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Joint purchase decisions: experiences of Finnish families with children¹

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Introduction

When studying consumption in economic and social sciences, the research unit is usually either the household or the individual.

In economics, the unitary model has assumed that one benevolent decision maker in the family maximizes utility that is common to each household member. It has been supposed that the members in the household share similar interests in every situation. This unitary approach ignores interaction between household members. In the 1980s, Manser and Brown (1980) and McElroy and Horney (1981) suggested that the decision-making process within the household should be seen as cooperative negotiation where each member has his or her own preferences and well-being to be achieved. In the 1990s, these collective models were further developed to examine intra-household expenditure allocation (see e.g. Browning et al. 1994; Lundberg et al. 1997; Phipps & Burton 1998).

In sociological consumer studies, for instance, the socio-economic position or the age of the head of the household, who is most often male, are usually thought to determine the consumption of all the members in the family.

The economic power relations and decision-making processes inside the family have been examined to a relatively minor extent (see, however, Pahl 1990; Vogler & Pahl 1994; Vogler 1998). Little is known about the equality or inequality between the genders in terms of the use of the money within families.

There is a significant lack of individual data related to the distribution of income and consumption within families. The intra-family economy is challenging to study and substantial empirical data is therefore lacking. The estimation of aggregate data and drawing of conclusions from household data overlooks the interaction between family members.

Even though consumption has been widely studied at the household level, we are unaware about the background decision-making related to it. This paper investigates the views of individuals concerning who the decision-maker in various consumption decisions in their family is. We shall focus on decision-making realized in collective consumption in families. The subjects of the study are the spouses in Finnish families with children. We are particularly interested in what explains joint decision-making. The approach of this paper is interdisciplinary; it is based on research from economics, sociology, and consumer studies.

Decision-making between the spouses

Unequal distribution of resources may lead to uneven consumption and further variation in the living standards of the members in a household (see e.g. Pahl 1989; Burgoyne 1990; Morris 1993; Vogler & Pahl 1994). Based on variation in individual financial resources, spouses in a family may have various opportunities for financial management and decision-making concerning consumption. Because of their higher income and occupational status, men have traditionally been the breadwinners in families. Therefore, men have had more control in financial issues than women. According to the resource theory of power, the influence of spouses on the economic decisions within the family is based on their income and status in the labour market (Vogler 1998). Blumberg and Coleman (1989) have stated that a woman's power is also indicated by her professional status.

Furthermore, it has stated that gender itself might influence money management and participation in consumption within a household (see e.g. Morgan 2001, 236). Even though women do enter working life, their role at home and in marital relationship has not changed at the same speed. As an explanation for this, Ticheneor (1999) has suggested that power in the marital relationship is more closely based on gender than on the income or status of the spouses. Studies focusing on the intra-household economy based on the sociology of gender have stated that gender has a considerable effect on strategic control over money and money management as a whole (see Morris 1984; Pahl 1989; Vogler & Pahl 1994).

Research has identified several factors influencing management of the financial issues in households. How the money is divided between the family members is also dependent on the spouses' marital status, the family's phase of life and family members' needs (see Nyman 2003, 79). McConocha et al. (1993) stated that household financial decision-making differs between married and re-married, as well as married and cohabiting couples. Vogler (2005) suggested that in today's relationships there are individuals who focus only on the satisfaction of their own needs and desires. This leads to the separate use of money.

Consumption in families with children

In the consumption of families with children, the necessary expenditures, i.e. food, housing and clothing, are emphasised (Pajunen 2007, 290). Consequently, their economic latitude is

minor compared to that in other types of household. Families with children, however, are the first to acquire new technological equipment (see Autio 2004).

In spite of this common feature, they are not a homogenous group but their use of money is naturally influenced by the family's structure, phase of life and income, and also by individual choices. Even though families with higher incomes use more money on consumption, the variation in incomes is wider than that in expenditures. Income influences the structure of consumption: the wealthier the family, the more money they spend on culture, free time and eating out. (Pajunen 2007, 287.)

Having children, an owner-occupied flat and/or a large loan in a family requires spouses to coordinate their economic behaviour. Therefore, they prefer to pool their income and negotiate before making significant consumption decisions. Family members have also emotional ties that lead to altruism in their activity. Income pooling and decision-making within a family develops during a relationship (see Bonke & Uldall-Poulsen 2007, 114, 116).

Consumption in families is characterised by the fact that one part of consumption is collective, while the other part is directed to an individual. Collective consumption is challenging to define because it may refer to the whole family or groups within it: adults, children, males, and females. Thus, the level of the collectiveness may vary, as well as the utility derived from the use of the commodity.

Methodology

In November 2006 we conducted an Internet survey involving about 500 Finnish families consisting of two adults and children. The survey was part of a larger study entitled 'Caring and Sharing? – The Allocation of Time and Money in Families.' Some of the participants were recruited from the certain websites on the Internet and others by phone. Because the people using the Net are selected, the sample was corrected to be nationally representative by phone recruiting. For this, we used contact information from the population register. The sample was quite representative of Finnish families with at least one child aged less than 18 years old.

The survey included separate questionnaires for each spouse and the children. The questionnaire comprised structured questions and opinion statements about three themes: money management, consumption and domestic work. We received responses from 833 adults and 402 children, and the total number of families participating in the study was 351.

The women were easier to persuade to participate in the study: altogether, 53% of the respondents were women, 47% men. Among the respondents we raffled one token for a spa and five for a retail store. In spite of it, it was difficult to motivate the whole family to participate in the survey. Families are private institutions and therefore do not want to reveal relationships and interactions to outsiders. In this paper, we focus on the data from adults within the family, including the responses of couples (N=351) as well as adult participants (N=833). The questionnaires directed to each spouse were mostly identical. However, for some of the factual questions, such as that concerning the background information of the family, only one member of the couple was asked.

Individual background information was collected on the respondents' gender, education and present employment. The backgrounds of the women and men in the data differed to some extent, as Table 1 reveals. The women in the data were better educated than the men. We calculated a relative education figure by dividing the average vocational education of females with that of males. The average of this figure, 1.2, also indicated the higher level of education of women. Despite the higher education, the women were more often than the men outside labour force: eighty percent of the women and 88% of the men were employed.

Table 1.

Concerning the relationship and family, we asked the length of the relationship, marital status, and number of children together with the present and former spouses, and the place of residence. The description of the data can be seen in Table 2. The couples in the study had been living together on average for 19 years. Because of their long common history, they had already developed habits in managing financial issues. Altogether, 81% of the couples were married. The average size of the family was 4.3; half of the families had two children and 22% had one. Over three fourths of the families were nuclear families, i.e. families with the spouses' common children. More than every fourth family had children from the earlier relations and 15% had children living outside their own family. Most families lived in cities.

Table 2.

The questionnaire included several statements focusing on the opinions and views of respondents concerning financial issues. This analysis considers two statements: “Personal expenditures have to be paid for with one’s own money” and “It is right that the spouse with the higher income has more power in family decision-making.” The alternative responses to the statements were: totally disagree, somewhat disagree, totally agree, somewhat agree, neither agree nor disagree. Table 3 summarises the responses to the statements.

Table 3.

The focus of this analysis is the question concerning who in the family generally has the greatest influence on certain purchasing decisions. The alternatives to the responses were: me, my spouse, the children, all adults together, the whole family together and don’t know. The choices were mutually exclusive. The commodities in question included small everyday purchases and expensive investments.

The data were analysed using binary logistic regression analysis. Logistic regression is useful when predicting the presence of a characteristic based on the values of predictor variables. It is suited to models where the dependent variable is dichotomous. In this regression analysis, the dependent variable was joint decision-making. The predictors of joint decision-making were individual characteristics and household conditions (see Bonke & Uldall-Poulsen 2007, 115), as well as statements that assessed opinions relating to the use of money within the family.

Results

Table 4 indicates who in the family had the most influence on the certain purchasing decisions. The table reveals that the adults decided most purchases together, but the men and women had their special areas in decision-making. Couples decided together on expensive purchases such as durables and an apartment. Furthermore, they were rather traditional in their decision-making. The men’s influence was the greatest when the families purchased cars, computers and televisions. The women’s area in the decision-making was furnishing and food. Entertainment consumption was most often decided between all the family members together.

Table 4.

In order to shed some light on joint decision-making, we examined the independent factors affecting joint decision-making concerning the commodities that are mainly dominated by men or women. For these commodities we chose a car or other motor vehicle and food. In the case of a car, men had the greatest influence in 46%, the adults together in 46%, and all members together in 4% of the families. Concerning food, women had the greatest influence in 42%, the adults together in 33%, and all members together in 21% of the families. Both commodities are for collective use and influence the well-being of all family members. Their characteristics are, however, different: a car is a rarely purchased expensive investment, whereas food is frequently purchased, often with no planning beforehand. We modified the dichotomous dependent variables in the following way: the variables **car** and **food purchase** received the value 1 if the decision was influenced most by the adults or all together, and otherwise 0. The probability that the respondent chose one of the categories is equal to one. We investigated the probability that the adults or all family members have more influence on decisions than men or women alone. We determined how the independent factors, i.e. individual characteristics and household conditions, as well as the statements variables presented above influence the probability of joint decision-making. The results allowed us to derive some conclusions about whether changes in the independent factors influence the formulation of decision-making within the family.

Table 5 presents the results of the regression analysis. In the case of a car purchasing the model explained almost six percent of the variation in the dependent variable, and in the case of food over nine percent. From the table we can see that there were not very many statistically significant variables that predicted the joint influence on decision-making. However, we could derive some implications from the coefficients.

Table 5.

The left-hand columns present the regression results concerning the influence on car purchasing. The results show that the probability of jointly deciding on car purchasing decreases in longer relationships. In families where the spouses have been together a long

time, the male dominates in this area of decision-making. The reason for this is that the spouses in longer relationships are older, and for them the decision-making is more traditional than among the younger families. Agreement with the statement “It is right that the spouse with the higher income has more power in family decision-making” reduced the likelihood of joint car purchase decisions. In other words, in the families where more power is allowed because of a higher income, the gender-based influence on purchase decisions is acceptable. The impact of the other statement “Personal expenditures have to be paid with one’s own money” was similar: agreement with that statement decreased the joint influence on car purchase decisions. The impact of the second family was almost significant: living in families with the children from former relationships reduced the joint influence on car purchase decisions. It might be that in second families the decision-making in general is more differentiated.

In the case of food, employment of the male spouse had a significant influence on joint decision-making: if the men in the family were at work, the probability of a joint impact on food purchase decisions decreased. We could suggest that male employment increases the traditional division of labour in family purchases. This might be a matter of time allocation: when men are employed, women may have more time than men to take care of everyday tasks. Residing in urban areas increases the joint influence on food purchase decisions. In other words, the division of labour outside cities is more traditional, and women have more impact on food purchases. Agreement with the statement “Personal expenditures have to be paid with one’s own money” reduced the joint influence on food purchase decisions. The impact of the other statement, “It is right that the spouse with the higher income has more power in family decision-making” was almost significant and similar to the first mentioned. In families where more power is allowed because of a higher income, the gender-based influence on purchase decisions is acceptable.

Discussion

Our data revealed that decision-making within Finnish families with children is rather democratic. With the exception of home electronics, cars, furnishing and food, neither of the spouses is dominant in decision-making. Despite this finding, we cannot be sure whether this indicates equality in the living standards of the spouses.

The results indicated that for expensive and rare purchases that are traditionally under male dominance, the age of the relationship influences the formulation of the decision-making. In younger families the decisions are made together but in older ones by the men. The older the family the more conventional decision-making. Opinions concerning the distribution of economic power and taking care of personal expenditures also have some impact on this.

For small everyday purchases, which have traditionally been the responsibility of women, the employment of the male spouse and place of residence affect the conventional division of labour. Again, the opinions concerning and the handling of personal expenditures also have some influence on this.

However, the study had limitations. The families participating in the study were selective, and the data were collected via the Internet. Furthermore, the questionnaire was rather complicated and troublesome to complete, and questions were difficult to answer. Despite these limitations, the study supported our understanding of how decisions between the members within the family concerning the use of money are formulated. Those who participated the study answered the questionnaire accurately.

Income pooling and decision-making concerning consumption within a family directly and indirectly reflects the well-being of family members, making it an interesting phenomenon to study. Decision-making within families interest private enterprises, public sector, policy makers and research. From the theoretical perspective we suggest that the models of decision-making within families should be improved.

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Table 1. Description of the women (N=468) and men (N=465) in the data

	women, %	men, %
education		
no vocational education	10	11
vocational school or course	36	50
polytechnic education	41	25
university education	13	14
employment		
not employed	20	12
employed	80	88

Table 2. Description of the families (N=351) in the data

Variable	
Length of the relationship, years on average	19 years
Married, % of the families	81%
Number of persons in the family, average	4.3
Number of children, %	
one	22%
two	50%
three	17%
four or more	11%
Family structure, %	
nuclear families	78%
families with children from the earlier relations	22%
families with children living outside their own family	15%
Place of residence	
cities	59%
densely populated areas	18%
countryside	23%

Table 3. Responses to statements concerning personal expenditures and financial decision-making power, % of the respondents

	totally disagree	somewhat disagree	neither agree nor disagree	somewhat agree	totally agree	total
Personal expenditures have to be paid with one's own money (N=789)	13	12	17	25	33	100
It is right that the spouse with the higher income has more power in family decision-making (N=792)	60	22	10	5	3	100

Table 4. The percentage of those who had greatest influence on decision making regarding certain purchases in the family (N=638–825)*

	man	woman	children	adults together	all together	can't say	total
Computers	37	9	4	31	19	0	100
Televisions and DVD equipment	36	6	2	39	16	1	100
Audio equipment (CD player,mp3)	24	6	20	22	26	2	100
Car or other motor vehicle	46	3	0	46	4	1	100
Apartment or second apartment	8	5	1	69	9	8	100
Other durables (e.g. domestic appliances)	7	13	0	76	3	0	100
Furniture and furnishings	2	34	0	53	11	0	100
Food	3	42	0	33	21	0	100
Eating out	4	8	1	47	34	6	100
Movies, theatre, concerts, sport contests	3	10	4	31	46	7	100
Other entertainment (e.g. amusement parks, spas)	2	8	5	28	51	5	100
Holiday trips and cruising	2	10	1	38	44	5	100

* The number of respondents varied between commodities.

Table 5. The results of the logistic regression for car and food purchasing

	car			food	
	B	Sig.		B	Sig.
Constant	2.365	.005		3.124	.000
second family (1=yes, 0=no)	-.622	.082		.160	.651
woman employed (1=yes, 0=no)	.123	.667		.230	.432
man employed (1=yes, 0=no)	-.249	.443		-.816	.017
relative education (female education/male education)	-.036	.835		-.095	.593
married (1=yes, 0=no)	-.339	.228		-.214	.452
household size (no. of members)	-.013	.889		-.030	.755
length of relationship (years)	-.040	.034		-.017	.383
place of residence (1=city, 2=densely populated area, 3=countryside)	.028	.821		-.294	.018
spouse with higher income has more power in family decision-making (1=totally disagree, 2=somewhat disagree, 3=neither agree nor disagree, 4=somewhat agree, 5=totally agree)	-.221	.043		-.207	.056
personal expenditures have to be paid with own money (1=totally disagree, 2=somewhat disagree, 3=neither agree nor disagree, 4=somewhat agree, 5=totally agree)	-.170	.027		-.238	.003
Nagelkerke R²	0.057			0.093	