

Household financial management: evidence from 'Work, Attitudes and Spending' surveys

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ABSTRACT

This paper analyses data from the 'Work, Attitudes and Spending' (WAS) household surveys, in the nine countries studied so far. It focuses on 'Household Allocative Systems', the system of financial management used by each household: the term 'Household Allocative Systems' is associated with the work of Professor Jan Pahl. This paper reports how widespread different financial management systems are, in the nine countries studied by WAS surveys. It concludes that financial management is an extremely helpful concept, if we wish to understand the decisions made by families: it can reveal much about the balance of power between a husband and wife.

INTRODUCTION

'Household allocative systems' is a term used by some sociologists, to describe the way households manage money (economists rarely use this term, or study this concept: a surprising omission by economists, given that economics is often called the study of money). Other terms used by sociologists to describe this issue is 'household financial management'. This topic is often associated with the British sociologist Jan Pahl (e.g. Pahl, 1989); however, it would be unfair to neglect the many other academics who have carried out research on this, such as Mary McIntosh; Heather Laurie; and Carolyn Vogler (this paper does not attempt to list all authors who have contributed to this research topic, or to review the literature).

This research paper is based on data from WAS surveys (outlined below). For this paper, the concept of 'household allocative systems' is based on answers to the following two questions:

Which of these is nearest to the way regular household expenses are done in your household?

Husband usually looks after all expenses

Wife usually looks after all expenses

Husband and wife manage expenses together

Husband and wife manage expenses separately

Other

Don't know/can't say

The above question was intended to investigate day-to-day management of the household's cash. In each WAS survey, the subsequent question asked about control, as opposed to management:

Who makes the important financial decisions in your household?

Husband

Wife

Husband and wife together

Other

Don't know/can't say

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The above WAS questions were derived initially from questions asked in the 'British Household Panel Study'. In this paper, information on "other" financial management systems are grouped together: the "other" category includes many different types of answers given by the respondent, such as "all members of the household". All respondents who replied "don't know / can't say" are excluded from the relevant table in this paper.

OUTLINE OF WAS SURVEYS

This document reports evidence from the nine countries covered so far by the 'Work, Attitudes and Spending' series of surveys (see website www.was-survey.org for details). The WAS surveys were carried out by commercial market research firms (except for Indonesia and Egypt, which were arranged by the University of Indonesia and the university of Cairo). In each case, details of WAS fieldwork were arranged by the market research firm or university in collaboration with the author of this paper – the research organisation (firm or university) decided appropriate sampling methods; hired staff to do interviewing; and typed the resulting data into computer files. The questionnaire varied between WAS surveys (see the above website for details); but a core of questions remains common to all WAS surveys.

The WAS questionnaires in each country studied were designed in English, and then translated into languages understood in each of the countries surveyed. I find it very hard to tell how much the translation of the above questions into local languages will have influenced the results reported in this paper.

Each WAS sample is intended to give a representative sample of that country's population; however, limited budgets have compromised this aim to some extent – especially in the WAS surveys for earlier years. The first WAS survey, India 1992, included only two cities; this survey is removed from the sample for this paper, because the later WAS India surveys are more representative of urban India (data from the 1992 survey data, and later WAS surveys, can be downloaded from the WAS website). In the 1994 Brazil survey, only two cities (Rio de Janeiro and Sao Paulo) were sampled – both are in southern Brazil. In Indonesia, only four cities were sampled (three of them on the island of Java). All WAS surveys except India 1992 are used for the purposes of this research paper: it may be unwise to place too much trust in the WAS surveys in Brazil and Indonesia as being 'typical' of these two countries, but these two surveys give us some insights into household financial management in these two countries.

The effective sample sizes in WAS surveys to date are indicated in Table 1 below. Some, but not all, of the WAS surveys include a sample of rural households – as shown in Table 1, and discussed below. In this paper, data from WAS surveys in different years are combined: for example, Indian surveys from 1997, 2002 and 2007 are shown as different rows in Table 1, but these three surveys are combined into one row of Tables 2 to 5 in this paper. This combination of surveys has the advantage of increasing the effective sample size, and hence may reveal patterns more clearly. However, readers should be aware that there have been changes over time in respondents' answers to WAS surveys: for example, Simister & Mehta (2010) discuss changes in attitudes to gender roles in India, between the 1992 and 2007 surveys.



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TABLE 1: sample sizes in WAS surveys, by urban/rural location of household.

Household survey		urban	rural
1994	Brazil	1031	
1997	India	1003	
2000	South Africa	2000	
2001	Indonesia	1003	
2002	India	1651	
2002	Indonesia	1000	
2003	Nigeria	2703	2345
2004	Kenya	3091	
2005	Nigeria	2671	2340
2005-6	Egypt	2122	2985
2007	India	2475	
2008	Chad	1938	649
2009	Cameroon	2100	1400

Next, I turn to the prevalence of different types of financial management in the nine countries in Table 1. For clarity, if two or more WAS surveys were carried out in the same country, then these surveys are grouped together: for example, Nigerian surveys from 2003 and 2005 are combined into one row of Table 2 below, and in subsequent tables in this paper.

Table 2: person with final say over household spending, by survey

		husband	wife	husband and wife	other	total
South Africa	2000	21%	19%	47%	13%	100%
Indonesia	2001-2	25%	36%	36%	4%	100%
Brazil	1994	35%	21%	43%	2%	100%
India	1997-2007	41%	9%	46%	4%	100%
Egypt	2005-6	47%	12%	39%	3%	100%
Kenya	2004	47%	19%	33%	1%	100%
Cameroon	2009	59%	23%	17%	1%	100%
Nigeria	2003-5	72%	78%	17%	3%	100%
Chad	2008	75%	5%	12%	7%	100%



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In Table 2 above, surveys are sorted in ascending order by the fraction of households in which the husband has ‘final say’ over household spending. If we take ‘final say’ as a measure of patriarchal control by men, then the fraction of households which are patriarchal increase from 21% in South Africa to 75% in Chad. The order of countries in Table 2 is used for all subsequent tables in this paper.

Note that WAS surveys took place in different years; some of the apparent differences between countries in Table 2 might be a result of changes between 1994 and 2009. Table 3 considers day-to-day management of household money. It could be argued that management is less important than control; but if a woman manages money, she may be influence spending (for example, by ignoring her husband’s instructions, if she goes shopping without him).

Table 3: person who organises household money, by country

	husband	wife	husband and wife together	husband and wife separately	other	total
South Africa 2000	17%	24%	46%	3%	10%	100%
Indonesia 2001-2	11%	68%	17%	1%	3%	100%
Brazil 1994	22%	19%	53%	4%	2%	100%
India 1997-2007	46%	18%	33%	2%	2%	100%
Egypt 2005-6	10%	71%	13%	0%	6%	100%
Kenya 2004	33%	18%	42%	4%	4%	100%
Cameroon 2009	49%	24%	25%	1%	2%	100%
Nigeria 2003-5	53%	7%	32%	1%	6%	100%
Chad 2008	69%	5%	17%	1%	8%	100%

Table 3 shows some similarities to Table 2. Countries in Table 3 are in the same order as Table 2; as we go from top to bottom of Table 3, we see a general increase in the fraction of households which are husband-managed. However, the order is not the same: in particular, Egypt has fewer households with husband-managed finances than we might expect from Table 2. There is an extra column in Table 3, “husband and wife separately”; this may be associated with households in which the husband pays some bills, while the wife pays other bills (such details are not reported in WAS surveys).

As shown in the above table 1, some – but not all – of the WAS surveys include both urban and rural households. This makes analysis complicated: if we find differences between surveys, are these due to differences between countries; or is it because some WAS surveys include rural samples, whereas other WAS surveys do not? To assess this issue, Tables 4 and 5 include only the four countries where WAS included a rural (as well as urban) sample.



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Table 4: final control of household finances, by country and urban/rural residence

		urban	rural
Egypt 2005-6	husband	38%	52%
	wife	10%	13%
	husband & wife	49%	32%
	other	3%	4%
	Total	100%	100%
Cameroon 2009	husband	57%	62%
	wife	24%	21%
	husband & wife	17%	16%
	other	2%	1%
	Total	100%	100%
Nigeria 2003-5	husband	70%	75%
	wife	8%	8%
	husband & wife	18%	15%
	other	4%	2%
	Total	100%	100%
Chad 2008	husband	75%	76%
	wife	6%	4%
	husband & wife	12%	12%
	other	7%	8%
	Total	100%	100%

In Table 4 above, we can compare urban and rural households. In general, there is more variation between countries than there is between urban and rural areas of the same country. For example, the husband has final control of money in about half of Egyptian households (38% in urban areas, and 52% in rural areas); whereas in Chad, this proportion increases from about half to about three-quarters – but the difference between urban Chad and rural Chad is small (husbands' control household money in 75% of urban Chad, and 76% of rural Chad households).

The following table, Table 5, examines day-to-day financial management; it is similar to Table 4, in that it compares urban with rural households (in the four countries where WAS includes both urban and rural samples). Table 5 can be useful to assess whether urban/rural differences are large or small, as regards financial management.



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Table 5: management of household finances, by country and urban/rural residence

		urban	rural
Egypt 2005-6	Husband	9%	11%
	Wife	66%	74%
	husband & wife together	18%	10%
	Other	8%	5%
	Total	100%	100%
Cameroon 2009	Husband	47%	51%
	Wife	24%	22%
	husband & wife together	25%	24%
	husband & wife separately	2%	1%
	Other	2%	1%
Total	100%	100%	
Nigeria 2003-5	Husband	49%	58%
	Wife	7%	7%
	husband & wife together	36%	29%
	husband & wife separately	1%	1%
	Other	7%	5%
Total	100%	100%	
Chad 2008	Husband	68%	71%
	Wife	6%	5%
	husband & wife together	17%	14%
	husband & wife separately	1%	2%
	Other	8%	8%
Total	100%	100%	

Table 5 indicates quite striking differences between surveys, as regards who organises the household money. For example, in Chad, husbands manage household money in the majority of households surveyed. On the other hand, in Egypt, the wife is much more likely than the husband to manage family finances. But when we compare urban & rural households in the same country, there is much less difference: this suggests that whatever influences the adoption of a particular 'household allocative system' in each country (e.g. culture), it is common to both urban and rural households in that country. A similar pattern is found in Table 4 above, which focuses on 'final say' over financial decisions: in the each country for which we have both urban & rural households, we do not see very large differences between urban and rural households in the same country. Hence, the remainder of this paper combines urban and rural households; and does not distinguish between countries in which WAS includes a rural sample, and those which are only urban samples. Tables 4 and 5 suggest that we can legitimately use WAS data from all nine countries, despite the fact that only four of these nine countries included a rural sample. However, the caveats discussed in the above 'Outline of WAS surveys' section of this paper should be borne in mind: sample sizes in some WAS surveys are fairly small, and Brazil and Indonesia surveys cannot be guaranteed to be representative of those two countries.



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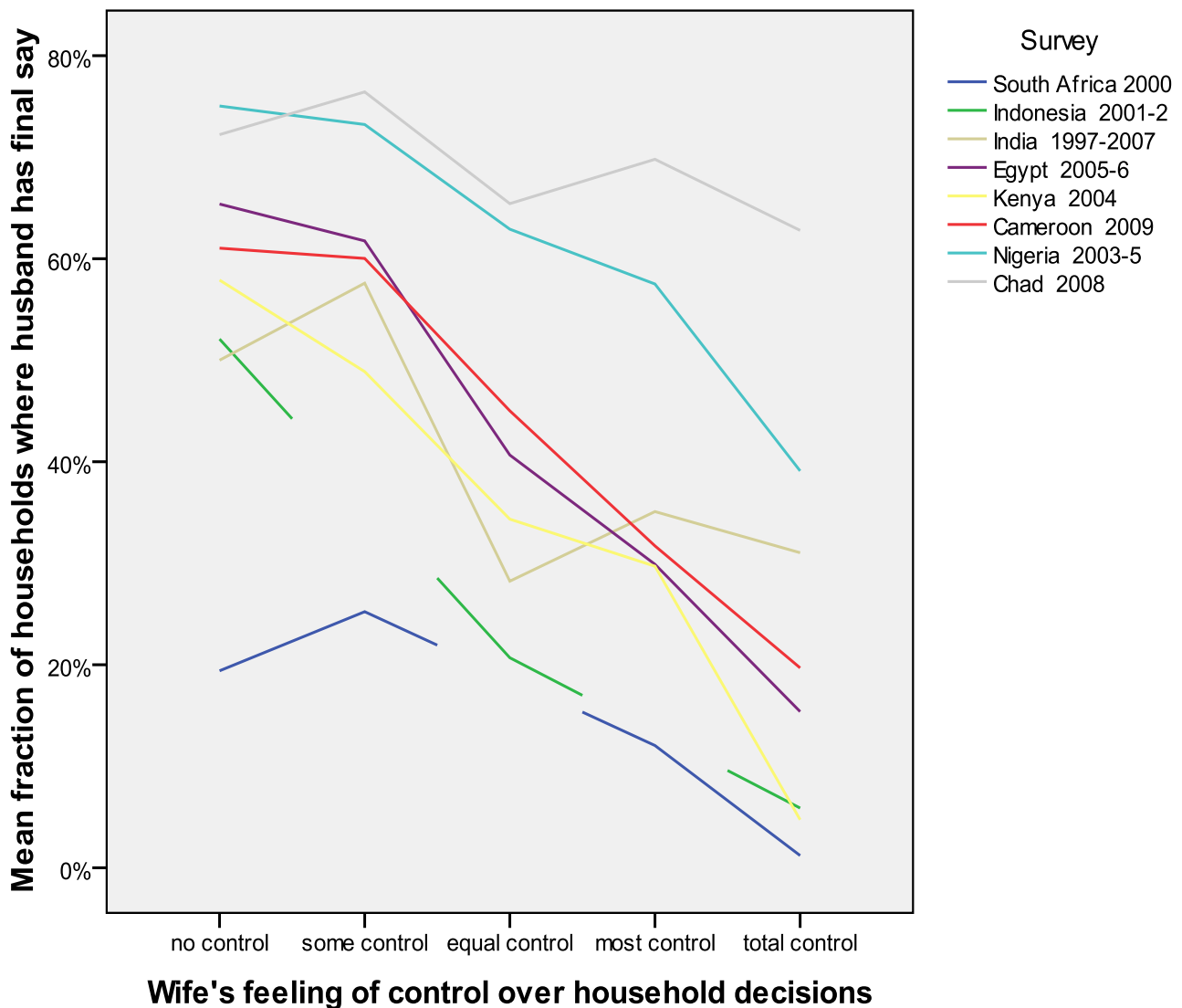
Chart 1 allows us to assess the extent to which financial control is related to other types of control in the household. It uses answer to this question (the version below is from Cameroon):

please tell me how you rate yourself in terms of your control over household decisions:

- no control*
- some control*
- equal control*
- most control*
- total control*

The question differed between WAS surveys: for example, the South African questionnaire used six responses: 'no control', 'little control', 'some control', 'a lot of control', 'most of the control', 'complete control'. For this paper, 'little' and 'some' are combined in 'some control'; and 'a lot' and 'most' combined in 'most control'. Chart 1 is only for women respondents: WAS also asked men the same question, but men in control implies an opposite balance of power to women in control.

Chart 1: financial control, and control in general (female respondents only)



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There is a line in Chart 1 for each of the eight WAS countries which asked respondents about how much they felt in control of household decisions (WAS Brazil did not include this question). Chad is surprising in Chart 1: even among women who report she is in 'total control', 63% state that their husband still has 'final say' over big financial decisions, which seems inconsistent. Perhaps translation of the English questionnaire into local languages explains (at least partly) this apparent inconsistency.

In general (excluding Chad), lines in Chart 1 tend to slope down as we go from left to right; this suggests that if women feel 'in control' of household decisions, they are much less likely to report that the husband has 'final say' over financial decisions. This vindicates a key claim of academics such as Jan Pahl: that we can learn about the distribution of power within households by asking who controls money. Chart 1 can also be interpreted as a vindication for the academics who wrote the BHPS question wording, in that it seems to capture much of what Pahl attempted to measure when she studied financial management.

EFFECTS OF HOUSEHOLD ALLOCATIVE SYSTEMS

Next, this paper turns to a practical issue: does it matter if husband or wife controls spending? WAS Egypt (but no other WAS surveys carried out so far) asked two questions, which I use to create Table 6 below:

On average how many does your spouse spend on each of these things, per month?

clothes for himself (ignore clothes for children, etc)

mobile phone

smoking (cigarettes, sheesha, coffee shop, etc)

transport equipment (truck, taxi, C.T.A, metro, bus, cars)

other spending on himself (entertainment, etc.)

To what extent does it affect the children needs and the living standard of the family?

no effect

low effect

harmful

very harmful effect

Table 6: harm to the household, by who has final say over household money (Egypt 2005-6)

	Who has the final say over household spending?			
	husband	wife	husband and wife	other
<i>Extent to which the husband's spending harms children's needs</i>				
no effect	29%	41%	40%	30%
low effect	29%	22%	28%	20%
harmful effect	22%	26%	19%	34%
very harmful effect	21%	11%	14%	16%
Total	100%	100%	100%	100%



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Because Table 6 only reports the opinions of women, it could be considered unfair to men: perhaps women also miss-spend household money (Table 6 does not allow us to investigate this possibility). But if we take Table 6 at face value, it suggests that among households where the husband has 'final say' over family finances, in 21% of households we find men's spending on himself has a "very harmful effect" on the family's well-being. This proportion falls from 21% to 11% among households where the wife has the 'final say'; joint husband-and-wife decision-making, and "other" decision-making, are between 21% and 11%. It appears that by studying household financial management, we can gain more understanding of child welfare.

It is possible to use WAS survey data to investigate such topics in more detail – for example, WAS surveys include the question 'In the last 12 months, how often did you or anyone in your household cut the size of meals or skip meals because there wasn't enough money for food?' Research by this author (not reported in this paper) suggests that households are more likely to go hungry if the husband controls the family finances, compared to wife-controlled or joint husband-and-wife controlled finances. However, a detailed analysis of that topic requires us to consider numerous other issues, such as household income; regression analysis is one approach which can be used to study this.

CONCLUSIONS

This research paper analyses responses to some of the questions used in WAS surveys. The focus of this paper is the extent to which household finances are organised and controlled by men, or by women, or both. It appears that if we ask respondents about financial allocative systems, we can learn a lot about the balance of power between husband and wife in that family. The balance of power seems to have real effects on household spending: if the husband is in control of his family's spending, this may lead to his family being harmed. Note, however, that (according to Table 6), not all men spend money in ways which harm their children; and it is possible that some women also behave selfishly. Table 2 suggests that more households are controlled by husbands than by wives, in most of the nine countries studied for WAS surveys. Empowering women might improve child welfare.

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