ENGAGEMENT WITH SUPERANNUATION:

Is there really a gender gap?

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Contrary to a 2012 report by Suncorp Bank and the Association of Superannuation Funds of Australia (ASFA), which identifies a gender gap in terms of superannuation engagement, we find that on most measures women are as engaged with their superannuation as men. Our findings indicate that the main determinants of engagement continue to be financial literacy, age and the value of superannuation. We also find that increasing financial literacy is the best way to increase engagement with superannuation.

It is well known that women generally have significantly less saved for their retirement than men and, under the current earnings-related savings systems, they will continue to be disadvantaged (Clare 2014; Olsberg 2005; Warren 2006). The primary discriminator is that women tend to spend less time in paid employment than men, mostly due to family or carer commitments, but also because they tend to retire earlier (Olsberg 1994). On average, women also earn significantly less than men, even when in similar positions, which means that if a woman works for the same period of time as a man she will accumulate lower savings (Basu and Drew 2009). Although the rate of women participating in the workforce has increased, it is often on a part-time or casual basis, and it is concentrated in lower-paid sectors (Olsberg 2005). A final issue is that individuals who earn less than $450 per month are not entitled to superannuation guarantee contributions, and the majority of them are women (Clare 2012). Collectively, these factors result in women saving less over fewer years than their male counterparts.

Women generally have lower levels of financial literacy (Agnew et al. 2013; Worthington 2008), and several studies have concluded that women are more risk averse (Jianakoplos and Bernasek 1998; Palsson 1996) and less likely to select riskier investment options with their retirement savings (Gerrans and Clark-Murphy 2004). Thus, the smaller amounts saved are then invested conservatively, which further decreases their balance. The result is that the retirement savings of many women will be insufficient, and there will be less growth in those monies over their lifetime. A final concern is that women tend to live longer than men, so their smaller accumulated nest egg is then required to last a longer period of time. The current life expectancy at birth for females is 84.2 years compared to 79.7 for males (ABS 2013), and the additional years may well be accompanied by increased healthcare and lifestyle costs.

A 2012 report produced by Suncorp Bank and ASFA (2012) found that only 19 per cent of women are engaged with their superannuation. A gender gap in engagement would be troubling given that engagement is thought to result in better investment choices (Gallery et al. 2011). A lack of engagement would further disadvantage women under the compulsory superannuation regime.

Interestingly, there has been little discussion on the relationship between gender and engagement, with previous reports focusing on other drivers of engagement. For example, the Superannuation System Review, also known as the Cooper Review, identifies the drivers as increased age, increased value of superannuation, and 'broader financial and life circumstances' (Commonwealth of Australia 2010, p. 9). In 2013, the Financial Services Council released a report entitled *Superannuation — Australia's View*, which identifies older individuals and individuals with retail funds and self-managed superannuation funds (SMSFs) as being more engaged.[1] With SMSFs more cost effective for higher balances, as noted by the Financial System Inquiry, this could indicate that the value of superannuation is an explanatory variable. Finally, a working paper by Chetty et al. (2012) finds that increased wealth, age, and financial education are significantly associated with 'active' savers, based on whether they adjust their savings in response to incentives.

The 2012 Suncorp Bank and ASFA report which identifies a gender gap in superannuation engagement is descriptive in nature, and while data were collected on the value of respondents' superannuation, this was not tested as an explanatory variable. Earlier research by Embrey and Fox (1997) in the area of risk aversion found that, when analysing one-person households, the net worth of an individual is more significant than gender in determining risk aversion. Similarly, it is plausible that the value of superannuation is a stronger determinant of engagement than gender.

This study uses a variety of engagement measures to provide further evidence on the existence of a gender gap in superannuation engagement. We find that gender is not significant for most measures of engagement with superannuation. This extends our understanding of member attitudes to superannuation and should be of use to superannuation funds, financial educators, policy makers and personal finance researchers.

Data and method

Although we are attempting to measure engagement, this variable is not well defined in the literature. The Cooper Review (2010) implies that engagement involves a level of decision-making with regard to the investment strategy or administration of superannuation. Those members that take responsibility for both the investment decisions and the administration of their fund through a SMSF are considered the most engaged, while those who use default options and default funds are considered the least engaged. The review also highlights that using a default investment option, or not switching funds, should not be used as an indication of a lack of engagement, given that at least some of those members will be actively choosing those options (Brown et al. 2002). This study employs a survey approach and uses a range of questions to determine engagement, as shown in Table 1 (including the percentage of respondents that answered yes or no when asked whether they engage in that way).

TABLE 1: Measures of engagement

		Yes (%)	No (%)
1	I have changed my investments in the past	50.8	49.2
2	I have contacted a financial planner for help with superannuation	25.0	75.0
3	I read my member statement every year	77.8	22.2
4	I have called my superannuation fund within the last year	36.9	63.1
5	I have accessed my superannuation details online within the last year	56.8	43.2
6	I know how my fund has performed compared to others	36.7	63.3
7	I know how much superannuation I have	78.6	21.4
8	I have read the annual report from my superannuation fund	46.5	53.5
9	I have read the Product Disclosure Statement issued to me by my superannuation fund	39.7	60.3
10	I know how much in fees my superannuation fund charges	52.1	47.9

The explanatory variable is gender. We control for the value of superannuation and age, as these have been linked to engagement (Chetty et al. 2012; Financial Services Council 2013). Financial literacy is also controlled for as this has been shown to have an impact on engagement (Chetty et al. 2012). We measure financial literacy by the extent to which respondents agreed they understand the relationship between risk and return.[2]

Survey participants were sought from the general and academic staff of a large metropolitan university, from the general public via Facebook and from the websites of two superannuation funds. The survey was open for just over three-and-a-half months and received a total of 551 usable responses.[3]

General demographic and background questions were asked in order to establish whether the sample covered the full range of the population. Of the 551 respondents who provided their gender, 324 were female (58.8 per cent) and 227 were male (41.2 per cent). Figure 1 shows the distribution of age by gender and Figure 2 shows the distribution of value of superannuation by gender.

FIGURE 1: Age by gender

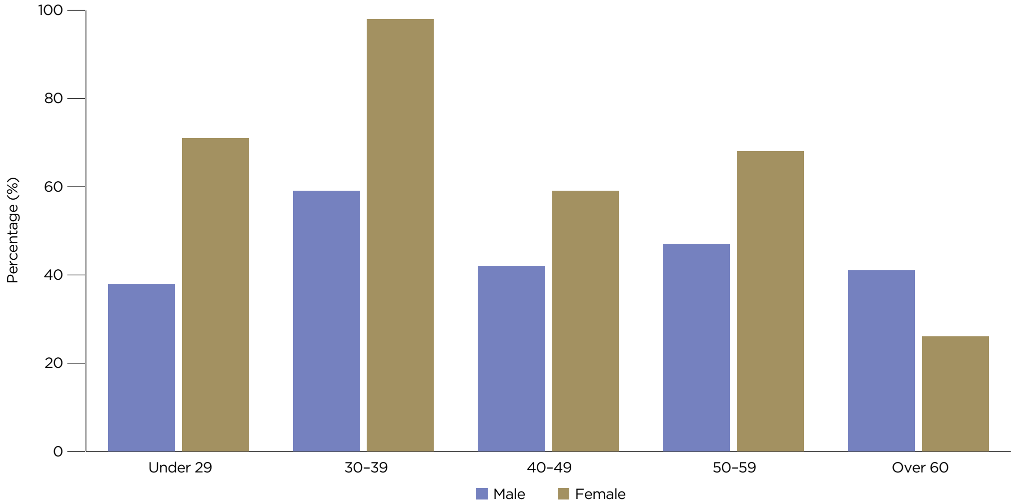


FIGURE 2: Gender and value of superannuation

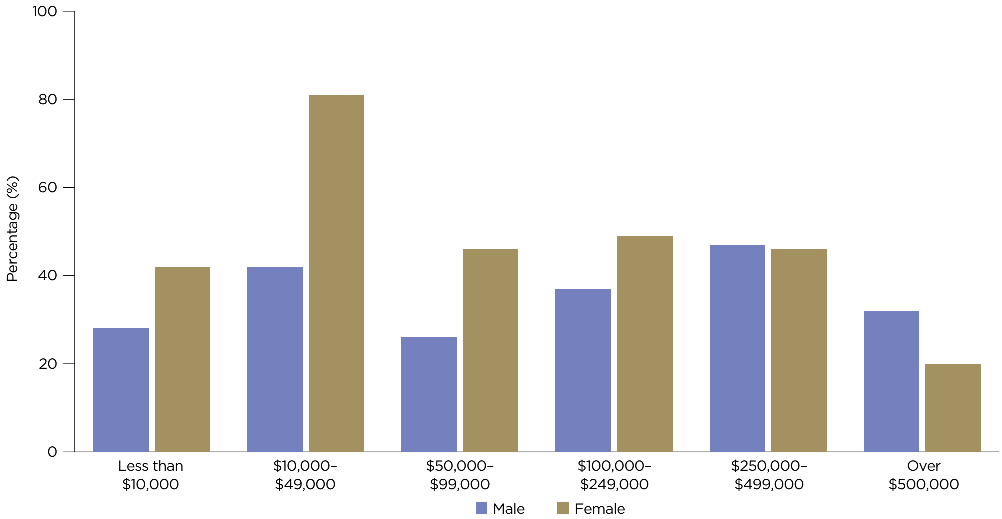
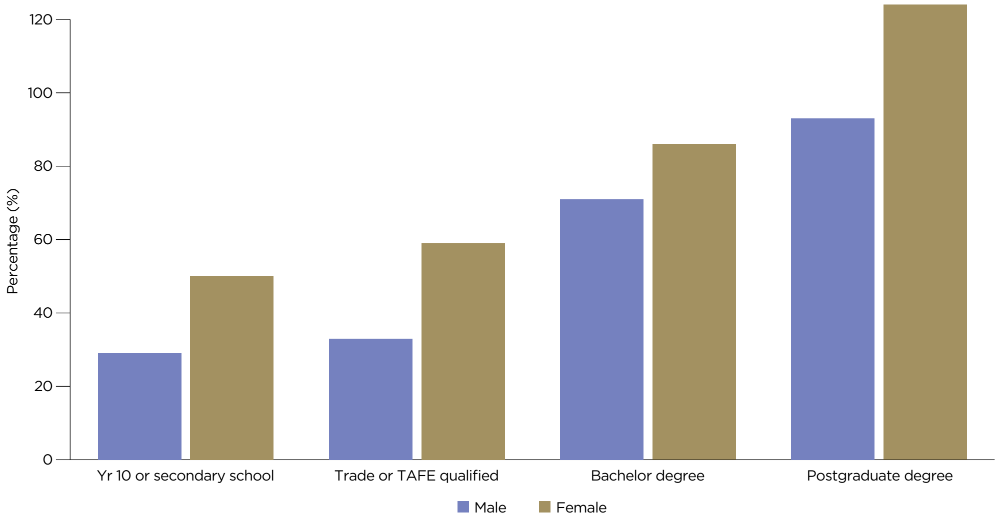


Figure 3 shows the distribution of education by gender. A large proportion held a postgraduate degree, mostly likely because the survey was distributed through a university. While this appears high, this distribution is not uncommon in the literature (for example, see Berry and Junkus 2013; Palm 2015).

FIGURE 3: Education by gender



The university distribution does raise the issue of whether the responses are generalisable to the wider population, especially given that Unisuper is a generous scheme. Using occupation descriptions, we coded each respondent as working at a university or not and ran chi-square tests comparing the responses to the engagement questions. Overall, 24.5 per cent of the sample were identified as working at a university. Significant differences were found as to whether the respondent had changed investment options, with non-university respondents less likely to have changed their investments (p = .029)[4] than university respondents. Since Unisuper is the default fund for universities, this most likely refers to changing investment options rather than switching funds. Non-university respondents were also less likely to have called their super fund (p = .022). For all other measures of engagement there were no significant differences between those who work at a university and those who do not.

Results and discussion

To construct our model, we first conducted univariate analysis and found age, household income, value of superannuation, and financial literacy to be significant and positively associated with engagement. However, as income is already captured in the value of superannuation, we do not include this in the model for brevity. This analysis results in the following model:

$$\text{ENGAGE} = \alpha + \beta_1\text{GENDER} + \beta_2\text{AGE} + \beta_3\text{VALUE} + \beta_4\text{FINLIT} + \beta_5\text{GENDER*AGE} + \beta_6\text{GENDER*VALUE} + \beta_7\text{GENDER*FINLIT} + e$$

Where: ENGAGE is the means of engagement; GENDER, the gender of the respondent; AGE, the age of the respondent; VALUE, the value of the respondent's superannuation; FINLIT, whether the respondent understands the relationship between risk and return.[5]

We ran a separate regression for each measure of engagement, and Table 2 shows the significant predictors for each of the measures.

TABLE 2: Significant predictors

Measure of engagement	Significant variables
I have changed my investments in the past	Financial literacy (*p = 0.001*)
I have contacted a financial planner for help with superannuation	Value of superannuation (*p = 0.000*) and financial literacy (p = 0.003)
I read my member statement every year	Age (*p = 0.033*) and financial literacy (*p = 0.042*)
I have called my superannuation fund within the last year	None
I have accessed my superannuation details online within the last year	Financial literacy (*p = 0.019*)
I know how my fund has performed compared to others	Gender (*p = 0.029*), financial literacy (*p = 0.000*) and gender*financial literacy (*p = 0.035*)
I know how much superannuation I have	Value of superannuation (*p = 0.001*)
I have read the annual report from my superannuation fund	Value of superannuation (*p = 0.002*) and financial literacy (*p = 0.019*)
I have read the PDS issued to me by my superannuation fund	Age (*p = 0.025*) and financial literacy (*p = 0.002*)
I know how much in fees my superannuation fund charges	Age (*p = 0.002*) and financial literacy (*p = 0.005*)

The table indicates that gender alone is a significant determinant only of whether a member knows how their fund has performed compared to others, with women less likely to know how their fund performed ($p = 0.029$). Financial literacy is also significant for this measure, with knowledge of fund performance increasing with the understanding of the relationship between risk and return. However, the interaction between financial literacy and gender is also significant. Women who agree that they understand the relationship between risk and return are still unaware of how their fund has performed compared to others ($p = 0.035$). This could indicate that women generally are less concerned with performance.

For the remaining measures of engagement, gender is not found to be significant. This clearly shows that for a variety of measures of superannuation fund member engagement there is no difference between the behaviour of men and women. Consistent with previous studies, we find that age, financial literacy, and value of superannuation are the main predictors of engagement behaviour.

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Interestingly, age is not found to be a significant indicator of whether a member knows their balance. A possible explanation is that as the survey was distributed in a university setting, the sample may have more defined benefit members than the wider population and their benefit is determined by factors other than balance. Age is a significant determinant of whether a member reads their statement, the PDS, and knows the fees that are charged. Each of these activities can be linked with fees, so this could indicate fee sensitivity as fund members' age increases.

Value is a significant determinant of whether a member has contacted a financial planner, whether they know how much super they have, and if they read the annual report, i.e. those with higher superannuation balances are more likely to engage in these ways. Apart from reading the annual report, these methods of engagement are consistent with value being the driver. Reading the annual report may simply give members a sense of comfort with the super fund that they have chosen to manage their high balance.

Finally, financial literacy is a significant determinant of all measures of engagement, except for whether a member knows how much superannuation they have and whether they have called their fund in the past year. Thus, increased financial literacy appears to be the strongest predictor of engagement with superannuation. It is also the only variable that can be influenced by government or industry education strategies.

As a robustness test, we created an engagement score whereby each positive response to an engagement question was given a value of one and summed. We then used the score as the dependent variable in a linear regression model. Neither gender nor any of the interactions were found to be significant as a predictor of engagement. Age (p = 0.000), value of superannuation (p = 0.007) and financial literacy (p = 0.000) were all significant and positively associated with engagement.

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Conclusion

Contrary to a 2012 report that women are less engaged with their superannuation, we find that gender is not a significant determinant of a range of different measures of engagement. We find financial literacy, age, and value of superannuation are the main determinants of engagement, and that gender is only found to be significant with respect to whether a member knows how their fund has performed compared to others, with women less likely to know this. These findings expand our understanding of member behaviours in relation to superannuation and should be of use to a variety of stakeholders.

Our findings also suggest that increasing financial literacy is the best way to increase engagement with superannuation. We therefore recommend that any strategy aimed at increasing engagement, especially for younger members, should include a literacy component.

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Notes

1. Engagement is measured as whether individuals could name their fund, whether they check their superannuation balance, and whether they make contact with their fund.
2. Level of education was measured but was excluded from the model as we did not differentiate between financial education and other education.
3. SMSF members were excluded from the survey as it can be assumed that most SMSF members are engaged with their superannuation.
4. A p value of less than 0.05 is considered to provide enough evidence to conclude that there is a significant difference between the observed group, in this case women, and the whole population.
5. All variance inflation factors were measured and they were all under three.

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