

Asymmetric Information in the Household: Fathers and Child Welfare

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Long Abstract

Development policies are often gender specific. Microcredits and cash transfer programs often target women with the hope of generating more household welfare, in particular for children. The rationale for gender specific policies is based on empirical evidence showing that the welfare improvements for children are greater if the cash transfers are directed to women, rather than to men (Duflo and Udry 2004; Duflo 2003). The conventional interpretation of these results is that women have a higher predilection for the well-being of children than men (Haddad and Hoddinott 1994; Hoddinott and Haddad 1995; Thomas 1997; Lundberg and Pollak 1993). According to economic theory, cash transfers contribute to improved female empowerment and bargaining power in the household, resulting in a spending pattern that conforms more closely with female preferences (Haddad and Hoddinott 1994; Hoddinott and Haddad 1995). The interpretation that differences in spending patterns between men and women mirror underlying preferences is based on the assumption of perfect information. The theoretical models assume that household members have access to perfect information regarding the marginal payoffs related to all household investment, and thereby make fully informed consumption and investment decisions. We propose the hypothesis that there is asymmetric information in the household, and that such a difference partially explains the empirically observed differences in revealed preference.

Recent evidence supports our hypothesis. A randomized control trial in Malawi showed that married men and women have different preferences regarding ideal fertility levels. When receiving information about the risk of maternal mortality, men's ideal fertility decreased, approaching that of their wives (Ashraf et al. 2016, not in circulation). While information asymmetries in the household result in the need for bargaining, relieving the information constraints can reduce differences in underlying preferences, thereby reducing the need for bargaining. There is reason to think that other aspects of household behavior are influenced by information asymmetries, such as household spending patterns. Previous research reveals a clear gender segregation in the division of household

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labor. At all income levels, women are responsible for the vast part of unpaid household work and childcare (Berniell and Sanchez-Paramo 2011). Such a labor division can contribute to women having access to better information regarding children and their needs, which factors into decision making processes; hence, it is possible that women’s higher investment in children, confirmed in the non-unitary household literature (e.g. Thomas, 1990), stems from them having better information regarding issues related to children’s well-being, such as the benefits of investing in child nutrition.

The study is a randomized control trial set in Mexico centered on the groundbreaking development program PROSPERA (formerly Oportunidades and Progresa). In collaboration with PROSPERA, we investigate whether information asymmetry regarding child health and well-being affect the allocation of resources within households. The research design is based on the random selection of fathers in selected villages to participate in informational meetings regarding child needs. These meetings are normally only attended by women as a mandatory part of the program. The impact of the information intervention is evaluated by studying differences in spending patterns between men that participated in the meetings with those who did not. The economic impact of the required attendance at informational meetings under CCT programs has been evaluated before. In Mexico, women who attended mandatory health and nutritional classes in order to receive in-kind transfers in the Food Assistance Program (PAL)¹ were less likely to have a large waist circumference compared to women who received unconditional transfers, indicating that the education requirement in the program significantly improved health behavior among women. However, living in a household exposed to health and nutrition information did not have any significant effect on the health behavior among men (Avitabile et al, 2012), possibly supporting the hypothesis of limited information transfers between spouses residing in the same household.

The aim this paper is to investigate the importance of information asymmetry to resource allocation within the household. In particular, the study explores whether men have access to less information regarding child health and well-being, and how this affects their willingness to allocate resources towards this purpose. Revealing gender-specific information constraints within the household could motivate development policies to focus on increasing information symmetry within the household. We argue that such findings would have three main implications. First, reducing information constraints, often a cost-efficient policy, can lead to more efficient resource allocation within the household. Second, it would reduce the potential for gender specific development policies that may reinforce gender stereotypical behavior, such as an inequitable division of labor within the household. Third, husbands are often found to have more bargaining power within the household in comparison to their wives. Reducing the differences in preferences within the household could thus provide an alternative or complementary policy to those aiming to increase women’s bargaining power within the household. The project is currently ongoing in the field. Preliminary results indicate that men have less access to information regarding healthy behaviors. The project will be finished spring 2018.

¹Programa de Apoyo Alimentario.