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Household decision making

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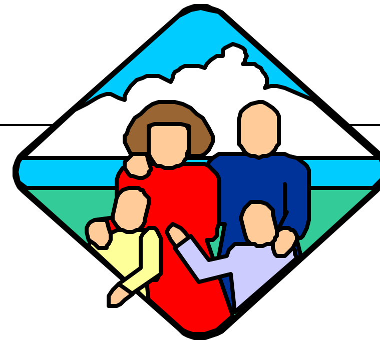


Systematic economic analysis has shown that what happens within the household has significant consequences for time allocation, human resource investment and other economic outcomes. A household model fundamentally determines the questions we raise about household economic behaviour. It guides the answers we provide and the policies we recommend about food consumption and production, poverty and income inequality, health and education, among others.

Thus, the content and the outcome of the current debate regarding the appropriate approach to the economic analysis of household behaviour is not simply the object of academic curiosity. It is crucial for the effectiveness of public policies since the household may mediate between such policies and its members.

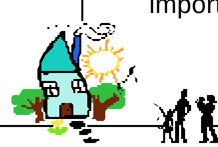
The unitary model of the household treats the household as a single decision maker that pools its resources. It assumes that the household's preferences are adequately described by a single utility function. Many studies have questioned the validity of this assumption and several provide evidence for its rejection. Proponents of the alternative collective model have argued that a proper approach is one which takes into account the individual utility functions of household members. It must focus on how the sometimes conflicting preferences of individuals are combined in various ways to reach a collective choice. Not only is this alternative approach more consistent with the individualist assumptions of economic analysis. It may also more likely reflect empirical reality.

Our research was undertaken with the conviction that our contribution to this debate lies in an empirical study. In the context of a farm household, using data we ourselves collected, we perform an empirical test of the unitary model for the household decision over labour allocation and for the identity of the decision maker for farm operations and budgetary expenditures.

In the test of the unitary model for the labour allocation decision, spouse-specific control of non-labour income is represented by a variable measuring an asymmetry in land inheritance. This asymmetry measure captures the bargaining power of a spouse relative to that of a partner. There are two asymmetry variables: one for irrigated parcels and another for non-irrigated ones. The results of the regressions allow us to claim the following. The evidence of the impact of inherited *irrigated* land on the participation in labour markets provide some support for rejecting the claim of the unitary model. This evidence conforms with the claim of the bargaining model that the control of spouse-specific resources matters for household allocation decisions. Inherited irrigated land may be a determinant of a spouse's threat point.

We also tested whether the individual control of economic resources determine the probability of a spouse to exercise decision making power on farm operations. Among these economic resources are inherited land, cash earnings and status as affected by educational attainment. The decisions are the crop to be grown, the purchase of inputs, the hiring of labour and the sale of farm output. We analyse what factors affect the identity of the decision maker: be this the husband, the couple or the wife.

We found that the asymmetry in inherited land does not affect the identity of the farm decision maker and we can conclude that Cordillera farms are managed as household farms. Other variables showed important effects.



The presence of young children decreases the probability of the wife making farm decisions. Wives exercise less decision making power in more commercialised farms compared to farms which grew rice for home consumption. Ethnolinguistic differences in the social customs which govern the balance of power within marriage partly explain why wives in one village have a lower (or higher) probability of making farm decisions compared to wives in the reference village.

One very important determinant of the probability of the wife to decide on farm matters was whether her husband had a salaried job or not. If he did, the wife is the primary farm worker and thereby is the farm decision maker. Due to the strong inverse correlation of the identity of the decision maker with whether the spouse has a salaried work status or not, we are led to suggest that the identity of the farm decision maker is also an outcome of the household labour allocation decision.

Lastly, we determined the factors affecting the identity of the decision maker for strategic expenditures, in particular the purchase of consumer durables. In this case, we find some evidence that a spouse’s control of economic resources affects the outcomes of household decisions. Although the executive management or day-to-day decisions on expenditures are the wife’s domain, the strategic control of the budget is shared by the wife with her husband. We find that the larger the relative share of the husband’s cash earnings compared to that of his wife, the more the husband shares in the strategic budgetary decision making with his wife.

We also found that more educated wives tend to share decision making power over expenditures on consumer durables with their husbands. On this point, we find the bargaining perspective inadequate to account for the role of education. From this view, education is a resource which provides the individual with more bargaining power which he or she will exercise. But as our findings show, more educated spouses do not tend to usurp decision making authority. Instead, they take decisions jointly with their partners. Education appears to represent *taste*, a preference for an egalitarian decision making structure in the household.

Do the farm households in our study conform to the unitary model of the farm household? The reply that we make is not as straightforward as we had hoped. On the one hand, we have some evidence that the unitary model is rejected by our sample of rural households. This claim is for labour allocation and for the strategic control of the household budget. On the other hand, we cannot reject the unitary model based on the analysis of the determinants of the identity of the farm decision maker. The results of the empirical tests lead us to agree that both approaches have merit.

Even if we could not provide conclusive evidence on the inappropriateness of the unitary model for household analysis, we provide some reasons to doubt it. Our study makes its contribution to the erosion of confidence that economists have in the universal applicability of the unitary model. With some evidence in this study which point to the existence of individual interests in the household, we tend to support the collective approach to household analysis. This approach views the household as a collectivity of individuals bound together by rules and agreements though divided by differential access to resources and opportunities. Its theoretical constructs provide a less restrictive view and do not *blind* the analyst to empirical realities.

To adopt a collective rather than a unitary perspective to household analysis is to allow the opportunity to falsify the assumptions of the unitary model as we have demonstrated. It is not to see all household behaviour as conflicting for even within the collective approach, a strong belief in consensus persists. However, consensus is not taken as unproblematic nor self-evident anymore. Thereby we are led to investigate the factors which determine the appearance of a consensus. Along this path, we can only broaden our understanding of household behaviour and gain wisdom for our policies.

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