"Is it the size of the pie or the share that matters?" European empirics on financial satisfaction of partners

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Abstract:

A tendency of more equal distribution of income between partners stems from a trend of increasing female labour market participation and a deviation from male-breadwinner family model in many advanced countries in past decades. In Europe, the most equal within-couple income distribution is in Scandinavian countries, while women in southern European countries contribute the least to the couple's budget (Bonke, 2008). Central-east European countries are located around the middle of the scale (Mysíková, 2016). The within-couple income distribution can affect various family decision-making outcomes as well as satisfaction of individual members.

This study follows the existing empirics on the impact of relative income on satisfaction. Bonke and Browning (2009) concluded that the relative income is indeed the most important factor affecting partners' different levels of financial satisfaction in Denmark. Bonke (2008) showed that the relationship between the relative income in the couple and partners' individual satisfaction with financial situation differs across countries. Couples in some countries might see an advantage in dual earnings, while partners in others might favour a more traditional model with only one breadwinner.

The above-mentioned studies by Bonke and Browning are based on European Community Household Panel (ECHP) data which only included the "old" EU member states and thus an overall European empirical overview is, to my knowledge, still missing. This study is based on the Statistics on Income and Living Conditions (EU-SILC) that replaced ECHP in 2005. EU-SILC included a special *ad-hoc* module on well-being in 2013. For the first time since ECHP it is therefore possible to use data on well-being collected on a large sample of population. This analysis thus extends the empirics to (some) "new" EU countries.

Unfortunately, not all countries covered by EU-SILC can be analysed. First, some EU-SILC countries using registers for income and other variables collect some variables, including those on subjective well-being, for one person per sample household only (typically Scandinavian countries). Second, some countries provide only gross income variables while net values are necessary for this study. The sample of countries thus shrinks to 14. Only nuclear prime-aged couples living in the same household are analysed.

This paper draws on the theoretical model of financial satisfaction for couples developed by Bonke and Browning (2009), which uses individual financial satisfaction as a proxy for the male partner's and the female partner's indirect utility functions. Each partner's utility function depends on expenditure on her/his own private goods and on household public goods. While both types of expenditure are functions of total household income, the former is also influenced by the share of income a partner contributes to the household budget. The model implies that both partners will be more satisfied if total household income increases but each partner will be more satisfied if her/his own share of total income increases. Without contradicting existing empirics, we assume a positive, and perhaps a non-linear impact of total household disposable income on both partners' financial satisfaction.

The “egoistic” preferences embodied in the model imply that each of the partners wants their contribution to account for a larger “share of the pie”. The hypothesis tested here states that women’s financial satisfaction increases while men’s financial satisfaction decreases with higher female share of income. By contrast, the empirics offer alternative scenarios regarding the impact of the relative income of partners on their individual financial satisfaction. Bonke (2008) argues that neither men nor women might wish to be the only breadwinners; however, equal contributions might not be preferred as well. The relationship between financial satisfaction and female share of income would be an inverse U-shape with a peak possibly located at different values for women and men. Finally, in more traditional societies, the male-breadwinner model might be preferred by both partners. In such circumstances, the financial satisfaction of both partners would decrease if women’s contribution to total income were to increase.

Total income has a significant positive (linear) impact on financial satisfaction of both partners in all the countries. Regarding the relative income, preliminary results do not fully support the hypothesis of the preference of a larger share of the pie. In fact, men’s financial satisfaction (linearly) decreases with higher female share of income in almost half of the countries while the same holds for women only in three of them – a result suggesting the preference of the traditional model. In some other countries rather an unexpected result for men and/or women revealed: a U-shaped relationship. Financial satisfaction decreases with female share of income until a certain value and increases thereafter. The turning point usually lies beyond the median value of female share of income and at higher values for men than for women. The explanation is going to be elaborated along with the final results.

References:

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