WEST COAST POVERTY CENTER

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West Coast Poverty Center
UNIVERSITY OF WASHINGTON
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Poverty Research Flash

No. 2011-08

Highlighting New Poverty Research

by Marieka Klawitter and Diana Fletschner

Klawitter, Marieka and Diana Fletschner. 2011. “Who is Banked in Low Income Families? The Effects of Gender and Bargaining Power.” *Social Science Research* 40: 50-62.

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The West Coast Poverty Center’s **POVERTY RESEARCH FLASH** highlights new research by Center faculty affiliates and others on causes, consequences, and effective policy responses to poverty, with an emphasis on changing labor markets, demographic shifts, family structure, and social and economic inequality. More information about the West Coast Poverty Center is available from our website: wcpc.washington.edu

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Who is Banked in Low Income Families? The Effects of Gender and Bargaining Power

Background. Having a bank account might help families access mainstream financial services that could be lower cost than check cashers, pay day lenders, or other alternatives. In addition to knowing whether a *family* has access to a bank account, it may be interesting to know whether *individual* members of a household have direct access to a bank account because use of mainstream financial services can help build a credit history and accumulate savings, which may be particularly important after a divorce or in the event of a partner’s death. However, much of the previous research on bank accounts has ignored differences in who within a family is banked and how that might vary across male and female partners. Understanding these patterns may be particularly important for low income families, who are less likely to be banked, have fewer accounts when they are banked, and are the targets of policy interventions to increase their use of mainstream financial products.

Methods. Using data from the 2001 and 2004 waves of the U.S. Survey of Consumer Finances (SCF), WCPC Affiliate Marieka Klawitter and colleague Diana Fletschner ask whether a bargaining power framework can help explain patterns of bank account ownership among low income, different-sex couples between the ages of 25 and 55. In particular, they ask whether women with greater bargaining power are more likely to be named on a bank account as well as whether women’s bargaining power is related to their partner’s likelihood of holding a solely owned account. The researchers’ main proxy for bargaining power is the share of the couple’s earnings earned by the female partner. Using probit models, they also examine the influence of each partner’s age, education, and health; the race of the survey respondent; whether the couple is married; and how long the couple has been together on the odds of the family being banked, the odds of the male and female partners being banked, and the odds of having joint or sole account ownership. To control for the possibility of unobserved family factors, they simultaneously estimate multivariate probit models for joint account ownership, sole male account ownership, and sole female ownership within families.

Findings. In the full SCF sample, low income couples were less likely to be banked than higher income couples (79 percent versus 98 percent). Even within families with a bank account, many individuals did not have formal access to a bank account. Among low income families, for example, 79 percent were banked, but only 59 percent had a joint account. The multivariate results show that women with more bargaining power were more likely to have their own bank accounts, and families in which women had more bargaining power were also more likely to have bank accounts. However, women’s bargaining power was not related to the likelihood that their partners had bank accounts. Other correlates of families being banked included having at least one partner in good or excellent health and women’s education (but not men’s). When examining whether accounts are jointly or solely held, women’s bargaining power was positively associated with the probability that they had accounts in their names only. Couples with a nonwhite survey respondent were much less likely to be banked because they were much less likely than whites to hold joint accounts. Couples that had been together longer, had children, or were married were more likely to have joint accounts. These findings show that intra-household dynamics matter for banking behavior and suggest that these dynamics should be considered when designing policies that attempt to connect families with bank accounts or other mainstream financial products.

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Poverty Research Flash 2011-08

Who is Banked in Low Income Families? The Effects of Gender and Bargaining Power

New research from Marieka Klawitter and Diana Fletschner

Key Findings

- Based on the 2001 and 2004 waves of the Survey of Consumer Finances, working-age, different-sex couples with incomes in the lowest quartile were less likely to be banked than couples in the upper three quartiles (79 percent vs. 98 percent) and had fewer accounts when they were banked. Individuals in low-income families were also less likely to be named on at least one account.

- Men and women were equally likely to be named on a bank account in both higher and lower income families and, among low income families, the chance of one partner having a bank account is highly correlated with his or her partner having an account.

- When low income women have more bargaining power, they and their families are more likely to have bank accounts. However, women's bargaining power was not related to the likelihood that their male partners had bank accounts.

- These findings show that intra-household dynamics matter for banking behavior and suggest that these dynamics should be considered when designing policies that attempt to connect families with bank accounts or other mainstream financial products.