

## Intra-Household Inequality in Older Australian Couple Households<sup>1</sup>

**Briefing Note 3** from the *Inside the black box - Intra-household resource allocations of older couples project (ARC DP170103297)*

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The level of *intra-household* inequality is relevant to how we might evaluate taxes and government benefits that are based on household versus individual economic resources. Examples include the Age Pension, where entitlements are assessed on the basis of household rather than individual income and assets. Evaluations of the adequacy of superannuation account balances, which underpin judgements about the appropriate level of taxes and charges on superannuation, are often also based on an assessment of household rather than individual economic resources<sup>1</sup>.

If there was no intra-household inequality and/or if all the economic resources within the household were completely pooled or shared, basing evaluations on the level of household resources would not create issues for gender equity. However, if intra-household inequality is substantial then programs that are administered or evaluated at the household level will tend to overstate the economic resources that women have access to and potentially distort the allocation of resources within households.

One way to assess the magnitude of intra-household inequality is to compare the level of inequality in *household* income and assets with the level of inequality in *individual* income and assets. If there is no intra-household inequality, then shifting from household to individual measures of income and assets will not affect the measured level of inequality. However, if the measured level of inequality changes when we shift measures, intra-household inequality must exist. In these situations, using household measures of inequality will underestimate the full the extent of inequality in incomes and assets. Similarly, in such situations, policies which target household income and/or benefits (including tax benefits) that are allocated without a concern for potential intra-household issues are likely to disadvantage women.

Using data from the ABS 2015-16 Survey of Income and Housing, we calculate Coefficients of Variation (CV<sup>2</sup>) to compare the measured level of inequality in the distribution of household and individual income and assets in older Australian couple households<sup>2</sup>. As shown in the figure below, we find substantial levels of intra-household inequality, with the measured level of income inequality increasing by 41.0% when the focus shifts from households to individuals, and the measured level of asset inequality increasing by 23.5%. The reason for these changes is that women have substantially lower incomes and assets than men. On average, female income is just 68.9% of male income in older couple households and women's assets equate to 76.9% of men's.

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<sup>1</sup> For example, recent studies measure the number of Australians with enough superannuation to achieve the ASFA standards for a 'modest' or 'comfortable' standard of living in retirement with data on households' level of superannuation (Freebairn, M. & Bott, M., 'Superannuation Savings across Couples: Insights from Taxation Data', presentation to the Australian Gender Economics Workshop, February 9 2018)

<sup>2</sup> Due to data limitations on same sex households, we limit to households comprised of a male/female couple, with both partners aged over 45 and retired.

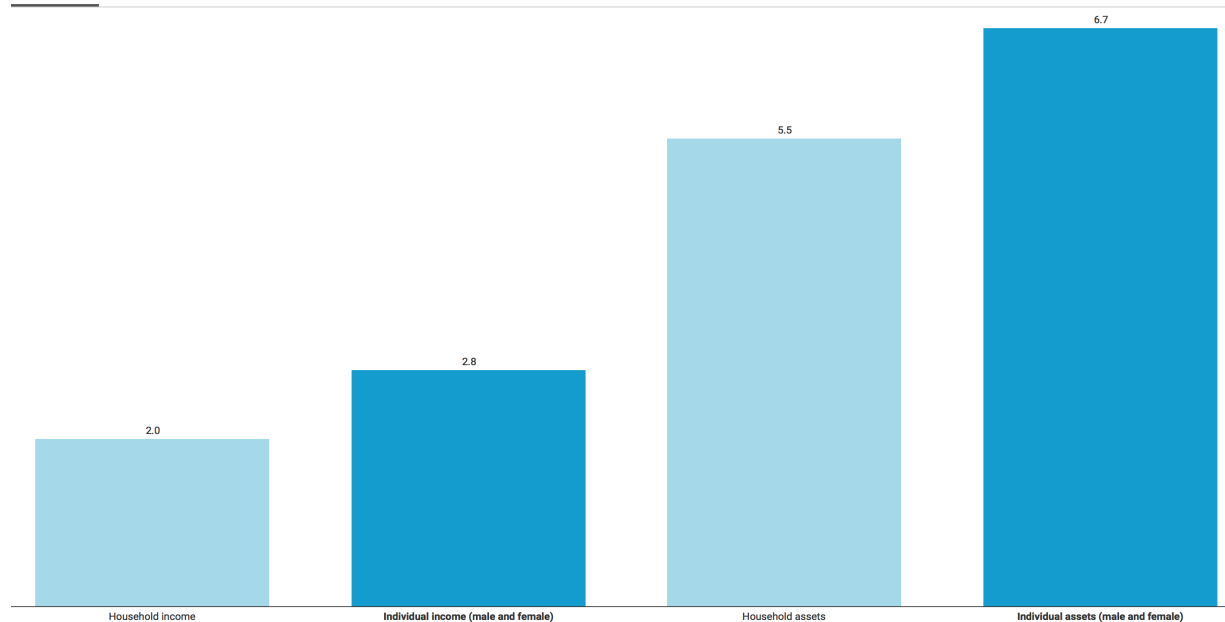


Chart: siobhan austen • Source: ABS SIH 2015-16 • Get the data • Created with Datawrapper

Samples: 45+retired: 2248 households and 4496 individuals; pensioners: 1593 households and 3186 individuals; other retirees: 655 households and 1310 individuals. Notes: 1) included here is the combined assets of the partners, excluding assets only reported at the household level; 2) the numbers in the chart are CV<sup>2</sup>; 3) an interactive chart can be accessed by clicking on the above graphic or via this link: <https://www.datawrapper.de/.pCUVC/>

We also examine the patterns of inequality in the 2 broad groups of older households; those accessing the Age Pension (both full and part), and other retirees. As is also shown in the figure (by clicking on the household group headings in the figure), the other retiree group is characterised by much higher levels of income and asset inequality than the Age Pension group. The level of inequality in individual incomes is 12.3 times larger in the other retiree group than in the Age Pension group, and the level of inequality in individual assets is 1.5 times larger. Women's incomes and assets, relative to their partners', are, on average, also low in the other retiree group. They receive only 55.8% of average male income and have only 73.7% of male assets (the relativities in Age Pension households are 81.0 and 83.7% respectively). In both groups the measured level of inequality is higher when individual rather than household income is used, increasing from 0.2 to 0.3 for the Age Pension group and from 2.6 to 3.7 for the other retiree group. Similarly, the level of asset inequality is greater for each group with individual rather than household assessments, increasing from 1.7 to 2.5 for the Age Pension group and from 3.0 to 3.8 for the other retiree group.

**In summary**, intra-household inequality is an important aspect of the (mal)distribution of income and assets in older Australian couple households. This has important implications for the variety of policies that use *household* income and assets as the basis for either assessing entitlements (as is the case with the Age Pension), or evaluating current outcomes (as is the case with superannuation). The measures of intra-household inequality shown in this briefing note imply that women's access to economic resources is likely overstated in current policy, and this places at risk the economic wellbeing of many older Australian women.

<sup>i</sup> To cite this work: Austen, et al., "Measuring Inequality in Older Australian Mixed Sex Couple Households", **Inside the black box-Intra-household resource allocations of older couples**, Briefing note 3, Curtin University, Aug 2018.