

Income pooling as a household risk-reduction strategy: evidence for mid-twentieth century Britain

The importance of household income-pooling as a strategy for reducing the severe risks associated with "crises" in individual incomes from illness, unemployment, and other adversities has long been recognised as a central feature of the working-class household economy. Income-pooling was also an important welfare-maximising strategy for low-income families, as it facilitated individual specialisation by function between paid work, domestic work, and augmenting human capital through education and training.

Such strategies of work specialisation and resource pooling underpin much historical work on British working-class household labour allocation (for example, De Vries, 2008; Bourke, 1994; Horrell and Humphries, 1997). However, both the extent of income-pooling and the factors influencing the access of individual family members to the income pool are generally opaque to direct investigation, as virtually all historical household expenditure surveys (and most current ones) do not identify both the incomes and expenditures of each family member. Analysis of income pooling has therefore had to rely either on statistical inference from household-level data (e.g. Horrell and Oxley, 1999; Scott, Walker, and Miskell, 2015), or direct evidence from contemporary surveys or oral history studies, which are generally based on small and/or localised samples (e.g. Harley, 1937; Todd, 2005).

In this study we utilise the original schedules for the 1953/54 British Household Expenditure Survey [HES] data, covering almost 13,000 households, which have recently been digitised by members of this research team (Gazeley, Hawkins, and Newell, 2013; Gazeley et. al., 2016). This was the largest, most detailed and, arguably, most sophisticated official British family expenditure survey. Moreover, it is ideally suited to examining household income pooling, as – uniquely among the official British household expenditure

surveys - it contains information on income and expenditure for individual household members.

The data capture a pivotal moment in the evolution of the British working-class household economy, representing the cusp of a transition from a post-war austerity era (extended by deflationary measures to support Britain's Korean War rearmament and avoid runs on sterling) and the "affluent society" that followed the end of rationing in July 1954. As such, it captures household income pooling practices that had evolved to deal with a protracted period of economic insecurity: mass unemployment in the 1920s and 1930s; followed by the War and nine years of post-war austerity. This period had also witnessed important changes in household labour allocation, including a dramatic war-time and post-war increase in female participation in the formal labour force (generally on a part-time basis); together with a marked reduction in gender and age-based wage differentials and the launch of a what was to become a comprehensive welfare state.

The dataset enables us to examine a number of key issues highlighted in the working class family economy literature. These include the impacts of age, gender, and formal labour force participation on access to the household income pool. The literature suggests that working sons were allowed to retain a greater proportion of their wage earnings than daughters, that older children were allowed to retain more income than younger ones, and that lower-income families required more income pooling from children than more affluent ones (e.g. Horrell and Humphries, 1997; Horrell and Oxley, 1999). There may also have been strong differences between working-class and middle-class income pooling practices (literature on British middle class household resource allocation is extremely limited prior to the recent past). We will provide the first detailed examination of patterns of retained earnings for individual family members, together with their determinants, using national data for families at all income levels.

Previous research has also pointed to considerable geographical variations in income pooling practices and associated behaviour (such as the ages at which children left the household), at least partially reflecting local and regional differences in labour markets. Given our very large sample size, we are able to examine geographical differences both at a regional level and by dominant local industry (for example mining areas, textile areas, and agricultural areas).

We also examine individuals' consumption and savings patterns, using the rich and detailed categorisation of spending and savings provided by the survey. The marked post-war reduction in wage differentials between juvenile and adult workers, and between adult men and women, is sometimes argued to have changed the economic balance of power within households and put new pressure on traditional income pooling practices. Pressures to retain a greater proportion of their own earnings were said to be particularly strong for young adult workers, whose higher incomes (compared to the 1930s) gave them a greater "outside option" of living independently. Rising juvenile earnings famously fuelled the rise of "teenage" lifestyles. Conversely, the substantial fall in the age of first marriage during this period suggests that young adults may have devoted a substantial part of their retained earnings to savings in anticipation of new household formation.

The 1953/54 HES provides an unprecedented opportunity to examine a central family resource allocation and crisis management strategy, which has long underpinned the household as an economic institution in both western and non-western societies (but has declined in both Britain and elsewhere since the 1950s). This paper is currently a work in progress. However, we will have a full draft of the paper by the time of the EHA meeting.

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