

Income Distribution within Irish Households

How much income is shared in Irish households?

How is responsibility for making spending decisions divided in Irish households?

Who takes responsibility for managing the household finances?

Do low income households differ in their financial arrangements to higher income households?

Does relative household affluence hide the poverty of individuals within households?

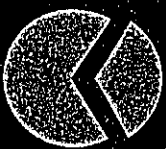
Income Distribution Within Households allows us to look into the Irish family to see how resources are managed within households. Based on a survey of 625 couples, it examines the standards of living enjoyed by the individual members of a household.

The report demonstrates that the variations in the financial management system adopted, spending decisions and their implications are dependent on a large number of factors. These include: the level of disposable income; social class; wife's employment; income source and family cycle.

Key Findings of the Study

- ▶ Separate incomes for wives are important, both for their own well-being and for that of their children.
- ▶ Women's earnings or income directly received give women greater control over how that money is used.
- ▶ Child Benefit emerges as the sole independent income available to most married women with children: among women receiving Child Benefit, 58% have no other source of income.
- ▶ Women's incomes are largely devoted to family rather than personal spending.
- ▶ Wives tend to share more of their earnings than their husbands do.
- ▶ The proportion of the wives' income that is shared is influenced by dependent children.
- ▶ Husbands are consistently more likely to have money for their entertainment and leisure than their wives.
- ▶ Households with income from social welfare payments typically share 33% of their income, compared to the average of 63% in other households.
- ▶ Management systems in low income households tend to give wives the stressful responsibility of managing expenses for food, fuel and housing.
- ▶ While within the context of the study there is no explicit evidence of hidden poverty within households, households on the lowest income levels and those relying on social welfare payments display a different pattern of income-sharing and financial management to other households.

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Background to the study

There is a view that poverty, measured by aggregate household income levels, paints the full picture of the economic and financial circumstances of all members of the household. However, a household measure may mask the poverty of individuals within households. In Ireland, to date, there has been little evidence to support or dispute this view. In an attempt to illuminate some of these issues the Combat Poverty Agency commissioned this research from the Economic and Social Research Institute (ESRI) to look at income distribution within households.

The study focuses on the distribution of income within Irish households in general; it does not specifically look at poverty within households. This is related to the range of information which was available from the survey on which the study is based¹. Nevertheless the study provides the most detailed insight to date into the financial arrangements which prevail in Irish households. The study looks at the way in which income is shared and how responsibilities for different expenditures are divided.

The study is relevant in a number of contexts such as the debate regarding individual assessment for, and payment of, social welfare benefits; identifying lines of responsibility for financial management and identifying where the strain of coping on a low income is concentrated; and broadening our understanding of the family as an income-generating and spending unit.

1 The study is based on the responses provided by 625 Irish couples and their families in a nationwide survey in 1989 and focuses on families where both spouses are resident. There were too few examples of other family or household situations to study their financial arrangements.

2 A quintile is where the population is ranked from those on the lowest income to those on the highest income and then divided into five groups, containing the same number in each group. Thus the lowest income quintile is the fifth of the population whose incomes are lowest.

How are household finances managed?

Financial Management Systems
The study uses a fourfold classification to describe financial management systems among Irish married couples in 1989. The prevalence of the various types of financial systems in Ireland are compared with Britain and described in Figure 1. These are shown to be quite different; joint management systems are the most common in Britain compared with whole wage systems in Ireland.

In Irish households a substantial proportion of households are "wife-managed", which means that all routine expenses are paid by the household manager, usually the wife, using either an allowance or access to a "kitty". This traditional method of financial management co-exists, however, with a diversity of more complex arrangements in which both spouses have identified areas of responsibility.

Income-Sharing

Some form of income-sharing can be found in the overwhelming majority of Irish families. The amount being shared, however, differs considerably. One or more household members pay an allowance or contribute to a household kitty in 85% of families. Members of Irish families, on average, share an estimated 55% of their incomes. Much of that shared income is used to pay for food and other daily necessities. On average, the weekly cost of groceries requires 59% of total shared income. A larger proportion of income is, of course, made available for the common welfare of household members through direct purchases, as when one earner purchases essential items or pays the rent or mortgage.

Low income households

Income level, social class, labour force status and other characteristics influence the division of expenditure responsibility. Households on the lowest income levels and those relying on social welfare payments display a different pattern of income-sharing and financial management to other households.

Households with income derived mainly from social welfare typically share 33% of their income compared to the average of 63% in other households. In low income households essential bills are paid first, leaving no excess money about which decisions need to be, or can be, taken. Management systems in low income households tend to give wives the stressful responsibility of managing expenses for food, fuel and housing.

Wife-managed households are most common at the bottom of the income distribution; 59% of bottom quintile households² are wife-managed compared to 36% of top quintile households. Husband-management is twice as common in the bottom as in the top quintile. Independent management is found in only 7% of the bottom quintile and 18% of the top.

Key issues

Agreement on Financial Matters

By and large, spouses agree on financial matters across the range of management systems. Spouses in more than two out of three households agreed on a series of questions on family finances, though disagreements appear slightly more common in households using independent management.

Access to Personal Money

The sharing of resources within the family was found to be less equitable. Husbands are more likely to have access to money for their own entertainment and to have money to spend on leisure. The type of financial management system adopted has a particularly strong influence on the amount of personal spending money available to women, and serves as a better predictor than total household income. Much of the effect is due to low levels of personal spending money in husband-controlled households and high levels of personal money in independently-managed households. Average amounts of personal spending money per week are shown in Figure 2. Even where both the husband and wife work and both have access to personal spending money, husbands have the larger

INCOME DISTRIBUTION WITHIN HOUSEHOLDS

share, although these differences are not substantial.

Women's Incomes

Women's incomes are largely devoted to family rather than personal expenditures, and there is a tendency for that contribution to supplement general household finances. This is illustrated in Figure 3.

Wives also tend to share more of their earnings than their husbands do. The proportion of the wives' income that is shared is influenced by dependent children. The presence of school age children leads to an apparent shift from personal spending to spending on the children.

Psychological Stress

For the psychological well-being of household members, what matters most is the amount of income that is shared rather than total household income. Substantial sums may be earned by household members but where that is not made available for common use women's levels of psychological distress and fatalism are likely to be higher than otherwise would be the case.

Child Benefit

The control and use of child benefit payments is of particular interest because it is the one source of state income support that is paid directly to the mother. Among households receiving Child Benefit, 58% of women have no other source of income; in 10% there is income from employment or interest, which on a weekly basis is less than what Child Benefit provides; and women's earnings in 32% of households exceed the amount of Child Benefit.

In most households the wife controls the use of Child Benefit, as shown in Figure 4. Where women make the decisions regarding the use of Child Benefit, 46% of households claim that the money goes for general housekeeping and 44% for child specific expenses. The corresponding breakdown for jointly managed households is 75% and 18%.

Figure 1 Financial Management Systems in Ireland and Britain

Type	Description	Ireland	Britain
Whole Wage System	One spouse, usually the wife, is given full responsibility for all routine purchases (where the husband is the manager the wife may have no access to cash)	48%	7%
Allowance System	The main earner, usually the husband, makes a set amount available for housekeeping and retains the remainder for (usually) designated expenditure areas	5%	25%
Joint Management	Some routine purchases made from allowance or kitty; other purchases made directly by the main earner	38%	50%
Independent Management	Routine purchases by both spouses from their own incomes and from a joint kitty	10%	8%

Figure 2 Wives' Personal Spending Money by Financial Management System (1989)

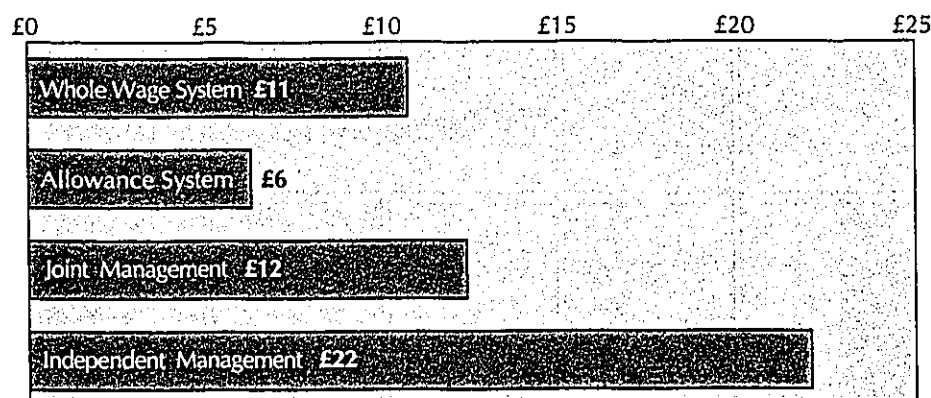


Figure 3 How Women's Income is Usually Spent

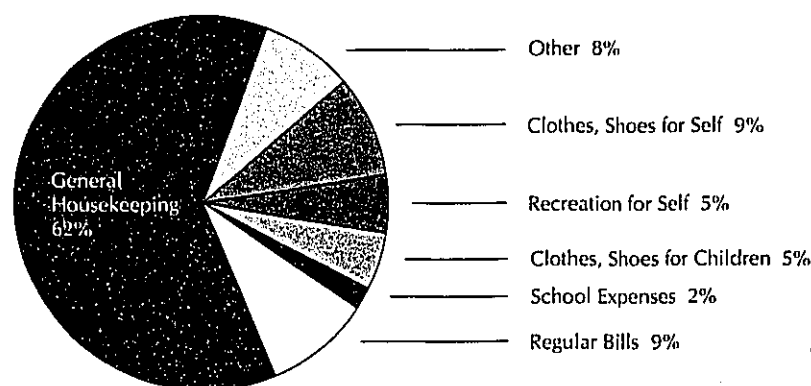
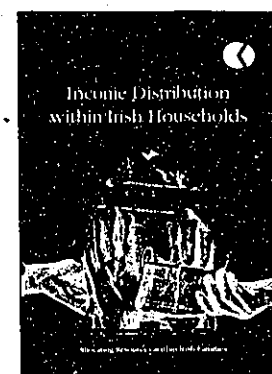
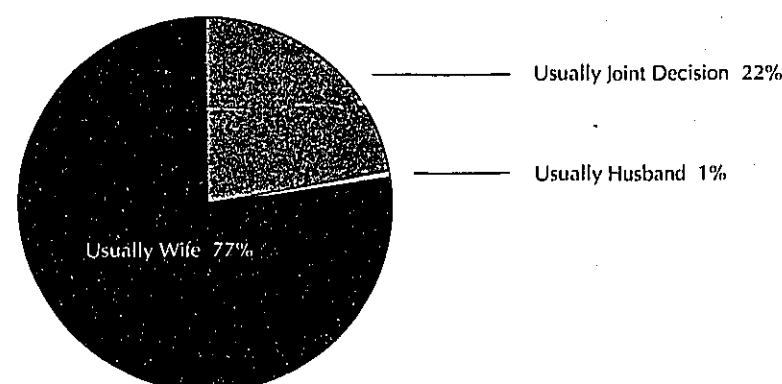


Figure 4 Who Decides How to Spend the Child Benefit



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Income Distribution within Irish Households

Implications of the Study

Separate Incomes

Money that women earn or that they receive by right appears to give greater power to control its use. This has implications for the payment of social welfare benefits directly to beneficiaries rather than as adult dependents. In other words, this raises the question of whether married women not in the labour market should be entitled to direct payments in their own right rather than as dependents of their husbands.

Hidden Poverty

While the evidence is indirect, this study indicates that it is unlikely that Irish women and children in households above conventional poverty lines live in conditions comparable to those experienced by women and children below those lines. There are two categories of households, however, that qualify as exceptions: those in which Child Benefit is spent jointly or in which the husband is the main earner and the household manager.

Gender Equality

The presence of gender inequality is not in dispute. It is manifest in the division between husbands and wives of spending responsibilities, the power to make major financial decisions, and in the various measures of access to leisure and personal spending money.

Psychological Stress

The consequences of how household finances are managed are quite significant for the well-being of individual members - access to leisure and to personal spending money are used in the report to indicate the material inequalities that are present. Although substantial sums of money may be earned by individual household members, if it is not made available for common use women's levels of psychological distress are likely to be higher than otherwise would be the case.

Low Income Households

While more equitable forms of financial management are possible, particularly in higher income, multiple earner households, the choice of selecting a more equitable management system is beyond the means of families receiving a single low income and rearing young children.

Social welfare payments are made on the assumption that money will be shared within the household. There is little evidence, however, to support this assumption. So, does family income support the whole family or only some of its members?

This important study on *Income Distribution within Irish Households* allows us to look into the "black box" of the Irish family to see how resources are managed within households and to examine the standards of living enjoyed by the individual members of a household.

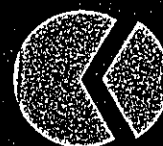
One of the most important findings in the report is the overwhelming importance of separate incomes for wives, both for their own well-being and for that of their children, and in particular the importance of Child Benefit. Child Benefit emerges as the sole independent income available to most married women.

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*Allocating Resources
within Irish Families*

David Rottman

Published by



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