

ALIMONY RIGHTS INCREASE WOMEN'S INFLUENCE ON HOW FAMILY RESOURCES ARE USED

Family policy can affect the wellbeing of women and children without altering the resources available to their families. New research by Professor **Marcos Rangel**, published in the July 2006 *Economic Journal*, looks at the extension of alimony rights and obligations to cohabiting couples in Brazil in the mid-1990s and finds that it not only reduced the time that adult cohabiting women spent working but also increased the likelihood that their daughters would stay in school.

Rangel's research shows how family policy may alter the relative influence of individual members over how a given level of resources available to the family is allocated across goods and services. This reasoning follows from an insight of bargaining theory: observed behaviour reflects each individual's perception of costs and benefits as well as his or her relative 'power' in asserting private preferences during a household-level negotiation process.

Rangel examines the strength of this argument by studying the extension of alimony rights and obligations to cohabiting couples in Brazil in December 1994, the so-called *Concubine Bill of Rights*.

The Brazilian case offers an interesting empirical set-up that mimics a laboratory experiment in which a treated group is compared to control subjects. This is the case because while some couples are affected by the policy in question (people who are informally married), others are not (the formally married).

The prediction is that for women in intact relationships, alimony rights on dissolution should improve outside options, strengthening their negotiating positions and increasing their influence over intrahousehold allocation of resources. The evidence indicates that:

- The intrahousehold empowerment of women caused an increase in the female consumption of leisure and a reallocation of resources towards the schooling of older girls.
- Relative to their formally married counterparts, adult cohabiting women reduced their housekeeping activities by 0.7% and their labour supplied to the market by 3.2%.
- Moreover, the probability of attending school increased by 3.2% for their oldest daughters (relative to younger siblings), reflecting a reduction in school drop-out rates.
- This effect is stronger among households in which women would be more dependent on alimony if the relationship dissolved, that is, households headed by less educated women/mothers.

The focus on differential effects among children depending on gender and birth-order is motivated by the increased interest of economists in the allocation of resources within the household according to biological characteristics of children, an issue extensively discussed by sociologists and psychologists.

The results corroborate evidence on parent-child relationships documented in the psychology literature, with mothers being 'closer' to their daughters and first-born offspring. The evidence is also compatible with ethnographic research into Brazilian social norms related to the formulation of intergenerational contracts: daughters and first-born children

are typically the ones who provide functional and financial help to their senior parents. Since women normally live longer than men, and are expected to experience spells of widowhood, investment in care takers should be more attractive from the mother's perspective.

Some of the results are also compatible with the view that children receive relatively less investment from their stepfathers. The intrahousehold empowerment of mothers should, therefore, attenuate the effects of a lack of concern on the part of their partners.

This evidence strongly suggests that the intrahousehold allocation of resources is the outcome of an elaborate process, where observed decisions result from bargaining and negotiations between males and females with different preferences and varying abilities to assert their 'vision of the world' within the household.

The results also inform policy-makers that the effects of policies targeted at broken-family arrangements may spill over onto intact households, affecting the welfare of individuals in important and significant ways.

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Notes for editors: 'Alimony Rights and Intrahousehold Allocation of Resources: Evidence from Brazil' by Marcos Rangel is published in the July 2006 issue of the *Economic Journal*.

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