

## Women's pay and family income inequality

The assumption that families are headed and supported by a single 'male breadwinner' has led to women's earnings being regarded as unimportant for family welfare and only weakly linked to income inequality no longer holds true. Changes in family structures and patterns of male/female employment require a reappraisal of the relationship between male and female earnings, and family welfare and income inequality. This study, by Susan Harkness, Stephen Machin and Jane Waldfogel, looks at the changes which have occurred in families containing couples or single women, aged 24-55, between 1979-1991 and finds that:

- f** The 'male breadwinner' family model is in rapid decline. In 1991 there were almost three times more families where both partners worked than where there was a sole male breadwinner.
- f** The share of male earnings in the total family income of couples dropped dramatically over the decade, while female earnings accounted for a steadily rising proportion of the family budget.
- f** However, employment rates and earnings shares of the partners of unemployed or inactive men have not increased and there has been a rise in the prevalence of 'non-earner households'.
- f** Women's earnings cannot be seen as 'pin-money'. The typical married or cohabiting woman who works part-time brings home one-fifth of family income; if working full-time, she brings home more than two-fifths.
- f** Women's earnings make an important contribution towards keeping families out of poverty. For couples, poverty rates would have been up to 50% higher in 1990/91 without women's pay.
- f** Since the 1970s changes in women's earnings have exerted an equalising influence on the distribution of family income among couples. This is because the biggest changes in female labour force participation occurred where women had low-earning partners.
- f** For single women with children there has been no improvement over the decade. Lone parents' rates of employment have fallen, and earnings form a smaller component of family income than a decade ago.

## Background

Changing family structures, rising male unemployment and inactivity, increased female employment, and downward pressure on the wages of unskilled male workers are some of the key features which have been driving changes in the composition of family income. In this study we appraise the impact of changes in female employment and earnings on family income, on inequality between families and on poverty. While changes within married and cohabiting couple families are emphasised, changes in the position of single women families are also briefly assessed. The sample includes all couples and single women aged between 24 and 55.

## Married and cohabiting couples

### *Composition of family income*

For couples aged 24-55, the female employment rate rose from 56% to 68% between 1979 and 1991, while male employment fell from 96% to 87%. There was also some narrowing of the female-male wage gap. In 1979 women's wages in these households were only 57% those of men, but by 1991 this ratio had risen to 65%.

For the average family, income grew by 48% over the same period. While the average contribution of male earnings to the family budget rose relatively modestly, by 23%, average female earnings grew almost four times as fast, rising by 90%. This difference is largely attributable to increased participation by women in the labour force (and reduced participation by men).

The faster growth in female earnings is reflected in a rise in the female contribution to the family budget from 15% in 1979 to 20% in 1991. The average male share fell from 75% to just under 60%, with the balance of the household budget coming from unearned income (Table 1).

The declining contribution of male earnings to the family budget is partly explained by rising male unemployment. However, if only households where the man works are considered, the average earnings contribution of men still fell from 78% to 68%. The trend for women in families where the woman works

is in marked contrast, with women contributing an average of 30% to the household budget by 1991.

A married or cohabiting woman in work today is more likely to be working full-time than a decade ago. Our results suggest that of women in employment, half worked full-time in 1991 compared with 43% in 1979. Whether working full or part-time, women's contribution to the family income increased. By 1991 part-timers brought in a fifth of family income. Women working full-time earned 42% of the family income, equivalent to 88% of their partners' earnings.

### *Family inequality and female earnings*

In order to examine family income inequality the data was broken down into ten groups (or deciles) ranked first by family income and second by male wages. This analysis revealed that:

- Men contributed a smaller share of the family budget, throughout all ranges of the income distribution, in 1991 than in 1979. However, the male share of the family budget dropped most for low-paid men.
- In contrast, the earnings share of women rose across all earnings groups where their partner was in work. This increase was greatest where the woman's partner was a low or middle earner as shown in Figure 1.
- A worrying trend has been the failure of the partners of unemployed or inactive men to increase their employment or earnings shares. Instead, in contrast with the employment and earnings behaviour of partners of employed men, partners of inactive men have had falling rates of employment and earnings shares. Rising non-employment of men has therefore led to an increase in the number of 'non-earner households'. This is reflected in Figure 2, the bottom line of which shows the proportion of households in which neither partner contributes earnings.

**Table 1 Shares of Earnings and Non-Labour Income in Total Family Income, Married and Cohabiting Couple Families, 1979-91**

All married and cohabiting couples	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Change: 1979-91
Total monthly income	1376	1397	1390	1424	1412	1428	1473	1576	1802	1915	2008	2007	2040	+664
Mean female earnings share	15.2	15.5	15.2	15.5	17.3	16.6	16.7	18.1	17.7	19.2	20.6	21.3	20.5	+5.3
Mean male earnings share	74.8	73.5	70.3	68.8	68.2	67.4	67.7	66.9	62.8	63.3	62.1	62.1	59.2	-15.6
Mean non-labour income share	10.0	11.0	14.5	15.7	14.5	16.0	15.6	15.0	19.5	17.5	17.3	16.6	20.3	+10.3
Total number of families	2563	2584	2652	2024	2803	2529	2460	2823	2663	2467	2540	2444	2550	

Notes: Source for all tables is the General Household Survey. Sample includes married or cohabiting couple families where the woman is age 24-55 and the man is age 24-55. All income and earnings are expressed in 1991 pounds, using the monthly RPI deflator

Figure 1: Female employment rates

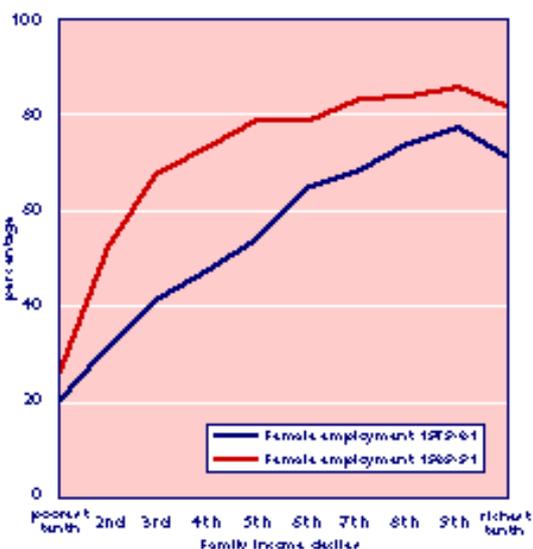
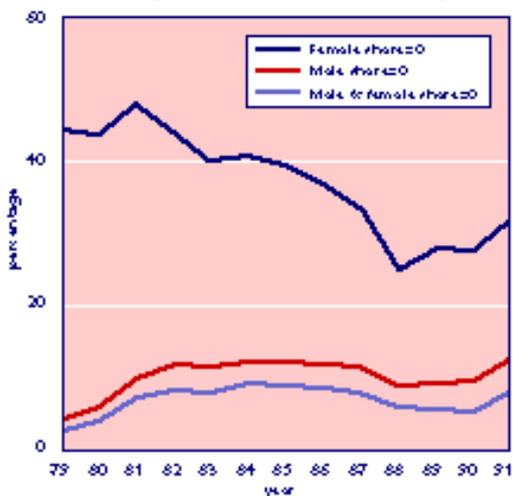


Figure 2: Households with no earnings (share of total households)



In order to assess more formally the impact of female earnings on inequality, family inequality in 1979/80 and 1989/90 was compared with the inequality which would have existed had women had no earnings. It was found that inequality was always greater without women's earnings, implying that female earnings exert an equalising effect on family income distribution. Moreover, it was found that the equalising impact of women's earnings was greater in 1989-90 than a decade previously. This was because the dispersion of women's earnings across families fell by 20% over the decade, as a result of more women from low-income families working. This reduction in female earnings inequality (because

more women were earning) was in spite of increased dispersion of wages.

**Poverty**

Had it not been for women's pay the rate of poverty amongst married couples and cohabiting families in 1990/91 would have been up to 50% higher. Using a poverty line equal to half average income (adjusted to account for differences in family composition and size), a poverty rate of 8.1% was calculated for married and cohabiting couples in 1989 - 90. If women had not had any earnings, 13.1% of families would have been in poverty. Women's earnings, far from being pin money, have kept a significant number of families out of poverty.

**Families headed by single women**

**Lone parents**

Lone parents have seen little improvement in their welfare since 1979. The income of this group, while already low relative to other family types a decade ago, has fallen progressively further behind the rest of society. Earnings of single parents have always comprised a relatively large share of the family budget when compared with married women. However, in marked contrast to movements in the earnings and employment position of women in other family types, the rate of employment for lone parents fell from 51% to 49% between 1979 and 1991. Even more dramatic was the reduction in the number of women working full-time. In 1979, 53% of lone parents in employment worked full-time, but by 1991 this proportion had fallen to 37%. These changes are reflected in a reduction in the earnings contribution of lone parents to the family budget to 27% in 1991.

**Single women without children**

In the last decade the welfare of these families has improved more rapidly than that of any other family type studied. Participation rates and wage rates are higher for this group of women than for any other. It is no surprise that the income of these families is predominantly made up of female earnings. In 1991, about two-thirds of these households' income came from earnings.

**The changing importance of women's earnings in the family budget**

Looking at the income of all families containing women, it was found that the average contribution of female earnings to the family budget rose from 26% to 31% between 1979 and 1991. There are two

factors contributing towards this increase, changes in family types and changes in female participation within each family type. Decomposing these effects it is found that 70% of the rise in the average contribution of women to the family budget can be attributed to increased female earnings contributions within each family type. The remaining 30% is attributed to changes in family structures.

The most striking rise in female earnings shares was in couples where there were children present. For these couples the female earnings share rose by over 50% during the 1980s. For all other family types the female earnings share remained static or even fell.

The most important change in family structures was the decline in the number of couples with children, from 54% of all families in 1979/81 to 40% in 1989/91. There was a corresponding increase in couples without children, rising from 19% in 1979/81 to 29% in 1989/91. The proportion of single women, both with and without children, also increased slightly.

#### About the study

This study was based on the General Household Survey (GHS) 1979-1991. Data is available for 2,000 to 2,800 married or cohabiting families and approximately 1,000 single women in each year. A family is defined as a couple or single woman, and any dependent children. Any other adults in the household, and their income, are excluded. Income is defined as total gross family income.

#### Further Information

A related discussion paper, *The Decline of the Male Breadwinner* (DP No 108) is available from Jane Dickson at STICERD, London School of Economics, Houghton Street, London WC2A 2AE. A further discussion paper, *Evaluating the Pin Money Hypothesis*, will be available shortly.

#### Related Findings

The following *Social Policy Findings* look at related issues:

- 31 Household budgets and living standards (Nov 92)
- 34 Comparing different households in measuring poverty (Jan 93)
- 43 Catholic-Protestant income differences in Northern Ireland (Sep 93)
- 49 UK income distribution during the 1980s (Jun 94)
- 50 UK income distribution 1961-1991 (Jun 94)
- 52 The UK male wage distribution 1966-92 (Jun 94)
- 55 The geography of poverty and wealth, 1981-1991 (Sep 94)
- 56 Increasing polarisation between better-off and poorer neighbourhoods in Oldham and in Oxford (Sep 94)
- 57 The financial well-being of elderly people
- 58 Self-employment and the distribution of income (Sep 94)
- 61 More work in fewer households (Oct 94)

The following social policy summary is also relevant:

*The Future of Welfare* (Nov 93)

For further information on *Findings* or the summary please call Sally Corrie on 0904 654328 (direct line for publications queries only).



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