

# Do Parents Save More for a Daughter or a Son?

## Investigating Minorities to Understand Norms and Economic Incentives

Maya Haran Rosen<sup>1,2</sup>    Moriel Malul<sup>3</sup>    Nitsa Kasir<sup>3</sup>  
Orly Sade<sup>4</sup>

<sup>1</sup>Bank of Israel

<sup>2</sup>The Wharton School

<sup>3</sup>National Insurance Institute, Israel

<sup>4</sup>Hebrew University of Jerusalem

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# Overview

- Investigate unique case study of a government-sponsored savings program in Israel to investigate disparities in parental savings for children based on the child's gender
- We find disparities based on child's gender and investigate mechanisms
- We examine two minorities with similar cultural bias but with a different inter-household economic structure
- This unique setting enables us to differentiate between preferences and economic incentives
- We find that parents allocate more financial resources to children perceived as future breadwinners and the need to finance education
- We show that parents' favoritism is mitigated and even reversed when it is economically worthwhile

# Child savings accounts/Baby bonds

- Parents' savings for children can enhance children's future outcomes *e.g. Brown et al. 2023; Caucutt and Lochner 2020; Stein and Yannelis 2020*
- Specifically, child saving accounts facilitate future:
  - Child savings, especially for low-income households *e.g. Li et al. 2023; Zewde 2020; Loibl 2017; Elliott et al. 2013; Sherraden 1991*
  - College attainment (including minorities in the US) *e.g. Huang et al. 2021; Elliott et al. 2013*
  - Financial literacy *e.g. Brown et al. 2019; Demirgüç-Kunt and Singer 2017, Sherraden 1991*
- Growing interest around the world (529K, 401K for kids, child savings bonds etc.)

# Savings for Every Child Program

- "Savings for Every Child Program" (hereinafter SECP): Israeli government savings account program from 2017 for every child under the age of 18
- State deposits  $\approx$ US\$15/month/child. Parents can add US\$15 per month and choose institution and investment track
- Account fees paid by the government until age 21, bonuses by age milestones ( $\approx$ US\$130), funds can be used freely from age 18
- Large banks and leading financial institutions participate
- Investment tracks include different interest rates and risk levels, as well as religiously approved options (Islamic/Judaism)

# Savings for Every Child Program

- SECP is an important saving device that can have a large financial effect
- Estimated account size at age 18 can range from  $\approx$ US\$3,000 to  $\approx$ US\$20,000 depending on parents choices (additional deposit and saving track) (*Pinto and Gottlieb 2019*)
  - Year of college  $\approx$ US\$2,500
- Heterogeneity in parents active engagement in SECP by religion/ethnicity (*Haran Rosen and Sade 2022; Haran Rosen et al. 2021*)
- Evidence that parents' additional deposits are not correlated with shifting of other savings (*Haran Rosen and Sade 2022*)

# Minorities in Israel

- Arab: 20% of population
- Ultra-Orthodox Jewish: 10% of population
- Similar characteristics:
- High poverty rates (45%, 42% respectively)
- High fertility rate (Arab women fertility rate was 2.82, and 6.62 for Ultra-Orthodox woman)



# Unique cultural features - Ultra-Orthodox Jewish population

- Ultra-Orthodox men engage in religious studies while women are main breadwinners
- Relatively recent shift
- Influenced in part by government subsidies and community preferences
- Affects academic attainment
- This provides a unique opportunity to explore a scenario in which women emerge as the main breadwinners, despite prevailing cultural preferences that continue to prioritize men

## Minorities in Israel - cont.

<b>Workforce participation</b>	Women	Men
Ultra-Orthodox Jewish	89%	49%
Arab	45%	71%
Non-Ultra-Orthodox Jewish	84%	87%

<b>Higher education attainment</b>	Women	Men
Ultra-Orthodox Jewish	33%	7%
Arab	29%	19%
Non-Ultra-Orthodox Jewish	37%	43%

Source: Bank of Israel annual report, 2022



## Minorities in Israel - cont.

- Cultural gender bias is prevalent in both minority communities (CBS 2019)
- Women in-charge of housekeeping (91%, 81% vs. average Jewish population of 71%),
- Women also less likely to be in-charge of household finance (11%, 9% vs. average Jewish population of 20%)
- In both communities, men are more likely to help parents financially, while women are more inclined to provide physical care
- Dowry was once common in both cultures, but it is now neither prevalent nor substantial in these communities in Israel e.g. *Lehmann and Siebzehner 2009; Jayachandran 2015*

- Israeli Social Security administrative data
- Data: All parents' choices for children under 15 + social security data on household attributes
  - January 2020
  - 2,345,882 children ages 0.5-15
- Large administrative data, no sample selection (all children), same program and incentives including: type of accounts, tax structure, choice architecture, and information regarding the program
- Random assignment if boy or girl
- Investigating parents' additional out of pocket deposits which is a clean and direct financial decision

$$Y_i = \alpha + \beta_1 \text{Girl}_i + \beta_2 X_t + \epsilon$$

- $Y_i$  Parents' additional deposit to SECP for child  $i$
- $\text{Girl}_i = 1$  if child female 0 if male
- $X_i$  Household characteristics including: parents' education, parents' income from work and social security, marital status, number of children in family, age of child, age of parents, and for Ultra-Orthodox population if father full time religious scholar
- Logit
- First child in family / family fixed effects
- Run regression for each group separately

# Analyzing Gender-Based Differences in Depositing Additional Funds for the First Child

Depositing additional funds for child in SECP by group

	Logit average marginal effects		
	Ultra-Orthodox Jewish	Arab	Other Jewish
<b>Girl</b>	<b>0.03***</b> (0.01)	<b>-0.02***</b> (0.00)	<b>0.00</b> (0.00)
Controls	YES	YES	YES
Observations	110,302	239,067	693,615
Pseudo R <sup>2</sup>	0.08	0.10	0.10

## Odds-ratio for main regression

	Odds Ratio	95% Lower	95% Upper	Average %	Change in %
<b>UOJ</b>	<b>1.068</b>	1.042	1.094	39%	<b>16%</b>
<b>Arab</b>	<b>0.954</b>	0.936	0.972	25%	<b>18%</b>
NOUJ	1.008	0.998	1.018	64%	1%

# Investigating families that have both girls and boys

## Depositing additional funds for child in SECP by group

	Logit average marginal effects		
	Ultra-Orthodox Jewish	Arab	Other Jewish
<b>Girl</b>	<b>0.02***</b> (0.00)	<b>-0.02***</b> (0.00)	<b>0.00</b> (0.00)
Controls	YES	YES	YES
Observations	384,906	537,060	1,423,411
Pseudo R <sup>2</sup>	0.06	0.07	0.08

# Survey data

- The NII (National Insurance Institute) developed and conducted a household survey from July to December 2017 with 4,838 parents
- We use survey data to investigate parents' expectations regarding the use of the funds
- Analyze families with either only girls or only boys
- Higher education rates significantly influence the Arab population, with a notably higher impact observed among boys
- For girls in the Ultra-Orthodox Jewish community, education emerges as the predominant factor. For boys, however, the marriage market is identified as the primary influencing factor
- We are working on using survey to examine the relationship between parents' financial literacy and their savings choices

# Mother's academic attainment

## Depositing additional funds for child in SECP by group

	Logit average marginal effects		
	Ultra-Orthodox Jewish	Arab	Other Jewish
<b>Girl</b>	<b>0.02***</b> (0.01)	<b>-0.02***</b> (0.00)	0.00 (0.00)
<b>MotherAcad * Girl</b>	<b>0.01*</b> (0.00)	<b>-0.00</b> (0.00)	<b>-0.00</b> (0.00)
FatherAcad * Girl	-0.00 (0.01)	0.01 (0.00)	0.00 (0.00)
MotherAcad	0.17*** (0.01)	0.25*** (0.01)	0.22*** (0.00)
FatherAcad	0.22*** (0.01)	0.21*** (0.01)	0.26*** (0.00)
Controls	YES	YES	YES
Observations	384,892	537,023	1,423,281
Pseudo R <sup>2</sup>	0.08	0.11	0.10



# Mother's bargaining power

- We do not find evidence of the mother's bargaining power in the household to have an effect on outcomes
- Look at the mother's income out of household income
- Look if mother is in the top 20% of earners by gender

# Marriage market - Religious scholars

Depositing additional funds for child in SECP, only Ultra-Orthodox Jewish population

	Logit average marginal effects Ultra-Orthodox Jewish
<b>Girl</b>	<b>0.024***</b> (0.004)
<b>Father religious scholar * Girl</b>	<b>0.003</b> (0.004)
Father religious scholar	-0.11*** (0.007)
Controls	YES
Observations	384,902
Pseudo R <sup>2</sup>	0.05

# Conclusion

- Investigate the savings dynamics within child savings programs by children's gender
- The novel data and clean setup used in our analysis provide evidence of unequal savings for boys versus girls in minority communities
- Parents are saving (investing)  $\approx 16\%/18\%$  more for children that can use the funds to produce greater economic prospects
- We provide evidence of a predominant need to finance educational attainment

# Discussion

- Given the increasing significance of child savings programs, understanding the underlying disparities and thereby potential future inequalities is crucial
- Understanding the source and dynamics of gender favoritism in these programs can assist policymakers in targeting policies to mitigate potential disparities
- For example, when implementing such programs, policy makers need to target media campaigns, and financial literacy to mitigate disparities
- It can provide motivation for labor force programs including affirmative action

Thank you

Questions? Comments?

# Survey data

Parental expectations regarding the use of SECP funds by group and gender

	Gender	N	Education	Wedding	What child wants	NA
UOJ	Girl	30	<b>43.3</b>	<b>16.7</b>	26.7	10
	Boy	36	<b>11.1</b>	<b>44.4</b>	16.7	16.7
Arab	Girl	62	<b>74.2</b>	3.2	17.7	3.2
	Boy	82	<b>89</b>	0	4.9	2.4
NUOJ	Girl	706	54.1	1.8	28.3	9.5
	Boy	792	51.7	1.3	31.1	9.2

Source: NII Survey data, 2017

- There is evidence suggesting that education is the leading effect
- There is weaker evidence to suggest that the primary effect is a reluctance to provide funds to children as a means of curbing their independence.