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# Luxembourg Income Study Working Paper Series

Working Paper No. 251

Gender equality in earnings at work and at home

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## 5 Gender equality in earnings at work and at home

*Annemette Sørensen*

### **Introduction<sup>1</sup>**

One of the defining characteristics of gender relations in modern society is that women earn clearly less money than men on average, and most earn less than the man they live with. This economic dependence of women on men has been seen as the major bulwark of systems of gender inequality (Chafetz 1990), and as a central mechanism by which women's subordinate position in society is maintained. Economic dependence on men is an important means of support for the majority of women, but it entails a lack of control, a lack of rights and a sense of obligation (Lister 1990). By contrast, income from earnings brings not just money but control, independence and self-esteem. During the twentieth century, women's labour force participation increased, entry barriers to occupations were lowered and wages improved (Reskin and Padavic 1994). The sexual division of labour has changed, and a convergence of women's life course towards men's has been observed in all the rich industrialised countries, although to varying degrees. The Nordic countries of Denmark, Finland, Norway and Sweden, enjoy the reputation of having approached gender equality much more closely than the three other countries discussed in this chapter, namely Germany, the Netherlands and the United Kingdom. There is good evidence that this is indeed the case with respect to labour force participation and wages (Blau and Kahn 1992; Asplund *et al.* 1996; Blossfeld and Hakim 1997; see also chapter 4). However, it is less clear how distinct the Nordic countries are from the other three in terms of gender earnings inequality, which is the focus of this chapter.

As women's life course has become more like men's, gender inequality in earnings has narrowed and gender relations have changed. Many women have gained financial independence, and men are less likely to shoulder the responsibility of being the sole supporter of the family.

Such changes have been celebrated by feminists as emancipatory and liberating for both women and men, and as strengthening the foundation for true love between partners. Other commentators have taken them to mean that marriage (or partnerships) stand to be undermined; women will lose interest in marriage because they can support themselves, and both men and women will be more likely to leave unsatisfactory marriages. This independence thesis finds proponents both in sociology (from Parsons 1949 onwards) and economics (Becker 1981). Central to this argument is that as women become more economically independent of men, the gain to marriage is reduced for both sexes. The complementarity and interdependence that exists in partnerships where one spouse specialises in market production and the other in domestic activities dissolves if both spouses are employed full time and share housework (Becker 1981).

This view has been challenged by Oppenheimer (1997), among others, who suggests that while women's earnings provide financial independence, they also raise family income and standard of living. An increase in both spouses' gain to marriage is thereby possible. As more married women make substantial contributions to family income, men may become more interested in marriage because they are no longer expected to be the sole provider for the family and because they have an opportunity to share in their wife's earnings. It has been shown, for example, that in countries where married women are not heavily penalised in the labour market, highly educated women are more likely to marry than those with less education (Blossfeld 1995; Oppenheimer and Lew 1995). Men also become more dependent on women's earnings for maintaining a satisfactory standard of living and they share more equally in the financial risks associated with a loss of one income due to a breakdown of the marriage. This suggests that as a society moves towards more earnings equality between spouses, both husband and wife will have some financial independence, yet at the same time remain quite dependent on each other. Independence for women may then *not* undermine interdependence between spouses, but rather strengthen it. In this chapter, I show that gender equality in earnings between spouses does in fact increase men's dependence on their partner's income, and that more equality in earnings means more equal sharing of the economic risks associated with divorce.

An increase in women's earnings will of itself reduce gender inequality in earnings, unless men's earnings increase at the same rate. However, the equalising process might be accelerated if men saw this as an opportunity for working less and making less money, and instead

taking more responsibility for the domestic sphere. If this were the case, we might see men less likely to have very high earnings and women more so, and there may be an increase in the proportion of couples contributing fairly equally to family income. Another possible outcome of women's greater earnings is a *qualitative* change in the sexual division of labour. If more men took on a greater share of domestic responsibilities so that both parents were about as likely to take primary responsibility for children and family and to be the secondary earner, men would become equally likely to have low earnings and be financially dependent on their spouse. Under this scenario there would also be more earnings equality between men and women, but it would be equality only on the aggregate level; on average, men and women would earn about the same, but inequality between spouses would be fairly large with one dependent on the other for financial support. The difference between this scenario and the more familiar situation is that economic dependence in marriage would be unrelated to gender; men would be as likely as women to earn less than their spouse. It remains an empirical question whether the increase in women's earnings, in addition to reducing the gender gap in earnings, has also resulted in the more fundamental shifts in gender relations that these two scenarios depict.

In this chapter I examine how far Denmark, Finland, Norway and Sweden have achieved gender equality in earnings. I contrast these Nordic countries with Germany, the Netherlands and the United Kingdom in the mid-1990s, and include some comparisons to the situation in the 1980s. While all these countries have experienced the same general changes in women's roles and positions, when these began and how fast they have progressed vary greatly. There is every reason to expect substantial country differences at the end of the twentieth century, and that the four Nordic countries as a group have moved closer to realising the political goals of gender equality in the labour market and a lessening of women's economic dependence on men. The reason for examining change between the 1980s and the 1990s is to see if there are indications that the non-Nordic countries have caught up with the others, either because the Nordic countries have reached a saturation point or because there has been a backlash there, especially in Sweden and Finland, due to the economic depression of the early 1990s.

There are three parts to the empirical analysis. The first is an examination of the gender differences in earnings for adults aged between 18 and 60. The second part concerns women's economic dependence on the men they live with and how much having small

children increases that dependence. The third part of the analysis takes up the question of how more equality between spouses affects their dependence on each other and the inequality of economic risks.

### Data and measures

The Luxembourg Income Study (<http://lissy.ceps.lu>) provides data for all seven countries. Most of these analyses are based on data from the late 1980s and early to mid-1990s, depending on availability. The LIS data are relatively well-suited to the study of gender equality in earnings because each survey provides information on individual earnings for all adult household members, as well as relatively good data on total household income and transfer income. Earnings are defined as a person's income from salary, wages or self-employment. Self-employment income is reported only at the household level. To assign self-employment income to individual members of a household, data on employment status and occupation were used to determine who in a given household was self-employed. If both the head and the spouse were self-employed, they were each assigned half of the reported self-employment income. This probably means that men's self-employment income is underestimated, resulting in a conservative estimate of the gender disparity in earnings. Pre-tax earnings were used throughout the analyses and only respondents between 18 and 60 years of age were included. This means that I am not describing gender inequalities in take-home pay or standard of living but in incomes generated from the labour market.<sup>2</sup>

Gender equality in earnings is measured in two ways. The gender gap in earnings is simply the ratio of women's to men's mean earnings, including individuals with no income from earnings. The other measure examines the position of men and women in the earnings distribution for those aged 18 to 60, again including those without income from earnings. The percentages of male and female earnings at different deciles in the earnings distribution provides a more sensitive measure of inequality between the sexes than the gender gap measure because it is insensitive to the overall level of earnings inequality. In the Nordic countries, earnings inequality is low compared to Germany, the Netherlands and the UK (see chapter 2). For this reason, the gender gap in wages may emerge as considerably smaller in the Nordic countries, while measures that look at the position of men and women in the earnings distribution tend to show considerable gender differences also (Blau and Kahn 1992; Asplund *et al.* 1996).

A woman's economic dependence on her partner is measured by her contribution to the couple's income from earnings (Sørensen and McLanahan 1987). Couples are assumed to pool their earnings and share them equally. The economic dependence of the woman is then measured as the difference between the man's and woman's relative contribution to the family earnings:

$$\text{DEP} = (\text{his earnings} - \text{her earnings}) / (\text{his earnings} + \text{her earnings})$$

The measure, DEP, varies between +1 and -1. If the woman is completely dependent on her partner, DEP is 1; if they contribute equally it is zero, and if he is completely dependent on her, DEP is -1. There is a direct relationship between this measure of dependence and the wife's relative contribution to the couple's earnings ( $\text{REL} = (1 - \text{DEP})/2$ ).

The measure of dependence employed here is somewhat limited because it does not take into account income from earnings-determined transfer income, the most important sources of which are unemployment insurance, disability insurance and parental leave schemes. By excluding such sources of income, I clearly underestimate earnings-related income for some people. Take the case of a Norwegian woman who takes parental leave for a year. She will have no earnings, but she will receive income from the parental leave insurance, which may be almost as high as her regular earnings. With the measure I employ here this woman will be completely dependent on her partner, which is not the case in reality. Another example is of an unemployed husband who while searching for a job receives unemployment compensation. One could argue that income from parental leave schemes or unemployment insurance is a less valued currency than earnings, but that seems difficult to defend since both are dependent on being in the labour force and thus normally having earnings. It is thus likely that the validity of my measure of income dependence is somewhat problematic because it will systematically overestimate the dependence of some people. Since the main interest here is to compare seven countries, the most important question is how the comparisons may be affected by this weakness in the dependence measure. I predict that I will somewhat overestimate women's economic dependence in the Nordic countries and thus underestimate the extent to which those societies have actually moved towards equality between partners. Women in all seven countries are more likely to have reduced earnings due to family responsibilities, but it is in the Nordic countries that the shortfalls are most likely to be made up by transfers from the

government or an insurance programme. In other words, it is likely that the results presented below give a conservative picture of the true differences between the Nordic countries and the rest with respect to income equality between partners.

Based on the continuous measure of income dependency, a variable is constructed classifying people according to the level of equality in earnings between partners. The variable has five categories: respondent provides all earnings; respondent has the higher earnings; equal contribution, meaning respondent provides 40 to 60 per cent of earnings; respondent has the lower earnings; respondent has no earnings.

I use a very simple measure to gauge the extent to which men and women share the financial risks associated with a divorce and thus the degree to which men, even when earning more than their spouse, depend on their wife's earnings. Couples' gross income from earnings and transfers is compared with what the gross income would be in the absence of one partner's earnings.

### **The gender gap in earnings**

If women and men work the same number of hours and are paid equal wages, there will be earnings equality. If women work fewer hours but are paid equal wages, there will be earnings inequality between the sexes, and if women not only work fewer hours but are paid less than men per hour, earnings inequality will be substantial. In this analysis, I am only interested in the joint outcome of labour supply and wages. The average woman's earnings is compared to the average man's. This provides a simple indicator of the degree to which there is gender equality in earnings in a society. Individuals without earnings are included in the calculations, since the interest is in forming a global picture of women's income from earnings compared to men's, not to gain insight into gender differences in wage rates, discrimination and the like.

Table 5.1 shows the ratio of women's average earnings to men's in the mid- to late 1980s and the early to mid-1990s. In the 1990s the Scandinavian countries as a group had the lowest gender gap in earnings, with ratios ranging from 0.54 in Norway to 0.72 in Finland. German and British women earned about 45 per cent of what men earned, and Dutch women 40 per cent. Clearly, there was more equality by this measure in the Nordic countries, and it resulted from relatively low gender differences in wages (Asplund *et al.* 1996) and labour supply (Blossfeld and Hakim 1997). However, despite decades of efforts to



Table 5.1 The gender gap in earnings, all women and men 18–60 years old

<i>Country</i>	<i>1980s</i>	<i>1990s</i>
Denmark (1987, 1992)	0.63	0.66
Finland (1987, 1995)	0.68	0.72
Norway (1986, 1995)	0.49	0.54
Sweden (1987, 1995)	0.64	0.66
Germany (1984, 1994)	0.38	0.44
Netherlands (1987, 1994)	0.31	0.40
UK (1987, 1995)	0.37a	0.45

*Note:*

a excluding income from self-employment.

achieve equality in both labour supply and wages, Nordic women continue to earn considerably less on average than men.

Compared to the 1980s, all seven countries have narrowed the gender gap in earnings. In Germany, the Netherlands and the UK the greatest changes took place, but the gender gap in these countries in the 1990s remained larger than it was in the Nordic countries in the 1980s. It is interesting to note that the sharp economic downturn in Finland and Sweden early in the 1990s does not seem to have resulted in a widening of the earnings gap between men and women.

The gender gap in earnings is a rather crude measure. Table 5.2 therefore takes another look at the gender differences in earnings by comparing the relative position of men and women in the pre-tax earnings distribution for all 18 to 60 year olds in the early to mid-1990s. Men and women without earnings are again included in the analysis, so that what we are looking at is the overall similarity or difference between men and women.

Women in all countries were more likely to have very low earnings than men. For example, while 17 per cent of men in Denmark had earnings at or below the second decile, 23 per cent of women did; the respective figures for the other Nordic countries are fairly similar, although in Norway the disparity is somewhat less. In Germany, almost a third of women had no earnings, compared to 12.8 per cent of men. In both the Netherlands and the UK high percentages of the sample had zero earnings. In the Netherlands 20 per cent of men and almost 40 per cent of women were in this situation in 1994. In Britain, 24 per cent of men and 38 per cent of women had no income from earnings. Overall, women in the Nordic countries were somewhat less concentrated in the lowest deciles of the earnings distribution

Table 5.2 The gender gap in earnings, and the percentage of women and men with very low and very high earnings in Denmark, Finland, Norway, Sweden, Germany, the Netherlands and the United Kingdom in the 1990s, all women and men 18–60 years old

Country		Earnings 2nd decile	Earnings in 3rd, 4th and 5th decile	Earnings in 6th and 7th decile	Earnings in 9th and 10th decile
DK 92	Men	17.0	22.9	17.5	30.8
	Women	23.0	37.3	22.5	9.0
FIN 95	Men	18.7	26.8	15.3	28.5
	Women	21.3	33.3	24.7	11.4
N 95	Men	13.7	21.9	18.1	33.0
	Women	26.4	38.1	21.9	6.9
S 95	Men	17.8	21.9	16.7	30.7
	Women	22.2	38.3	23.2	8.9
D 94	Men	10.6% No	19.8a	22.9	32.5
	Women	31.5% earnings	38.1a	17.0	7.7
NL 94	Men	19.7% No	11.7a	18.7	35.2
	Women	39.8% earnings	28.4a	21.3	4.9
UK 95	Men	24.3% No	8.3a	21.2	32.4
	Women	37.7% earnings	28.0a	18.9	8.6

Note:

a Percentage with earnings below the median.

than in the other three countries, but were still more likely to be there than men.

If we turn our gaze to the upper part of the earnings distribution, it becomes quite clear that the Nordic countries differ little from the Netherlands, Germany and the UK in terms of women's chances of having very high earnings. The percentage of women with earnings in the 9th or 10th decile ranges from a high of 11 per cent in Finland to a low of 5 per cent in the Netherlands, with the other countries varying between 7 and 9 per cent. In contrast, it is quite common for men to have earnings this high. In the non-Nordic countries and Norway, fully one out of every three men falls into this category. The respective figure in Denmark, Finland and Sweden is about 30 per cent, which means that the *gap* between men and women's chances of being high earners is slightly lower in these three countries than in the other four. However, the overwhelming impression from the figures in Table 5.2 is that the Nordic countries do not distinguish themselves as societies where women and men have equal chances of having high earnings. This is quite remarkable given the claims of gender

equality made in all the Nordic countries. While there is an element of truth in these claims, the hard fact remains that women in Denmark, Finland, Norway and Sweden are no more likely than their sisters in the other countries to have earnings that place them in the upper two deciles of the earnings distribution.<sup>3</sup>

Thus the achievement in the Nordic countries seems to have been to pull the majority of women out of the bottom part of the earnings distribution, both by encouraging employment and by having relatively high minimum wages. The modal category for women in all the Nordic countries is the 3rd to 5th decile, and a substantial percentage have earnings that place them above the median in the 6th to 7th decile. Compare this to the modal category for Nordic men, which is the 9th to 10th decile, and we see how far these countries are from having achieved gender equality in earnings.

The figures in Table 5.2 do show an increase between the 1980s and 1990s in the percentage of women with earnings above the lowest earnings category in all seven countries. There was also a small increase in the percentage of women with very high earnings (figures not shown). Typical of change in the high earnings category is that whereas 9 per cent of Danish women in 1992 had very high earnings, 7 per cent did so in 1987. In Sweden, the percentage increased from 8 to 9 over a seven-year period (1987 to 1995). Glacial change indeed.

### *Summary*

This picture of gender equality in earnings shows three important things: 1) despite great increases in women's labour force participation and a narrowing of the gender gap in wages, there remained substantial inequality in earnings between the sexes towards the end of the twentieth century. 2) The Nordic countries do appear to have moved further than others in the direction of equality in earnings between the sexes. This is evident both in the smaller gender gap in earnings and in the somewhat better position of women in the earnings distribution. 3) The important achievement in Denmark, Finland, Norway and Sweden has been to provide the vast majority of women with the opportunity to have income from earnings that provide some financial independence. But the achievement is considerably more modest in terms of high earnings: Nordic women are unlikely to have very high earnings and are only marginally more likely to be high earners than women in other European countries. 4) Taken together this means that greater gender equality in earnings in the Nordic countries has been achieved because most women have some earnings, not because

of a fundamental change in gender relations. We do not see evidence of large numbers of Nordic men earning modest incomes or no incomes at all. Put differently, women's economic roles have become more like men's, whereas there is little indication that men have responded to this change by reducing their earnings or labour supply.

### **Women's economic dependence on men**

Inequality in earnings between men and women translates into inequality in earnings between men and women living together, so that many women contribute less to household income than their partners. If we assume that couples pool and share resources, this means that many women are financially dependent on their spouse (Sørensen and McLanahan 1987; Ward *et al.* 1996). As a society moves towards greater earnings equality between the sexes in the labour market, women's economic dependence should decline, although it is impossible to say by how much without knowing whether there are changes in the pattern of mate selection. The figures presented in Tables 5.3 and 5.4 show how much women depend on their spouse in each of the seven countries considered here. The results in Table 5.3 are for men and women living with a partner where at least one has income from earnings. Table 5.4 reports results for couples with at least one child under seven years of age. As discussed above, the limitation of the dependence measure to income from earnings probably means that women's economic dependence is overestimated, especially in the four Nordic countries.

It is clear that women in the four Nordic countries are far less dependent on their partner than women in the other three countries. The differences are all the more surprising given that I have probably overestimated women's economic dependence in the former (see earlier). Finnish women's average dependence is 0.15, meaning that they rely on their spouse for 15 per cent of their share of the couple's combined earnings. In Denmark, Norway and Sweden the corresponding figures are about 22 per cent. These low dependency scores are in stark contrast to what we see for the Netherlands, where married women in 1994 relied on their spouse for 53 per cent of their share of the couple's earnings. In Germany and the UK, the figures are 39 per cent and 36 per cent, respectively. Put differently, Finnish women contribute about 42 per cent of the couple's earnings, compared to only 23 per cent in the Netherlands.

There was a decline in women's economic dependence from the 1980s to the 1990s (figures not shown). This was most pronounced in

Table 5.3 Women's economic dependence on their partner, couples with income from earnings

<i>Country and year</i>	<i>Mean dependence</i>	<i>Woman has no earnings</i>	<i>Woman earns less than man</i>	<i>Equality in earnings<sup>a</sup></i>	<i>Woman earns more than man</i>	<i>Woman sole earner</i>
Denmark 1992	0.22	12.2%	50.4%	21.3%	10.5%	5.6%
Finland 1995	0.15	12.1	44.5	17.6	16.7	9.1
Norway 1995	0.22	13.4	53.4	14.0	10.1	9.1
Sweden 1995	0.23	8.7	57.9	15.5	12.3	5.5
Germany 1994	0.39	33.5	39.2	9.6	6.3	11.5
Netherlands 1994	0.53	39.8	41.2	7.6	2.5	7.8
UK 1995	.36	25.8	46.3	12.5	5.0	10.3

*Notes:*

Dependence = (man's earnings - woman's earnings)/(couple's earnings)

a Equality in earnings is defined as each partner contributing between 40 per cent and 60 per cent to the combined earnings.

Norway, where the mean dependence for married women was almost halved in nine years. Germany also saw a substantial decline, from 0.58 in 1984 to 0.39 in 1994.<sup>4</sup> However, it is interesting to note that Germany, the Netherlands and the UK by the mid-1990s still had dependence scores that were higher than those for the 1980s for Denmark, Finland and Sweden.

The low economic dependence of women in the Nordic countries does not mean that the majority of couples are equal with respect to earnings, nor that a major shift in the sexual division of labour has taken place, with men as likely as women to be the dependent partner. This is clear from the results in Table 5.3, and of course consistent with the findings on gender inequality in earnings. We see in Table 5.3 that the modal category in all seven countries is the couple where the woman earns less than her partner. This group constitutes 58 per cent of all Swedish couples, half of all Danish couples, and almost half of British couples. The Nordic countries stand out in three respects from Germany, the Netherlands and the UK. First, the percentage of married women without earnings in the former is considerably lower, ranging between 9 per cent and 13 per cent, while about a third of married women in the other countries have no earnings. Second, the percentage of couples where each partner earns about the same is a little higher, and third it is a little more common for Nordic women

Table 5.4 Women's economic dependence on their partner, couples with income from earnings and at least one child under 7 years old

<i>Country and year</i>	<i>Mean dependence</i>	<i>Woman has no earnings</i>	<i>Woman earns less than man</i>	<i>Equality in earnings<sup>a</sup></i>	<i>Woman earns more than man</i>	<i>Woman sole earner</i>
Denmark 1992	0.27	12.7	56.3	18.1	8.9	4.0
Finland 1995	0.36	21.2	47.9	14.5	11.6	4.8
Norway 1995	0.34	16.0	57.7	13.4	7.1	5.8
Sweden 1995	0.41	13.1	66.7	9.4	7.9	2.9
Germany 1994	0.61	50.8	34.5	3.1	3.3	8.4
Netherlands 1994	0.61	44.8	41.0	5.7	3.6	5.0
UK 1995	0.56	41.4	41.4	7.9	3.2	6.1

*Notes:*

As for Table 5.3.

to earn more than their spouse. In Denmark one in five couples has equality in earnings, and in 16 per cent of couples the woman has the highest earnings. In Finland equality is a little less common, but the woman has the higher earnings in one of four couples. Norway and Sweden are somewhere between the Danish and Finnish cases. In contrast, we see that equality in earnings was found among only 10 per cent of couples in Germany, 8 per cent in the Netherlands and 12 per cent in the UK.

As shown in chapter 4, a hallmark of family and gender equality policies in the Nordic countries has been to facilitate the employment of mothers with young children. The results presented in Table 5.4 show that these policies have worked in the sense that being the mother of a pre-school child has less of an impact on her economic dependence on her spouse than is the case in the other three countries. For example, in Denmark married women with small children are as likely to have earnings as other employed women (87.3 per cent compared to 87.8 per cent). They do earn less, and are for that reason somewhat more dependent on their spouse, but the mean economic dependence remains low at 27 per cent. In the other three Nordic countries, having a small child has a slightly stronger effect on the mother's economic dependence, largely because a higher percentage of mothers have no income from earnings than in Denmark. In Germany and Britain married mothers with small children are considerably more dependent on their spouse for support than are other

married women. There is less of a difference in the Netherlands because married women without small children are also highly dependent.

The results presented in Tables 5.3 and 5.4 show that while the Nordic countries have definitely made progress in earnings equality between spouses, the typical couple remains one where he earns more than she does, and where both spouses have earnings even when there is a pre-school age child in the household. It is perhaps in this way that the Nordic countries are most distinct from the other countries considered here. Both men and women expect and are expected to be employed and to help support the family, even when the children are small. The minor variations between the Nordic countries do not detract from the fact that more equality between spouses prevails than in Germany, the Netherlands and the UK. The Nordic countries also stand out as societies where a *substantial* minority of couples exemplify less traditional gender relations. More than one in four couples is not following the traditional pattern of female dependence in marriage. Perhaps this is among the first signals of deeper social changes in the ways men and women organise their lives in the Nordic countries.

### **Implications of equality between partners**

While gender equality in the labour market and at home has not occurred in any known society, the present results reveal that the Nordic countries have arguably come closer to achieving this than others, and most certainly more so than the three other countries considered here. Gender equality would have numerous consequences for individual men and women, and for society in general. I shall here consider the argument presented earlier that equality between spouses means not only that women would become more independent but also that men would rely more on their spouse's income, and that both would share more equally the financial risks associated with a divorce (Oppenheimer 1997). This argument is important because it questions the common assumption that financial independence for women lowers the gain to marriage and undermines interdependence between men and women living as partners.

Having income from earnings provides the individual with a measure of financial independence, even if the earnings are low. As Valerie Oppenheimer notes: 'a relatively small amount of earnings may actually provide a married woman with the ability to act independently in the sense of making a variety of consumption decisions on her own and increasing her influence in joint consumption decisions'

(Oppenheimer 1997: 444). The twentieth century was when women gained such independence. How relations between men and women are affected by this independence has been the focus of much work on the family since the 1970s, the central concern being the decline in marriage and the increase in divorce that coincided with women entering the labour force in record numbers. Some of the earlier research on the effects of women's income on marriage and divorce emphasised that women's income had both income and independence effects (e.g. Hannan and Tuma 1978). Women's income (either from earnings or welfare benefits) increases family income and also provides women with a measure of financial independence. It remains unclear how women's income will affect the stability of a marriage. Better household income tends to have a stabilising effect; on the other hand, more economic independence may provide opportunities for leaving an unsatisfactory relationship. Since then, the literature in both economics and sociology has tended to favour the independence hypothesis, so that it is now virtually taken for granted that women's economic independence lowers the gain to marriage and thus poses a threat to both marriage formation and its stability. The aggregate trends in women's contribution to family income, and in marriage and divorce are consistent with this hypothesis, but at the individual level there is a surprising lack of empirical support for it (see Oppenheimer 1997 for details).

Women's greater financial independence clearly also has implications for men, one of which is that as women earn more money, men come to depend on that income.<sup>5</sup> They do so even if they are not economically dependent on their spouse in the sense that I have defined it earlier. The point made so forcefully by Oppenheimer (1997) is that when women begin to earn good money, albeit less than their husband, men enjoy the benefits of that income; they come to rely on it and will experience an economic hiatus if they lose it, either because the wife leaves the marriage or loses her job. This implies that the economic consequences of divorce for men should be worse in countries with more equality between spouses (Fritzell 1990). I agree with Oppenheimer that we need to take a careful look at the degree to which growing equality between partners, although providing financial independence to both, also creates economic interdependence and a sharing of economic risks which are absent in partnerships relying exclusively on male earnings.

The figures presented in Table 5.5 show in a very simple manner how Nordic men are more dependent on their partner's income than men in the other three countries with less equality. The mean decile position for couples in the distribution of gross household income are examined



Table 5.5 Mean decile position in the distribution of gross household income based on the couple's earnings and transfer income and the respondent's earnings and transfer income, couples with income from earnings or transfers

<i>Country and year</i>		<i>Mean decile position. Couple's earnings + transfer income</i>	<i>Mean decile position if partner's earnings were zero</i>	<i>Mean decile decline (women/men ratio)</i>
DK 1992	Men	6.5	4.2	2.3
	Women	6.4	2.8	3.6 (1.5)
FIN 1995	Men	5.4	3.7	1.7
	Women	5.2	2.7	2.5 (1.5)
N 1995	Men	4.8	3.4	1.4
	Women	4.6	2.1	2.6 (1.8)
S 1995	Men	7.1	4.9	2.2
	Women	6.9	3.4	3.5 (1.6)
D 1994	Men	5.6	4.1	1.5
	Women	5.5	1.8	3.7 (2.5)
NL 1994	Men	6.1	4.9	1.2
	Women	6.1	1.8	4.3 (3.6)
UK 1995	Men	5.4	4.2	1.2
	Women	5.3	2.2	3.1 (2.6)

under two conditions: 1) counting their combined earnings and transfer income, and 2) subtracting the partner's earnings from the combined earnings. This provides a very crude measure of how much the couple's financial position would alter if one income were to disappear, all else remaining constant including the need for income.<sup>6</sup>

In societies with more equality between partners, we should find that men risk a greater decline in economic status if they lose their partner's income than men in less egalitarian societies. And for women the opposite should be the case: the more a woman earns compared to her partner, the less the slide down the economic ladder were his income to disappear. This implies, of course, that the discrepancy between men and women's economic decline will be less, so that in egalitarian societies men, too, would be likely to suffer economic decline following the loss of their partner's earnings. These expectations are well supported by the data. The three societies with most inequality between spouses are indeed characterised by relatively small decile declines by men and much larger ones by women, following the loss of spouse's earnings. In the Netherlands, for example, men

would move 1.2 deciles down on average in the household income distribution, whereas women would drop a full 4.3 deciles if they lost their husband's earnings – more than a three-fold disparity. Although women in Germany and the UK are somewhat better off than in the Netherlands, the same pattern prevails with risks about 2.5 times those of men. Women in Finland and Norway would experience on average decline of 2.5 and 2.6 deciles, respectively, if they lost their husband's earnings. Men's risk in these countries is somewhat less, reflecting their higher earnings, with respective mean declines of 1.7 and 1.4 deciles. In Denmark and Sweden gender differences are also relatively small, with women's risk about 1.5 times greater, but the average decline for both sexes is somewhat higher than in Finland and Norway. In other words, Danish and Swedish partners are somewhat more dependent on each other's earnings for maintaining current economic status than is the case in Finland and Norway. Finally, the strong economic position of women in the Nordic countries is demonstrated by the fact that their decile category in the absence of their partner's earnings is above 2 in all four countries.

## **Conclusions**

In the analysis presented here, I have shown that in some ways the Nordic countries do indeed live up to their reputation as societies where women have achieved equality with men. To be sure, gender equality in earnings has not been achieved, but compared to the Netherlands, Germany and the United Kingdom it is quite clear that the earnings of Nordic women and men are considerably closer. It is also obvious that the similarities between the Nordic countries far outweigh the differences. But the Nordic gender gap in earnings remains non-trivial, with women's incomes about two-thirds of men's. Perhaps the most striking finding was that while Nordic women have made it out of the bottom of the earnings distribution, they have most definitely not made it into the top. Not only that, women in Germany and the UK are as likely as Nordic women to have earnings that place them in the top 20 per cent of the earnings distribution. More than a third of men in all countries earn this much.

On the home front, too, it is clear that there is more equality in the Nordic countries. Although the economic dependence of women is quite low, men still tend to have the higher earnings, although women very often earn about the same or more than their partner. Finally, it was shown that increasing domestic equality between men and women does make men more dependent on women's income, so that

their risk of economic dislocation upon losing spousal income becomes closer to the risk married women have always faced. While the simple analysis presented here is clearly only a first step, I believe it indicates that improved income equality between partners provides financial independence to both men and women, along with creating economic interdependence and a sharing of economic risks that is absent in partnerships relying exclusively on male earnings.

The four Nordic countries are approaching a situation where this type of economic interdependence is a fact of life for the vast majority of couples, and where gender inequality in earnings is low compared to other societies. It is tempting, of course, to attribute the distinctiveness of the Nordic countries in this way to the raft of gender and family policies assembled over the past four decades in the context of the Nordic welfare state (see chapter 4). The welfare state did indeed at an early stage provide a framework in which it became easier and more acceptable for women to pursue employment without having to sacrifice a family. It is also likely that developments in the welfare state which tied benefits to labour force participation played a significant role in keeping many women in employment who would otherwise have preferred staying home with small children. The Nordic social democratic welfare state substantially increased the opportunity costs of being a housewife, and thereby doubtless played an important role in the emergence of greater gender equality at home and at work. At the same time, however, it also made it more difficult for parents to choose to have one of them stay at home with small children. Finally, it is probably fair to say that the family and gender policies we find in the Nordic countries at the end of the twentieth century are as much a *result* of the changes that women's employment and earnings have brought to men and to families as they are the *cause* of the transition towards more equality between women and men.

## Notes

- 1 I have benefited from very helpful comments from Johan Fritzell during the preparation of this chapter.
- 2 Earnings after tax would provide a more valid picture of how much money people bring home. Several of the surveys used here do not, however, provide sufficient information at the individual level to calculate after-tax earnings for each member of a household. Since taxation tends to redistribute income between men and women, especially in the Nordic countries (Sørensen 1992), this means that I am somewhat overestimating gender inequality in take-home pay for these countries. In other words, the results

will tend to underestimate the difference between the Nordic and the other three countries.

- 3 The lack of Nordic distinctiveness is even more pronounced when comparing the percentage of men and women with earnings in the 10th decile. The similarity between the seven countries is striking: about 3 per cent of women (although only 2 per cent in the Netherlands) and 17 per cent of men (but only 15 per cent in Finland) have earnings this high.
- 4 Some of this decline should no doubt be attributed to the unification of the two Germanies in 1990. The data for 1984 are for West Germany only.
- 5 This is, of course, what people mean when they claim families today need two incomes to get by.
- 6 In case of divorce, children are more likely to live with the mother than the father. This means that the typical father's need for income will decrease substantially, while the mother's will change little. The gender disparities in the decile decline in the equivalent gross income distribution will thus be considerably larger than those shown for the gross income distribution.