the point of view of the quantitative analysis, to develop indicators of power and the division of resources.

We might also get ideas for such indicators from the existing literature on intra-household distribution, particularly from developing countries. For example, many studies have shown that children’s welfare and nutritional status improves when more of a household’s income is channelled through the mother. On that basis - and particularly if backed up by our qualitative interview results - we could use increased spending on commodities known to benefit children as an indicator of a shift in power towards women. This still wouldn’t give us a measure of women’s actual share of income within households (and it looks as though this would be impossible meaningfully to estimate in the collective model framework, or any restricted version of it); but it would give us a measure of the factors that affect their relative power over household decision making.

### **III Policy simulation modelling**

In the standard use of policy simulation, incomes are calculated at the household level, simulating tax liabilities and benefit entitlements at the appropriate level, using information about the people (or person) in the corresponding unit. For example, national insurance contributions depend on individual earnings and age and whether the individual is contracted out of SERPS. Housing benefit depends on the incomes of the whole household, together with other information about each person living in the household. Having calculated incomes, analysis is usually conducted at the household level, making the implicit assumption that incomes from all sources are pooled and the benefits shared equally by all household members. This means that children are assumed to benefit from the pensions of their co-resident grandparents and that a change in any member’s income (earned or otherwise) has an identical effect on everyone’s well-being to a change in any other member’s income (unless the knock-on effects of taxes and benefits are different).

It is of course possible to split household income into components and allocate them in some transparent way to the person who receives the income, or to the persons for whom the income is intended. One can make global assumptions (e.g. that child benefit is received by the mother; everyone keeps their own net earnings, etc.) - but these are essentially arbitrary. It is also unclear how to treat public goods (or liabilities) such as children, or how to allocate the benefits of economies of scale. (Both these are necessary to evaluate effects *between* households of different types.)

The way resources are shared may not be the same across households, and may follow ‘rules’ that are more complex than implied by tax-benefit payment systems. Indeed, how this works is precisely the subject under investigation! So, in order to be able to evaluate the effect of policy changes on the distribution of resources within households (as well as between them), we need to have identified characteristics of individuals or households that indicate how a change in the within-household income allocation (through a change in, say, how benefits or tax credits are paid) might affect the division of power within couples. It would be nice to be able to say how much a policy change would affect the actual division of resources; but we think it is unlikely we would be able to do that, since the quantitative models don’t tend to come up with an actual division of resources, though they may address the effects of changes on that division of resources and that might be enough for what we need.

This depends on being able to find empirical indicators of relative power. In the event that this is not successful, or is not applicable across the whole population, an additional exercise is proposed which will not be linked directly with the rest of the project. This is to estimate an index of relative power within the household based on the contribution of each person to household income. (The simulation capacity of POLIMOD allows one to remove each person in turn from the household, calculating the net effect on equivalised household income of that person not being there.) This can be decomposed into the contribution from market activity and that from taxes and benefits.<sup>1</sup>

#### **IV Qualitative study**

Qualitative research has already shown us that (for example) the source, purpose and recipient of different kinds of income can influence access to resources and shape expenditure behaviour within low income families. It has also shown that some characteristics of households, and the individuals within them, are important additional influences on these areas of intra-household distribution. These findings often demonstrate strongly gendered patterns.

The original purpose of our own qualitative study was to explore empirically the influence of potential ‘gender specific parameters’ – both broader environmental factors (especially policy relevant ones) and those relating to individual households - on within household resource allocation. More recently, as explained above, we have also put emphasis on the possibility of investigating indicators of gendered power differences within couples. Both these aims relate to the quantitative research, and potentially to the policy simulation as well. The additional, ‘stand alone’, goal of the qualitative research would be to investigate directly the impact on gender roles, relations and resources (Daly and Rake) of actual or potential policy changes in the UK in relation to means-tested benefits and tax credits in particular and transfer payments more generally.

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<sup>1</sup> This is based on an idea currently being implemented in the EUROMOD project by Sutherland’s colleagues Kristian Orsini and Amedeo Spadaro. Their analysis compares the index of relative power for couples in different income deciles across 4 countries. The method might be applied to one country, making comparisons between alternative policy regimes; or it might be compared over time. In addition, one might consider whether the contribution of unpaid work could be incorporated in the same framework.

Much qualitative research carried out to date in this area has focused on money management and intra-household resource distribution patterns within heterosexual couples. This is sometimes combined with explorations of time use or other relevant issues. Factors which have been identified as important in explaining intra-household distributional patterns in terms of the characteristics of couples include: the age (and relative ages) of partners; the stage they have reached in the lifecycle; their attitudes (which are partially dependent on their previous experiences); and the ideas about gender roles which they hold, played out – and hence modified - in the real life circumstances in which they find themselves. Some of the studies also find a capacity for change over time in gendered patterns of labour market participation and money management; so families' histories are significant. Different groups have been examined, perhaps most frequently low income heterosexual couples with children.

The findings of qualitative studies may be useful in nuancing the picture described in the models outlined above. A distinction is commonly made, for example, between financial management (often a burden, rather than a source of power, for women in low income families) and financial control (who makes the decisions about household spending, especially on large items). Some money may be flowing to people outside the household, as well as to those within it – for example, to children from previous relationships.<sup>2</sup> 'Personal spending' may have different, highly gendered, definitions for members of the household – and where women are concerned may be interpreted as spending on the household, and especially children, rather than themselves; this blurs the distinction commonly made in the models between individual and household consumption. The way in which a payment is labelled may be important in terms of influencing its use. And perhaps most importantly, because of current patterns of gendered inequalities, even policies with egalitarian aims can have unintended consequences.

Qualitative studies can also get behind some of the findings of quantitative studies. They may lead to posing questions, for example, about whether increased spending on children is an indicator of women's increased power, as it is often seen - or merely an indication of women's 'compulsory altruism' (Land and Rose) in the face of increased income flowing into the household. In addition, concerns have been raised recently (eg by Jan Pahl) that if the increasingly individualised money management patterns of many couples today are continued into the childrearing years they may, instead of empowering women, be a route to gender inequality, because it is women's income which goes down and their outgoings which go up (on childcare in particular). Although the quantitative studies can tell us that women usually pay for childcare, they cannot tell us if this then becomes a shared cost between the couple in reality or not – ie its real incidence. Qualitative studies can explore this kind of less visible issue (though not quantify it), as well as suggesting the mechanisms which are involved.

Qualitative studies may also be useful in feeding into policy simulation modelling. For example, the section above suggests using the relative contribution of different household members to household income as an index of their relative power. Previous research would suggest that certain kinds of income contributed by individuals may confer a greater

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<sup>2</sup> There is also a difference between household and couple/family/benefit unit, which is noted above in relation to the assumption in statistics on income distribution that children benefit from their live-in grandparents' pensions. A recent report suggests that it is other household members' incomes which take many low-paid workers' households above the poverty line. Whilst we will focus in our study on couples/families/benefit units, further research by others would be valuable to explore the extent of true 'intra-household' resource distribution.

entitlement to individual spending.<sup>3</sup> This is true in particular of wages, but may also be truer of non-means-tested individualised benefits than of jointly assessed means-tested benefits.

It will be necessary to hold some factors constant within the sample for the qualitative research. But this should probably be determined more by the ‘stand alone’ goal of the qualitative research – how potential or actual policy changes in transfer payments may affect the distribution of intra-household power and women’s financial autonomy. The sorts of limiting factors which we could impose relate to the presence of children (and, if including couples without children, whether these are pre- or post-children, or both); whether or not to include reconstituted families (where prior experience of coupledness may influence subsequent money management patterns); whether to differentiate between cohabitation and marriage; whether to restrict the age groups included; and whether to confine the sample to low to moderate income couples, and possibly only to those on means-tested benefits or tax credits. The last is probably the most relevant.

Leaving aside its possible contributions to gendering econometric modelling, informing quantitative research and refining policy simulation, the qualitative research might include an examination of potential or actual policy changes, such as:

- whether the splitting of new tax credits into a payment for the wage earner via the pay packet, and for the children via the main carer, has influenced perceptions about the functions of these payments, how they are used within families and/or what they imply about gender roles ?
- means-tested payments for children will soon be given to the main carer in couples out of work, as well as in work, as child tax credit; could this mean that the possible splitting between partners of the remaining out of work benefit payments would in practice mean that some women had less income to meet household expenditure, because the gendered definitions of personal spending noted above would mean that men would interpret their share of benefit as meant for their personal spending only?
- does the payment of benefit direct to women, either for themselves or for children (eg child tax credit paid via the main carer), exacerbate disincentive effects?
- what effect does receipt of an individually based non-means-tested benefit have on perceptions of entitlement ?
- what impact has the move towards payment of benefits into bank accounts had on patterns of intra-household resource distribution and consumption?

These would in essence be an updating of Goode et al’s (1998) investigations (of low income couples with children on means-tested support in or out of work) some six years later, whilst adding some issues from Jan Pahl’s recent work. It would be particularly revealing of how much couples think of themselves as individuals or as couples. But it might also explore in more detail the complexities of the tensions between protective and transformative policy moves – for example, in the potential of certain policy changes to help solidify the gendered division of labour whilst simultaneously protecting the interests of women (and children) in inequalitarian relationships.

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<sup>3</sup> Whether this should be equated with relative power within the household is one issue we will be trying to explore when we investigate potential indicators of power.

## Appendix: project proposal

### Project 5. Within-household inequalities and public policy (WHIPP)

#### Aims

- To explore alternative approaches to understanding the behavioural and distributional impact of policy change which take account of gender inequalities in power and influence within the household.
- To use such approaches to analyse the effects of actual and potential changes in fiscal, social security and associated labour market policies in the UK.

#### Background

Any analysis conducted at the level of the household obscures the effect of gender inequalities within households (Jenkins, 1991; Himmelweit, 2002). In particular, treating household income as pooled obscures women's 'hidden' poverty within households and the gendered inequalities in the control of household resources. Gender sensitive policy analysis is needed to go 'beyond the front door' to open up the 'closed box' of the family/household unit (Daly, 2000; Lister, 2000). The case for examining within-household inequalities is persuasive, not only on moral grounds but also to improve policy design (Jenkins, 1994).

However, a practical approach to analysing the effects of policy on within-household inequalities has yet to be developed. Qualitative research has shown that the source, purpose and recipient of means-tested benefits influence access to resources within low-income families (Goode *et al.*, 1998). Bargaining models suggest 'gender specific parameters' (Folbre, 1997) which could affect the relative power of men and women in controlling household resources (Chen and Wooley, 2001; Vermeulen, 2000). But the informational requirements of such models have limited their empirical use and they have rarely been applied to the gender analysis of policy.<sup>4</sup> Quantitative and qualitative investigations more specifically focused on current issues in the UK are needed if the combined insights of these two methods are to be applied to the analysis of current and potential policy changes.

Policy simulation models, such as POLIMOD, can assess the impact of policy reforms on household incomes and on individual labour market incentives using income pooling assumptions, and have also been used to assess individual incomes using a number of *ad hoc* global assumptions (Duncan *et al.*, 1994; Sutherland, 1997). To understand the range of effects of policy on gendered individuals within households requires assumptions about the gender specific parameters affecting intra-household resource allocation. This project will enable assumptions that reflect contemporary diversity to be used, and will therefore improve these models' representation of the gender effects of policies.

This is a timely task. Welfare reforms in the UK, including changes in social security/tax credit rules and associated employment provisions, are currently affecting the gendered distribution of resources and incentives within the family/household in radical ways. The trend towards 'individualisation' of responsibilities combined with a growing emphasis on the family/household as the focus for targeting and re-distribution policy creates tensions and contradictions, particularly for women.

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<sup>4</sup> Lundberg *et al.* (1997) is an exception to this.

The government has been taking an increasing interest in the gender and intra-household effects of its policies. By adding an analysis of the effects on the within-household distribution, this project will deepen existing gender analyses of the ways in which recent reforms have reduced or intensified gender inequalities (Rake, 2001; Bennett, 2002).

### **Key research questions**

- What are the policy-relevant gender specific parameters that affect the distribution of power, entitlements to and use of resources within households in the UK?
- In particular, do perceptions about entitlements and intra-household distribution of resources depend on the source and recipient of income?
- How do current and potential policy changes affecting access to different sources of income impact on gender roles and relationships within households?
- What ambiguities and tensions arise in attempting to improve both the distribution of resources between households and women's access to resources within the household?
- What lessons can be drawn from the above for developing policies that improve women's financial autonomy?

### **Methods**

A review of theoretical and empirical literature on household bargaining models will identify policy-relevant gender-specific parameters (GSPs) that the empirical research will investigate as potential influences on household decision-making and resource allocation. GSPs may be household specific, such as the relative income of a husband and wife, but may also be environmental, such as tax and benefit rules; both may be influenced by policy.

The empirical research will be carried out in three stages, each with its own methodology and stand-alone outputs, but with earlier stages informing the design of later ones. This cumulative design allows for an innovative inter-linking of qualitative and quantitative methodologies and micro- and macro- levels of analysis.

1. **Qualitative analysis** to investigate empirically the influence of potential GSPs on within-household resource allocation. This will involve semi-structured interviews using a purposive sample of approximately 30 low/moderate income working age, male-female couples, with and without dependent children. The partners will be interviewed separately. Questions will ask for responses to actual and hypothetical changes in sources and amounts of household income, some focussing on the introduction of the New Tax Credits (NTCs) and other potential or actual policy changes. Some questions, by drawing on competing theoretical models of household decision-making, will be designed to help formulate key questions for the quantitative analysis.
2. **Quantitative analysis** using existing UK household micro-datasets which include among their variables both some outcomes of household decision-making (labour market activity, expenditures, time use etc.) and some potential GSPs that might influence those decisions. This will include both cross-sectional and longitudinal analysis of appropriate and complementary datasets such as the FRS, FES, Time Use Survey data, and the BHPS to investigate the influence of particular gender specific factors. Comparative cross-sectional analysis of FES data on gender- and child- related expenditures over the period of introduction of the NTCs should also be possible, based on the methods of Lundberg et al. (1997). None of the datasets include all the variables of interest, and some are not

collected at an individual level, so a number of assumptions will have to be made in order to make a set of partial analyses. Nevertheless, given these inherent limitations, such analyses will allow us to explore further, using representative data, the theoretical models and corresponding GSPs that the qualitative findings suggest are important in understanding household decision-making.

3. A demonstration of the impact of allowing for gendered effects in **policy simulation**, using POLIMOD. At a minimum, this will include the application of a range of possible within-household income sharing rules, demonstrating how departing from the usual unitary household assumption may lead to different conclusions about policy effectiveness. Results from the quantitative analysis may also permit the estimation of the gendered effect of policy changes on other outcomes such as expenditure patterns, employment participation and other forms of time use.

The empirical components will be complemented by an analysis of recent policy developments in relation to gender inequalities, roles and relationships and the consequences for women's financial autonomy.

## **Outputs**

Dissemination via working papers, workshops/seminars with other network members, academics and users, journal articles and academic conferences, direct briefings and shorter pieces for policy-makers.