



## ECONOMICS

# The Changing Landscape of Women's Wealth

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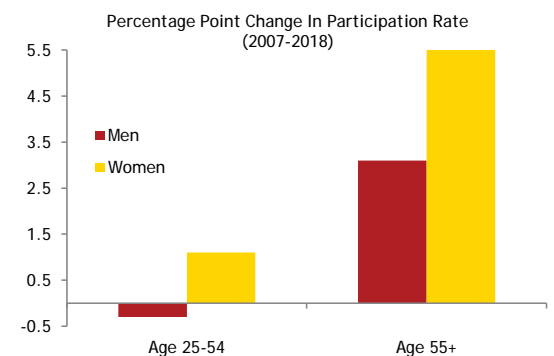
By any measure, the labour market engagement of women in Canada is improving. Participation continues to rise, the unemployment rate is at a 10-year low, the share of women in high-paying occupations is on the rise, the wage gap is slowly narrowing, and women's earnings currently make up the largest share of family incomes on record. Much more is needed to be done in order to fully utilize women's economic might, but the direction is clear: women will become an even larger and more influential force in the Canadian economy.

One often neglected aspect of that growing influence is in the realm of wealth management. We estimate that as it stands today, Canadian women directly control no less than \$2.2 trillion of personal financial assets, a number that will grow by more than 70% in the coming decade, assuming a continuation of recent growth trends. By then, women will directly control over one-third of total financial assets in the Canadian economy. For the wealth management profession, this won't be business as usual. This trend will demand that much greater attention be given to planning and advice for women whose financial journeys often vary from those of men.

### Increased Female Participation Has Facilitated Labour Market Gains

The importance of women's contributions to labour market activity has been on full display during the current cycle. The increase in labour force participation for women

Chart 1  
**Women — A Rising Force in Canada's Labour Market**



Source: Statistics Canada, CIBC

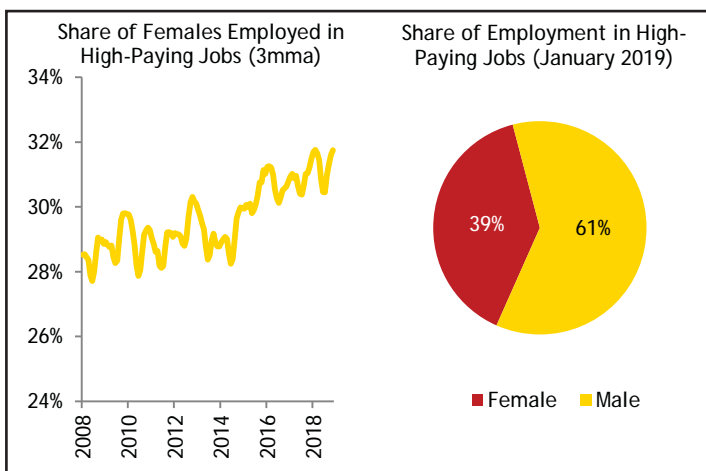
aged 25-54 since the recession worked to offset a fall in male participation. What's more, while the 55+ age group is the fastest growing segment of the labour market, that advance is largely due to the speedy rise in the participation rate of women in that demographic (Chart 1).

That in turn has facilitated job growth, with women accounting for over half of the jobs created since the pre-recession employment peak in 2008. In full-time positions for those aged 25+, women have accounted for 52% of job growth since then, while gains in part-time positions were equally accounted for by women and men. While that trend is encouraging, women aged 25+ are still over-represented in part-time positions, having over twice the concentration in those roles than men. Another dichotomy between men and women is prevalent in self-employment, where women account for only 38% of employment, in contrast to 48% of overall employment.

<http://economics.cibccm.com>

Chart 2

### Women Increasingly Entering Higher-Paying Fields (L), But Remain Underrepresented (R)



Source: Statistics Canada, CIBC

The unemployment rate for women aged 25+ has been consistently lower than men during the economic recovery. But the fact that women's participation rates remain below those seen for men across all ages suggests that more can be done to maximize the engagement of women in the workforce. One example of this is subsidized daycare in Quebec, which has resulted in increased female participation there relative to the rest of Canada.

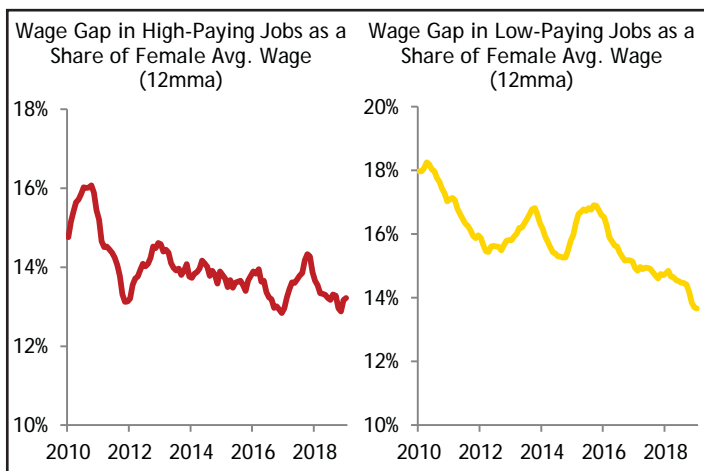
### Gender Wage Gap Shrinking but Still Salient

Although women have made significant progress in the labour market since the recession, they continue to earn less than men. Part of the wage gap can be explained by job composition. Women are more likely to be employed in lower-paying occupations than men, but that is slowly changing. Since the recession, women have increasingly landed jobs in higher-paying fields, with almost one-third of women in those roles now (Chart 2, left). Still, those jobs are dominated by men (Chart 2, right), ensuring the persistence of the gender wage gap.

After accounting for the composition of jobs, the gender wage gap remains, as women earn less in over 95% of occupations. The good news is that for both high- and low-paying occupations, that gap is shrinking (Chart 3), albeit not fast enough. The amount of time spent out

Chart 3

### Wage Gap Shrinking Slowly for Both High- and Low-Paying jobs



Source: Statistics Canada, CIBC

of the workforce also influences earnings differentials between women and men. Women are three times more likely than men to quit work to care for others, presenting a barrier to career advancement<sup>1</sup>.

### The Wealth Factor

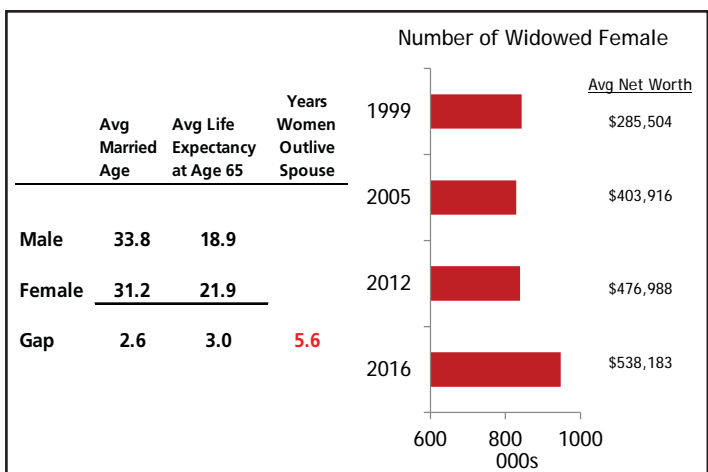
The ongoing improvement in women's labour market engagement has increased cash flow associated with women. In fact, in families in which there is an employed woman in the core-working age demographic, women's earnings now account for a record-high 47% of family income, almost double the share seen in the 1970s.

Another dimension of the growing influence of women in the Canadian economy lies in the size of financial assets they control. Irreversible demographic forces suggest that the share of net-worth controlled by women is rising rapidly. A large part of this is derived from married women and widows.

Life expectancies for older cohorts have risen in recent years along with technological advances, but women still tend to outlive men. Add to that the fact that women tend to get married earlier in life than men, and married women, who account for the largest pool of wealth amongst women, are set to outlive their spouses by over five years, leaving women in control of a sizeable share of total wealth (Chart 4).

Chart 4

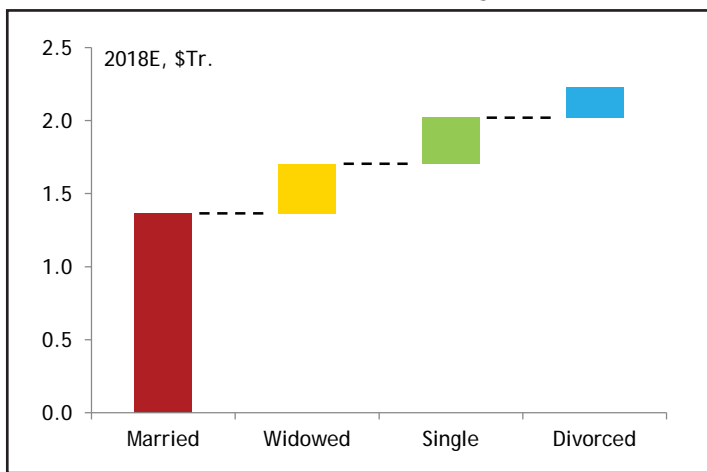
**Married Women Outlive Spouses (L), And Account For A Rising Amount of Wealth (R)**



Source: Statistics Canada, CIBC

Chart 6

**Total Financial Assets Controlled By Women**



Source: Statistics Canada, CIBC

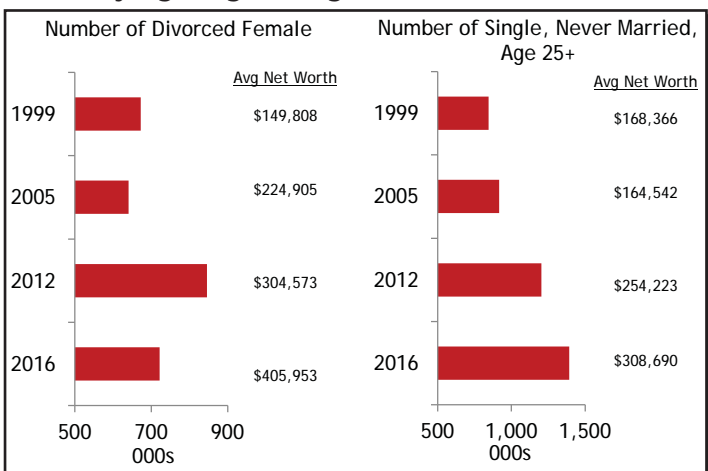
Apart from married women, the fact that the number of divorced women is falling could reflect the fact that women are also staying single longer (Chart 5). Indeed, that could be a result of women increasing their representation in the labour market, resulting in a rebalancing of priorities in terms of starting a family and working. Although the net worth of a single woman falls short of a divorced woman on average, the size of the single female population far surpasses that of the divorced population and therefore accounts for a larger share of overall wealth. Still, married women dominate the female wealth pool and 22%<sup>1</sup> of them report that they have full control of investment decisions in the household. And the \$1.4 trillion of wealth that married

women control is likely understated given that 67% of women report that they share the responsibility of investment decisions equally with someone else.

Overall, as of today 41% of women (single, divorced, widows, and women responsible for investment decisions) control no less than \$2.2 trillion of financial assets (Chart 6). And that number is expected to rise quickly, as the cohort of women with stronger labour incomes and retirees grows. We estimate that by 2028, women will control just under \$3.8 trillion or more than one-third of total financial assets (in 2018\$ terms)—and more than double that number if we include real-estate assets (Chart 7). That estimate could be amplified if returns on women’s portfolios rise to be closer to their male counterparts.

Chart 5

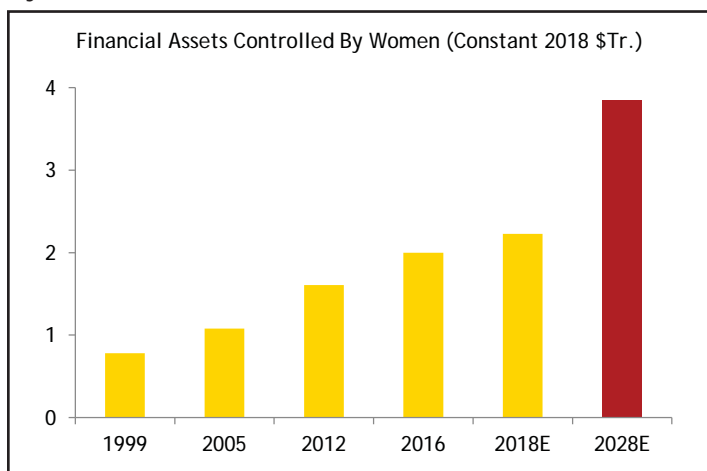
**Women Getting Divorced Less (L) And Staying Single Longer (R)**



Source: Statistics Canada, CIBC

Chart 7

**Women Will Control \$3.8 Trillion in Financial Assets By 2028**



Source: Statistics Canada, CIBC

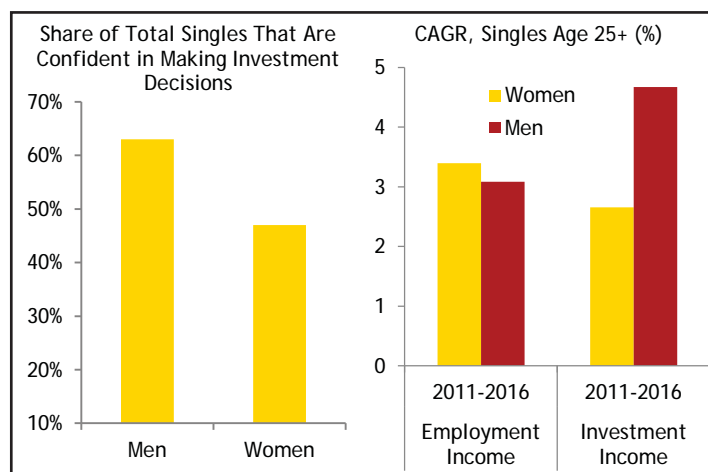
## A New Approach Needed

The growing share of wealth controlled by women might call for a different approach towards managing that wealth. Numerous studies suggest significant gender differentials in many aspects of investment such as performance, experience and trust. Lack of attention paid to those differences might be behind our finding that women lose ground when it comes to investment performance.

One example of a sub-optimal outcome may be evident amongst the investment decisions of single women. It appears that single women are less confident in making investment decisions, compared to men (Chart 8, left). And while employment income growth has been roughly equal between single men and women since 2011, that lack of confidence is apparent in comparatively lower investment performance among women. Knowledge and discussion of these facts is critical in order for women to optimize investment returns. Gender-blind wealth management professionals will therefore need to re-think their approach.

Chart 8

## Lower Investor Confidence Results in Sub-Optimal Investment Returns for Women



Source: Statistics Canada, CIBC Poll<sup>1</sup>

### Footnote

(1) 2019 CIBC Women & Wealth Study: From November 28th to December 6th 2018 an online survey of 4,591 randomly selected Canadian adults who are Maru Voice Canada panelists was executed by Maru/Blue. For comparison purposes, a probability sample of this size has an estimated margin of error (which measures sampling variability) of +/- 1.3%, 19 times out of 20. The results have been weighted by education, age, gender and region (and in Quebec, language) to match the population, according to Census data. This is to ensure the sample is representative of the entire adult population of Canada. Discrepancies in or between totals are due to rounding.

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