Family Policies, Women’s Earnings, and Inequality Among Households

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High and Rising Inequality (within countries)

- Increasing attention to attenuating effect of women’s earnings (OECD 2015; Harkness, 2013)
  - Relative Inequality
  - Coupled Households

- Variation across countries and time in degree to which women’s earnings attenuate inequality among coupled households
  - No institutional explanations of this variation

- This paper: impact of family policies
  - Important for women’s employment
  - Well understood
  - Some stratified outcomes
Family Policy Outcomes

Reconciliation Policies (leave, childcare, …)
- Facilitated maternal employment
- Provide opportunities to combine motherhood and employment
- Smaller ‘motherhood-employment gap’
- But: Socially stratified outcomes

Financial Support Policies (family allowance, …)
- Disincentive for employment
- Larger ‘motherhood-employment gap’

Women’s earnings attenuate household inequality

- It is a “common misconception” (Lam, 1997) that a positive correlation between spouses’ earnings is a sufficient condition for women’s earnings to increase inequalities between households.

- Contribution women’s earnings to inequality between households depends on
  - Correlation between spouses’ earnings ($\rho_{wm}$)
  - Inequality among women’s ($C_w^2$) and men’s ($C_m^2$) earnings
  - Women’s share in household earnings ($s_w$)

$$C_h^2 = C_w^2s_w^2 + C_m^2s_m^2 + 2\rho_{wm}s_ws_mC_wC_m$$
Theoretical Model

- **Reconciliation Policies**
  - Impact on Women’s Share in Household Earnings
  - Impact on Women’s Earnings Inequality

- **FLFP**
  - Impact on Women’s Share in Household Earnings
  - Impact on Impact of Women’s Earnings on Household Inequality

- **Financial Support Policies**
  - Impact on Women’s Share in Household Earnings

- **Women’s Earnings Inequality**
  - Impact on Impact of Women’s Earnings on Household Inequality

- **Correlation Spouses’ Earnings**
  - Impact on Impact of Women’s Earnings on Household Inequality
LIS Data!

Four Aggregated Variables (time-varying by country)

- Contribution women’s earnings to household inequality
  - Counterfactual: household inequality without women’s earnings

- Women’s share in household earnings
- Correlation spouses’ earnings
- Women’s earnings inequality

Luxembourg Income Study
- 1981-2008, 18 countries, 116 country-years
- Netted Down

LIS Data!

**Four main independent variables** (Gauthier, 2010)
- Paid Parental Leave (#weeks fully paid)
- Public Childcare (OECD family database, expenditure)
- Family Allowances (nominal amounts)
- Tax Benefits to families with children (type case approach)

**Country-level controls**
- country fixed effects
- male/female wage ratio
- men’s earnings inequality
- unemployment
Results (SEM, only manifest variables)

- FLFP
- +.49
- +.29
- +.68
- Women’s share in household earnings
- -.57
- -.65
- +.41
- Correlation Spouses’ Earnings
- +.59
- Impact women’s earnings on household inequality

Childcare
Paid Leave
Family Allowance
Family Tax Benefits

Women’s earnings inequality
+.23
Direct and Indirect effects

Women's Earnings Inequality
- Share women's earnings
- Correlation spouses' earnings
- FLFP
- Childcare
- Paid Leave

Direct

Indirect

Values:
-0.7 -0.525 -0.35 -0.175 0 0.175 0.35 0.525 0.7
**Alternative Model Specification**
(All endogenous variables regressed on all policy variables)

- **Childcare**
- **Paid Leave**
- **FLFP**
- **Family Allowance**
- **Family Tax Benefits**

- **Women’s earnings inequality**
  - -.09

- **Impact women’s earnings on household inequality**
  - +.34
  - -.28
  - -.18

- **Correlation Spouses’ Earnings**
  - +.34
Inequality is in vogue!

- $r > g$
- Rejects Kuznets-curve
- Proposes 15 solutions
- Redistribution and labour market
- Inequality is rising within countries, but falling globally
- Formulates Kuznets-waves
Conclusion

Reconciliation Policies
- Associated with higher FLFP
- Associated with women’s earnings reducing household inequality
  - Larger share women’s earnings
  - Lower inequality women’s earnings
  - But: Positive correlation spouses’ earnings

Financial Support Policies
- No association found with FLFP
- Possibly only weak disincentive to maternal employment

Family policy arrangements associated with increased women’s employment and earnings are not at odds with low inequality among coupled households
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A. Women's share in household earnings
Figure 2. Trends in (a) women's share of household earnings and (b) correlation between spouses' earnings.
Women’s employment and inequality

“The conditions required for an equalizing effect [of women’s earnings] are quite steep: namely, maximum, Nordic-type female participation with a fairly symmetric distribution of work intensity across households.” (2007, p. 646)
References