Gender and Wealth in Europe

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June 23, 2014

Abstract

While an abundant number of studies document the gender wage gap (e.g. Blau and Kahn (1997), O'Neill (2003), Council of the European Union (2010)), differences in *wealth* by gender have hardly been analyzed. However, wealth is considered a more important measure of economic well-being than income (Chang, 2010) because wealth indicates the total level of resources available to a person or household, instead of a flow of somewhat less stable resources. A gender gap in wealth holdings, then, is an important measure of gender inequality in the economy.

As Wolff (1998) discusses, there are several factors driving inequality in the distribution of wealth in society: People are at different stages in the life-cycle; they have different tastes and preferences for income, human capital accumulation, and savings; levels of entrepreneurial spirit and success differ; and luck is also unevenly distributed across the population. Although he considers wealth inequality between different groups, his analysis lacks differences between genders.

Gender differences in asset holdings between men and women may potentially result from differences in any of the factors contributing to the accumulation of wealth. Savings depend on income and consumption levels, as well as preferences for saving money, captured by the savings rate. The disadvantages women face on the labor market lead to lower income levels and constrain women in the accumulation wealth. Especially the gender wage gap contributes to the gender wealth gap, since lower income levels of women leave less income for savings. Savings, however, amount to only a relatively insignificant share of wealth holdings. The largest share in a household's wealth is formed by inheritances, although the exact percentage remains rather unknown. Different inheritance regimes thus show different impacts on the wealth of women and men.

Despite some recent progress in this field of research (e.g. Chang (2010), Deere and Doss (2006), Schmidt and Sevak (2006), Yamokoski and Keister (2006), and Warren (2006)), no large-scale, and no cross-country analysis has investigated the gender wealth gap yet. Therefore we employ data from the Eurosystem Household Finance and Consumption Survey (HFCS) which has gathered micro-level structural data on euro area households' assets and liabilities by surveying about 62.000 households from 2008 to 2011 for the first time (OeNB, 2013) .

To examine the gender wealth gap in Europe we perform two multivariate econometric analyses. First, to be consistent with the existing papers in the gender wealth gap literature, we perform Ordinary Least Squares (OLS) regressions predicting the level of household wealth, controlling for household type and other predictors of wealth. OLS is a helpful tool, but it is limited to analysis at the mean of the distribution. A glance at the wealth distribution of male versus female households shows that the gender wealth gap is most relevant and prominent at the tails of the distribution. We therefore employ a DiNardo, Fortin, and Lemieux (DFL) decomposition to study the gender wealth gap at all points along the distribution of wealth. The DFL tool asks what distribution of wealth female households would have if they had the same characteristics as male households. We are thus able to isolate the effect of being a female (versus male) household, net of other observable characteristics, on the level of wealth enjoyed by the household.

JEL Classifications: D31; J16; E21

Key Words: Gender; Wealth Gap