
Addressing the Gender Wealth Gap: The Gender Gap in Superannuation

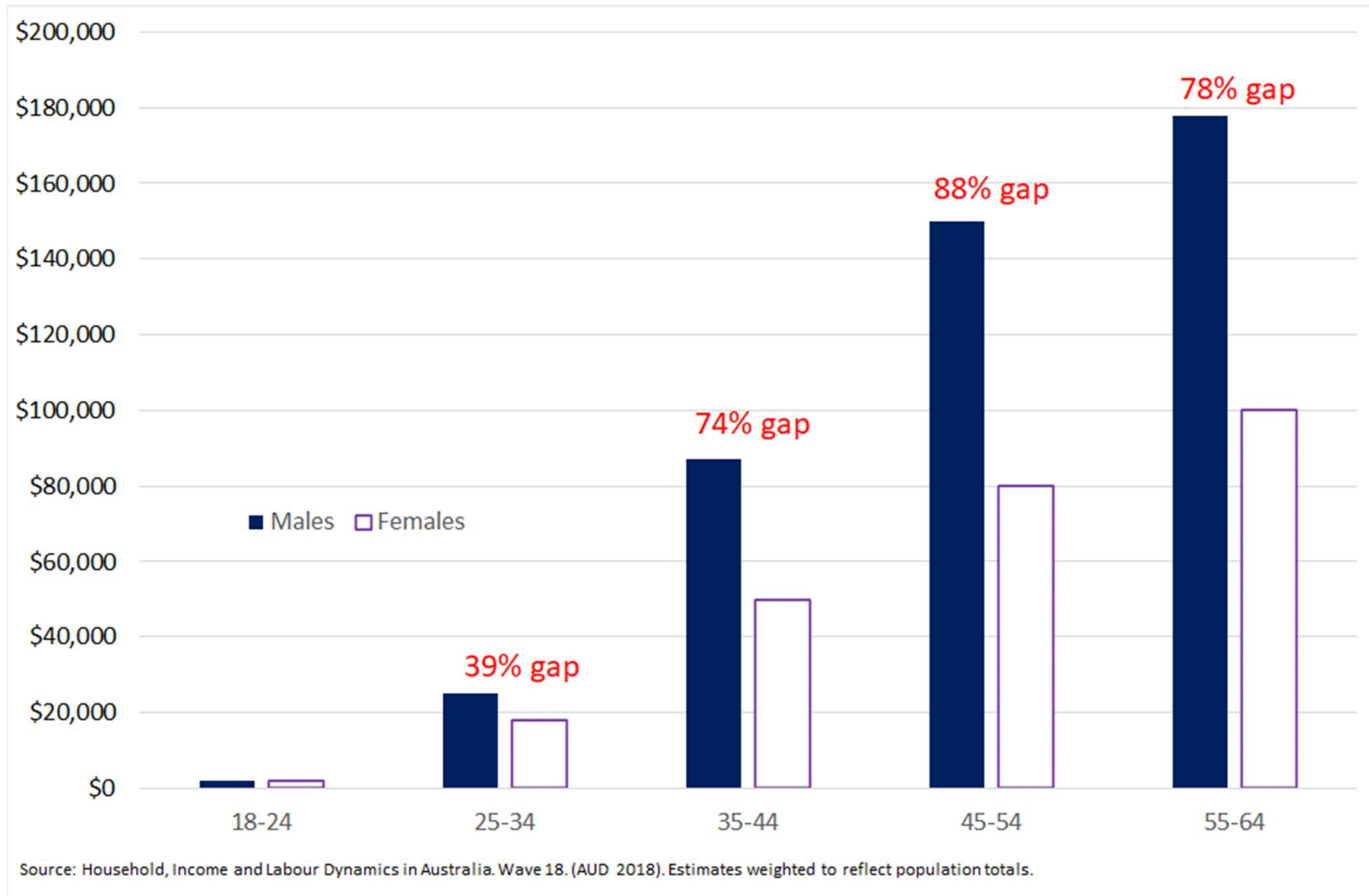
Background Material Prepared for the Committee for the Economic Development of Australia (CEDA) Livestream Event, 2 March, 2022.

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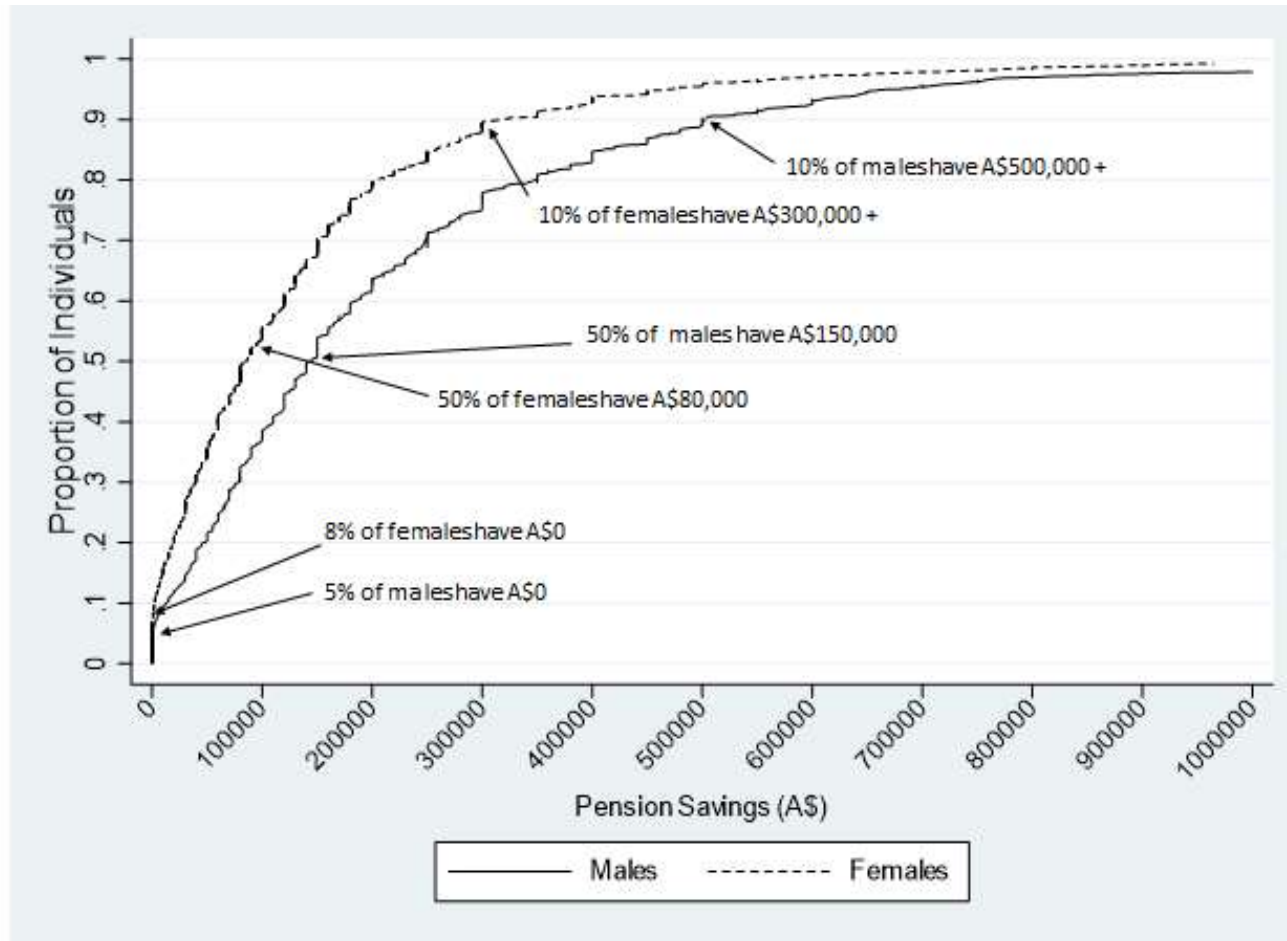
Disclaimer: Some of the material within this slide-pack are based on data from the Household, Income and Labour Dynamics in Australia (HILDA) survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this document, however, are those of the author and should not be attributed to either the DSS or the Melbourne Institute or CEDA.

Median Superannuation Balances: Non-retirees, Aged 18-64, 2018

Median Superannuation Balances by Age and Sex, 2018



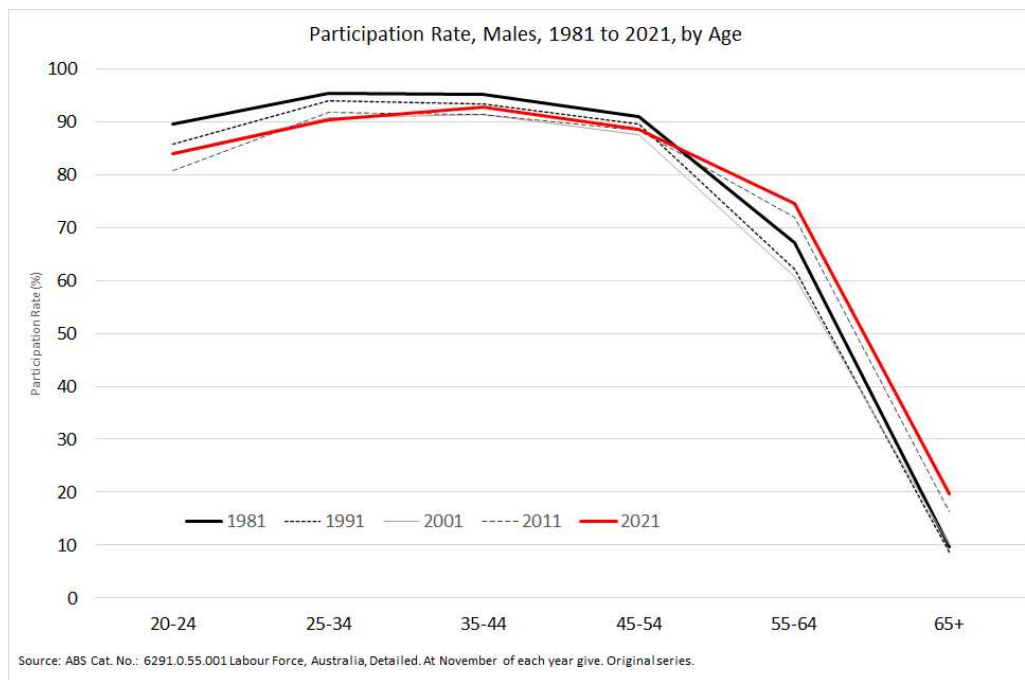
Cumulative Distribution of Superannuation Savings, Non-retirees, Aged 45-54, 2018



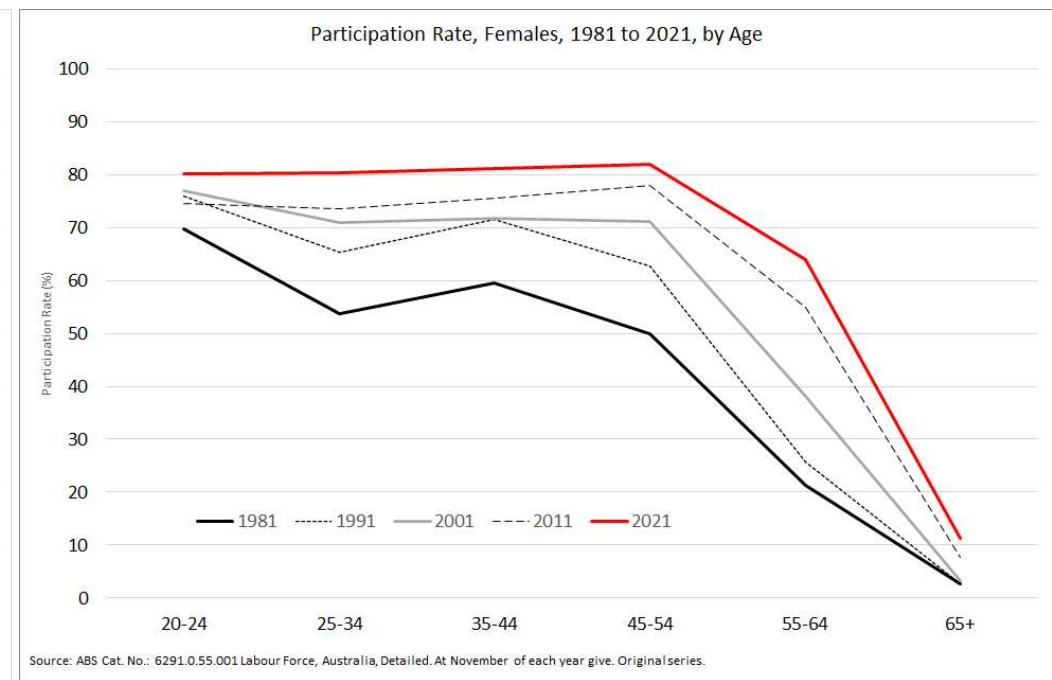
1. For graphing, the underlying sample is restricted to pension savings of less than A\$1m.
2. Sample: Aged 45-54 and not retired.
3. Source: HILDA, Wave 18.

Labour Market Participation Rates, by Age, Sex and Year

Males



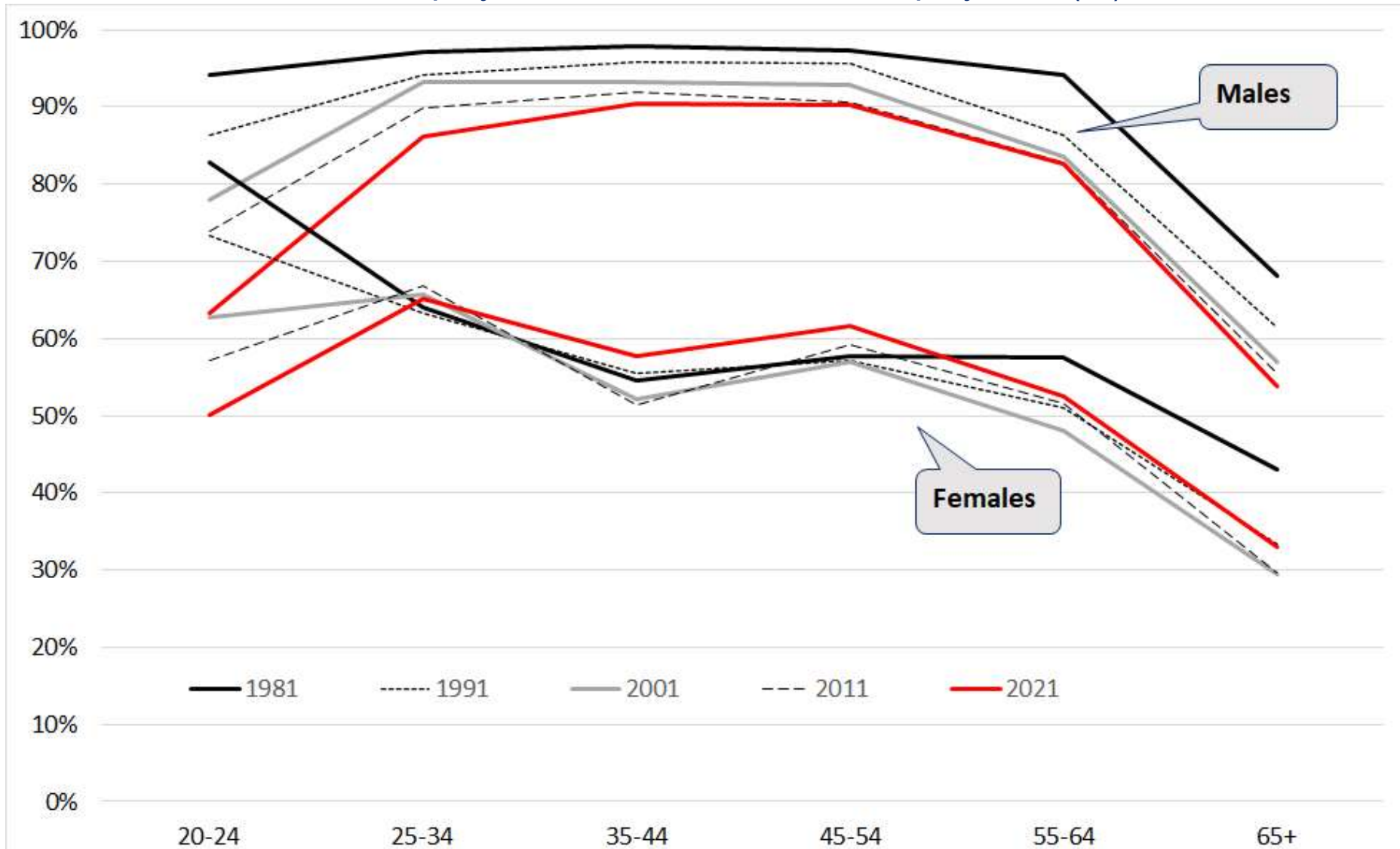
Females



Participation rate: % of each age group either employed or unemployed.

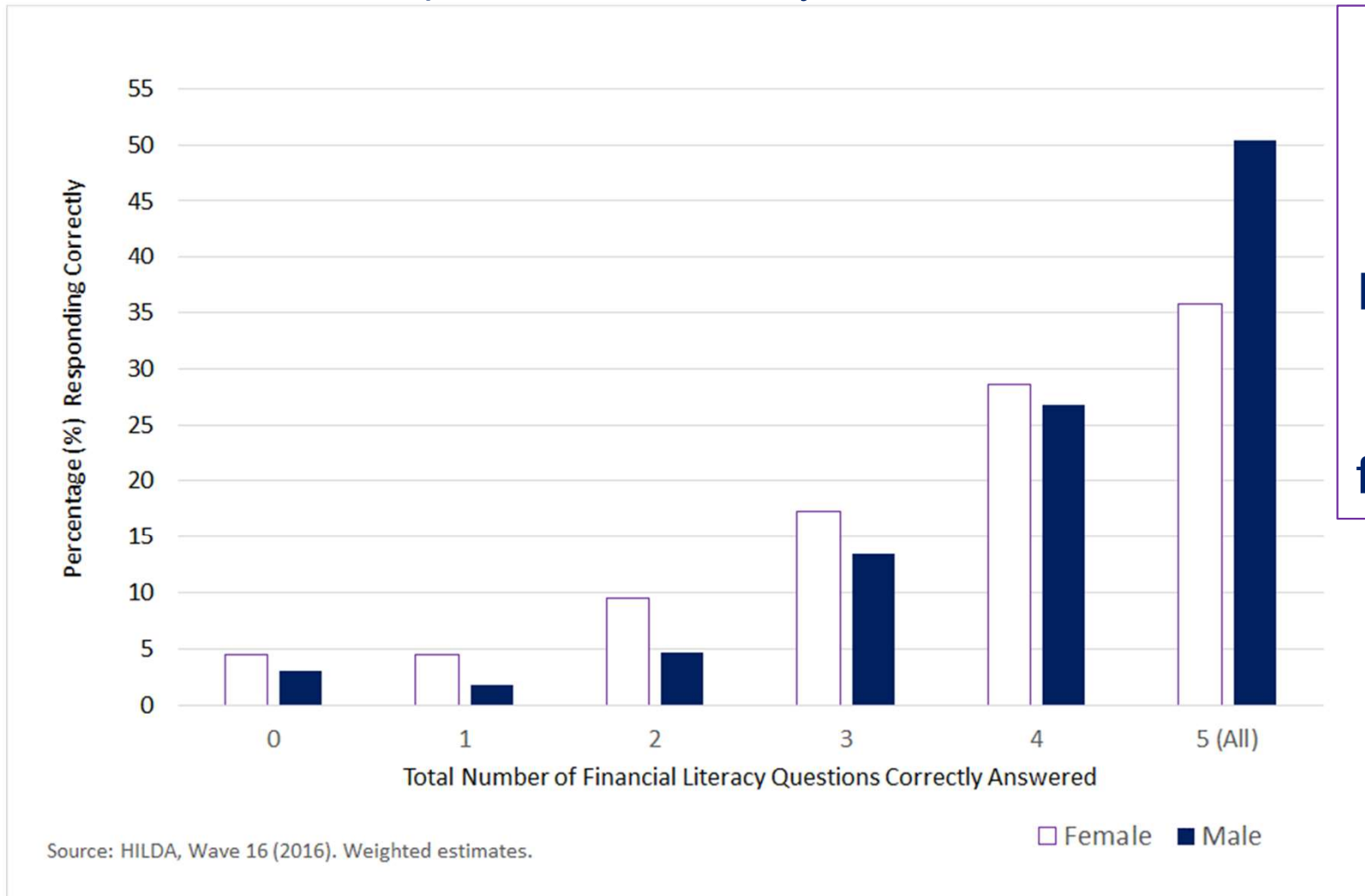
Full-Time Employment Share of Total Employment by Age, Sex and Year

Full-Time Employment as Share of Total Employment (%)



Gender Gap in Financial Literacy & Gender Gap Superannuation

Gender Gap in Financial Literacy

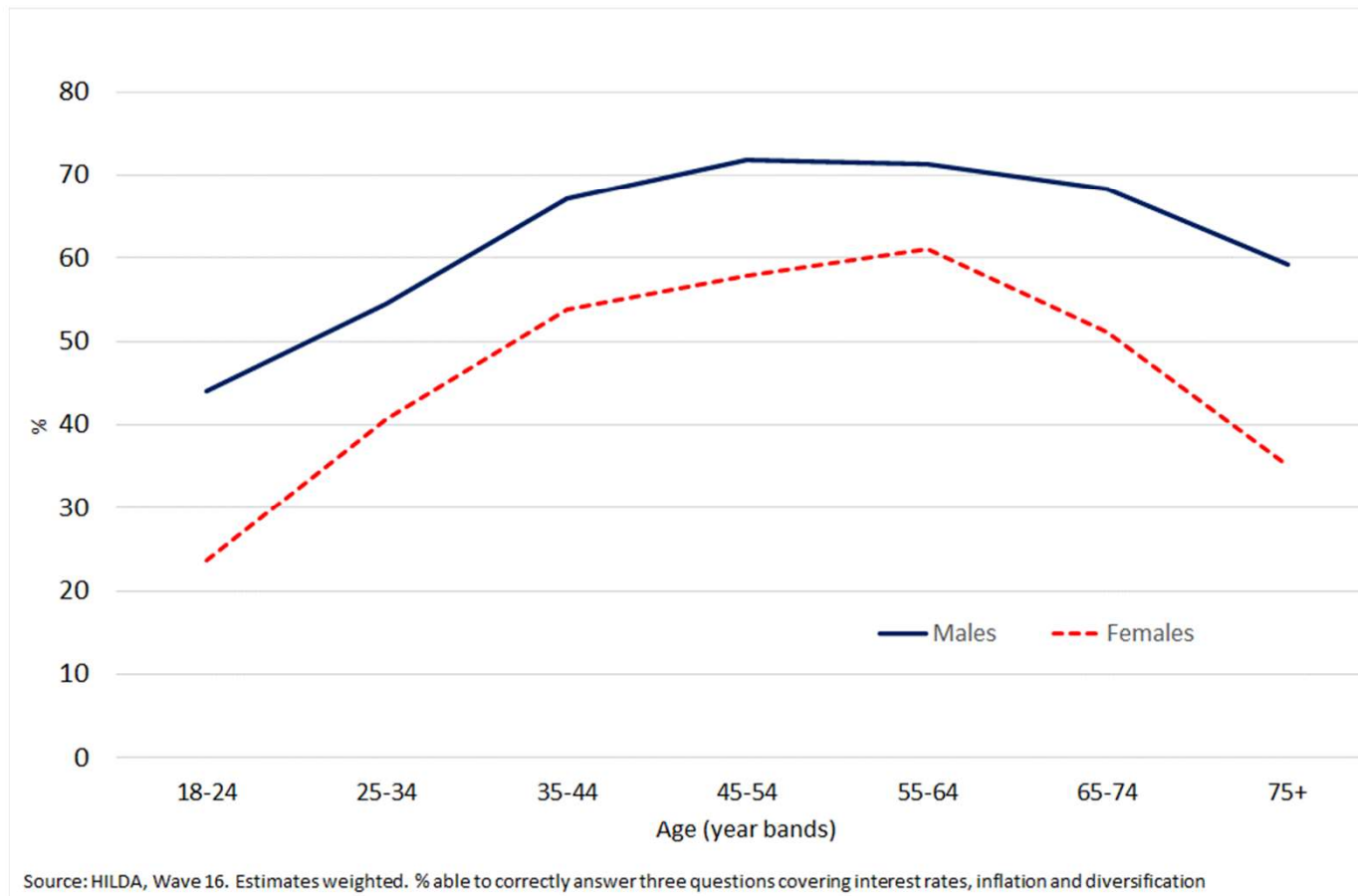


9% of the gender gap in mean superannuation balances can be explained by gender gap in financial literacy¹

1. Preston, A. & Wright, R.E. (2021), Financial literacy and the gender gap in pension savings. Work in progress seminar, UWA.

Gender Gap in Financial Literacy by Age and Sex

% Able to Correctly Answer Three FL Questions



- Financial literacy is lower amongst the younger and gender gaps prevail across the life-course.
- Gender gap in financial literacy is not driven by mathematics and numeracy ability.

- **If gender pay gap were to close tomorrow, how long would it take for gender wealth gap to close?**
 - Our modelling shows that, if women today (aged 18-64 and not retired) had same average life-time earnings and time in work as men, the gender gap in superannuation would, at the mean, converge from 66% to 20%. In other words a sizeable gap would remain because of other factors such as financial literacy, timing of contributions etc.
- **Is wealth gap determined by same factors as pay gap and does it require same solutions?**
 - Both gaps are fundamentally affected by the unpaid care roles that women take on → impacts on careers etc. ...
 - Solution: Early childhood education

What data is required to understand gender wealth gaps?

- Ideally ABS produce a regular (annual?) data series (similar to wage series) covering superannuation. Data by age, sex and State with information on
 - Coverage
 - Balances (including zero balances)
 - Number of accounts held
 - Voluntary contributions (incidence, amongst, pre and post-tax)
 - State
 - Type of fund (e.g., Industry, Retail etc.)
 - Government contributions (tax subsidies) to superannuation
 - Other demographic data – e.g. marital status

- Information on the intra-household allocation of resources
 - *“No requirement for superannuation account holder to share decision making on use of accumulated funds or take spouse into consideration”* (Siobhan Austen & Astghik Mavisakalyan (2018) “Gender gaps in long-term earnings and retirement wealth: The effects of education and Parenthood”, *Journal of Industrial Relations*, 60(4): 492-516.)

What solutions to close the superannuation gap?

- 2021 Intergenerational report suggested that gender gap in superannuation will “... narrow substantially as the superannuation system matures and women benefit from greater labour force participation...” and that, “In the future, more women will have superannuation and spend more years contributing to their superannuation through higher voluntary contributions” (2021, p.115).
 - Disagree. No evidence that increasing participation rate will close the gap. It is also about the *intensity* of work (e.g. hours, timing etc.) of participation, pay etc. ... relates back to child-care etc.
 - NB: studies show women do make slightly more voluntary contributions than men but that more likely to contribute **after** tax. (Bateman *et al.* (2014), “Just interested or getting involved? An analysis of superannuation attitudes and actions”, *Economic Record*, 90(289): 160-178.
- Debate about whether should scrap legislation increasing SG contributions to 12% of ordinary time earnings as higher superannuation contributions are funded through lower wages ... personally I favour not changing the legislation; no guarantee that wages would proportionately increase in absence of SG increase.

What solutions to close the gap?

- Superannuation benefits high wage earners with continuous attachment to the labour force – and they benefit from generous tax concessions.
- Brendan Coates & Rebecca Joiner (Grattan Institute) have a program of research in this area and I mostly agree with their recommendations – e.g.:
 - Ultimately we need to keep a focus on the Age Pension as this is critical for most and particularly women
 - Need to consider other social payments such as rent assistance
 - Review tax concessions in superannuation
 - “If you really want to guarantee women’s economic security in retirement ... priority should be closing holes in the social safety net
- Clarity on what superannuation is designed to achieve.

Q&A: What about financial literacy?



- Financial literacy matters for wealth accumulation, planning for retirement, divorce etc.
- Role for government, financial educators, counsellors and advisors in helping women plan for their financial futures and engage with superannuation and financial matters.
- Large gender gap in financial literacy amongst young people → particular advantages in targeting this group and assisting them make informed decisions as they enter into employment.
- Additional research to required understand when the gender gap in financial literacy starts (e.g. it starts during the primary school years – why?).

Useful links

- <https://www.financialtoolbox.org.au/>
- <https://iview.abc.net.au/show/your-money-explained-an-abc-news-special>
- <https://grattan.edu.au/news/how-to-close-the-gender-gap-in-retirement-incomes/>