“Is it the size of the pie or the share that matters?”

European empirics on the financial satisfaction of partners

PRELIMINARY. DO NOT QUOTE WITHOUT CONTACTING ME (martina.mysikova@centrum.cz).

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Introduction

- Relationship between income and well-being often analysed (e.g. Clark, 2011)
- Not only absolute income but also reference/comparison income matters for individuals’ well-being - represented by happiness, life satisfaction, job satisfaction, or financial satisfaction
- Income and financial satisfaction typically examined in terms of their intra-household allocation
- Income of the partner serves as the reference income (Ahn et al., 2014)
Empirics

- Equalising of distribution of income between partners
  - result of increasing participation of women in the labour market
  - and the departure from the male-breadwinner family model

- In Europe:
  - Scandinavian countries - the most equal within-couple income distribution
  - Southern Europe - women contribute the least (Bonke, 2008)
  - Central-East European countries are located around the middle of the scale (Mysíková, 2016)
Literature

- Studies of the impact of relative income (between partners) on financial satisfaction
- Often motivated by (rejection of) the hypothesis of income pooling
- If partners completely pool their income, it should be only the total income and not the relative income of partners that affect personal financial satisfaction
- Most of these studies based on data from the ECHP data (Bonke 2008; Bonke and Browning 2009; Ahn et al. 2014; Alessie et al. 2006; García et al. 2007)
- ECHP only included the “old” EU member states
- Finally – EU-SILC 2013 module on well-being
Theory and hypothesis

- Theoretical model of financial satisfaction for couples developed by Bonke and Browning (2009)
- Both partners have “egoistic” preferences
- Individual financial satisfaction as a proxy for indirect utility function
- Each partner’s utility function depends on expenditure on:
  - his/her 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
How does the share of the pie matter?

- Egoistic preferences:
  - Each partner will be more satisfied if her/his own share of total income increases (positive relationship for women)

- Traditional male-breadwinner preferences:
  - Satisfaction of both partners would decrease if women’s contribution to the total income were to increase (negative relationship for women)

- Linear
How does the share of the pie matter?

- Quadratic form:
  - Inverse U-shape (concave)
    - identifies the maximized satisfaction at a certain value of within-couple income distribution
    - Bonke (2008): “The rationale is that men do not wish to be married to non-income earning wives and that wives do not wish to provide for their husbands.”
    - an inverse U shaped result would indicate that a “dual-income” scheme is preferred but not necessarily an equal one
  - U-shape (convex)
    - a partner is the least satisfied at the turning point and prefer either a smaller or a larger female share of the income
    - apart from the minimum value, a “one-income” scheme is preferred, regardless of which partner is the breadwinner
How does the share of the pie matter?

- Quadratic form:
  - a U-shaped result is usually interpreted according to the distance of the turning-point value from the median value of the female share of the income (e.g., Ahn et al. 2014, for Spain)
  - we can expect a “skewed” U-shaped relationship, in which only a minority of women are located in the increasing/decreasing part
  - the shape of the relationship can be strongly influenced by values of satisfaction in the top/bottom deciles of the female share of the income

1) Allow a double-curved relationship - cubic form
2) Exclude extreme cases to see how the results change
EU-SILC 2013 data

- Not all the countries can be analysed
  - Financial satisfaction of both partners needed - but „register“ countries allowed to collect data on just one person per sample household (typically Scandinavia)
  - Net (disposable) income needed - but gross income compulsory while net income optional in EU-SILC
  - Sample of 15 countries

- Prime-age couples with no other adult HH members

- “To what extent are you satisfied with the financial situation of your household?” 11-point scale (0 - not at all satisfied; 10 - completely satisfied)
  - 0 category almost empty - rescaled to 1-10
Methodology

● OLS (ordered probit tested, same results)

\[ S_i = F_i \beta_1 + X_i' \gamma + \varepsilon_i \text{ (linear),} \] (1)

\[ S_i = F_i \beta_1 + F_i^2 \beta_2 + X_i' \gamma + \varepsilon_i \text{ (quadratic),} \] (2)

\[ S_i = F_i \beta_1 + F_i^2 \beta_2 + F_i^3 \beta_3 + X_i' \gamma + \varepsilon_i \text{ (cubic),} \] (3)

S - satisfaction, F - female share of income

Controls: ln HH disposable income, partner’s age, education, labor force status, and difference between partners, marriage, children of various age categories, outright owners (and free accommodation) and owners paying a mortgage, make ends meet with great difficulty
Figure 1 Estimated functions of women’s financial satisfaction by female share (Austria and Spain)

Notes: Vertical lines represent quartiles of the female share. Note that the values on the Y axis differ between AT and ES.

- The best-fitting form is then determined according to the lowest p-values of the estimated coefficients and based on the AIC (Akaike information criterion) of the models.
## Results

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Results - Figure 2 (full sample)
Results - Figure 3 (reduced sample)
Results - Men (dashed line)

- Majority of men are located in the decreasing part of the estimated functions (Figure 2)

- (except LU - increasing in the middle but sharply decreasing at the top - low significance)

- Five countries (BE, CZ, ES, FR, and RS) - men’s satisfaction is decreasing along the whole distribution

- Nine countries - men’s satisfaction starts to increase at high values of the female share - men do not mind women fully providing for the family, rather the contrary
  - Exclude the very top (five percentiles) and bottom (five percentiles or more) (Figure 3)
  - Five countries - decreasing along the whole distribution
  - Four countries
Results - Women (solid line)

- Eight countries - U shaped relationship with the turning point located very close to the median value (preference of a one-income scheme of either partner)
  - More specifically, this does not hold fully in (EL, ES, PL) in which women do not wish to be the sole breadwinner and their satisfaction actually starts to decrease with high values
  - Excluding top and bottom (Figure 3) - lost significance but increasing (egoistic preferences)

- Four countries (BE, FR, IE, and RO) - majority of women are located in the decreasing part (traditional)
  - Excluding top and bottom - decreasing trend either still prevails or loses statistical significance (IE)

- Three countries (CZ, LU, and PT) - egoistic but insignificant
Conclusion

Men - their decreasing satisfaction with a larger female share of the income prevails (both egoistic and traditional)

- In 9 countries men’s satisfaction actually starts to increase once they are more or less substantially outearned by their counterparts

- Though this is a sign that even reversed roles of men and women can be admitted in modern societies, it is a matter of a small fraction of couples, in which the woman is the sole breadwinner or almost fully provides for the family in 5 of these 9 countries

Women - in about half of cases, preference for a one-income scheme seems to be driven especially by the extreme cases of one partner fully or almost fully providing for the family, as female preferences incline to egoistic ones otherwise (though without statistical significance)

- Only 4 countries indicate women’s traditional preferences
Conclusion

- The results suggest that financial satisfaction differs between couples with extreme female shares of the income and the “middle”
- In particular, it holds for women
- The extreme cases of couples might systematically deviate in their preferences from dual-income couples
- In the extreme cases, we can expect that certain income redistribution between partners is necessary, while such an assumption might or might not hold in dual-income couples
- The decisive power of partners in one-income couples then might be driven by somewhat different factors from those in dual-income couples, perceptions of traditional gender roles possibly being of high importance
- The future intentions of our research are to try to analyze the behavioral differences between male-breadwinner, dual-income, and female-breadwinner couples
Thank you for your attention
References


