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INSURANCE

## **Strengthening Women's Retirement Security**

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### Background

Despite decades of economic gains, achieving financial security in retirement remains a challenge for many women. While a much larger share of women is in paid employment today compared with decades ago, the gender wage gap persists, and women still do most of the caregiving. Juggling work and caregiving responsibilities can negatively affect women's job prospects and earnings.

Changes in family structure can pose additional challenges to women's retirement security. More women today have never been married or are divorced, and more mothers are the sole breadwinner for their families. Additionally, as married couples have become more reliant on two incomes during their working lives, the loss of income and depletion of assets at the death of a spouse leaves many widows economically vulnerable.

Women not only tend to reach retirement with fewer resources than men, but typically also have to stretch their resources over a longer lifespan and contend with larger medical expenses, in addition to the loss of a spouse. Women 65 and older are more likely to be poor than their male counterparts. One in ten seniors—4.6 million people 65 and older—lives in poverty.<sup>1</sup> And two out of three poor seniors are women.<sup>2</sup> Older women tend to be poorer than men overall and by age, marital status (except for married women), and race and ethnicity. Gender is thus a significant factor in elderly poverty, although it is not the only one: for example, poverty rates for men (and women) of color are higher than rates for white women.

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Social Security is the main source of retirement income for most seniors. Women are more reliant than men on income from Social Security because they have fewer other sources of retirement income than men and

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<sup>1</sup> Carmen DeNavas-Watt and Bernadette Proctor, 2015, *Income and Poverty in the United States: 2014*, Washington, DC: U.S. Census Bureau. <http://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf>.

<sup>2</sup> In 2014, 1.5 million men and 3.1 million women 65 and older were poor (U.S. Census Bureau, 2015, *Current Population Survey, 2015 Annual Social and Economic Supplement*, "Table POV-01: Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race," Washington, DC: U.S. Census Bureau, [http://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov/pov-01.html#par\\_textimage\\_10](http://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov/pov-01.html#par_textimage_10)).

live longer. Today, 27 percent of women 65 or older rely on Social Security for 90 percent or more of their income, compared to 21 percent of men.<sup>3</sup> Social Security will be even more important in the future as a result of the disappearance of defined benefit pensions and decades of wage stagnation, which is making it hard for workers to save for retirement through a 401(k) or Individual Retirement Accounts (IRAs).



Several features of Social Security are especially valuable for women. Social Security provides secure and predictable retirement benefits that can't be outlived and are adjusted annually for inflation. Benefits are not subject to the ups and downs of the stock market or at risk of depletion prior to reaching retirement. Social Security is virtually universal, covering low-paid, part-time, self-employed, and temporary workers. It uses a progressive benefit formula that helps lower earners. And Social Security provides retirement benefits to spouses, surviving spouses, and divorced spouses, as well as disability and life insurance protection for families.

Provisions that increase benefits for low earners, caregivers, or older seniors, or modernize benefits for divorced and widowed beneficiaries, would address the challenges that women particularly face. But they would be available on a gender-neutral basis and would benefit other economically vulnerable groups, including people of color and people with disabilities.<sup>4</sup>

*These targeted benefit enhancements would be available on a gender-neutral basis and would benefit other economically vulnerable groups, including people of color and people with disabilities.*

<sup>3</sup> Social Security Administration, 2016, Income of the Population 55 or Older, 2014, Washington, DC: Social Security Administration, Office of Research, Evaluation, and Statistics, [https://www.ssa.gov/policy/docs/statcomps/income\\_pop55/](https://www.ssa.gov/policy/docs/statcomps/income_pop55/): Table 9B1.

<sup>4</sup> A set of recommendations for improving Social Security for seniors of color is substantially similar to the recommendations in this paper. See Commission to Modernize Social Security, Plan for a New Future: The Impact of Social Security Reform on People of Color (Oct. 2011), available at [http://www.insightcced.org/New\\_Future\\_Social\\_Security\\_Commission\\_Report\\_Final.pdf](http://www.insightcced.org/New_Future_Social_Security_Commission_Report_Final.pdf).

## Policy Challenges

*The gender wage gap makes it harder for women to prepare for a secure retirement*

The gap between women's and men's earnings is smaller than it was 50 years ago; however, in the past decade, progress in narrowing the gender wage gap has stalled. The impact of this stalled trend is that women have more difficulty saving adequate amounts in private retirement plans and receive lower Social Security benefits.



Overall, women and men who work for wages and salaries participate in employer-based retirement plans at nearly the same rates. But fewer than half of wage and salary workers ages 21 to 64 participate in an employer-based retirement plan.<sup>5</sup> And because women typically have

lower earnings than men, their account balances are smaller. Among those with IRAs, the median account balance for men is 42 percent higher than the account balance for women (\$43,449 compared to \$30,660).<sup>6</sup> The disparity is greater for workers near retirement. The median balance for men ages 60 to 64 is 57 percent higher than for comparable women (\$79,581 compared to \$50,667).<sup>7</sup>

***Women have more difficulty saving adequate amounts in private retirement plans and receive lower Social Security benefits.***

In addition to difficulties accumulating enough private retirement resources, women's Social Security benefits are generally lower because lower earnings also mean lower Social Security benefits. The average monthly Social Security benefit received by all women 65 and older is \$1,156 (\$13,872 annually),

<sup>5</sup> Craig Copeland, 2014, Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013, Employee Benefit Research Institute Issue Brief #405, [https://www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_405\\_Oct14.RetPart.pdf](https://www.ebri.org/pdf/briefspdf/EBRI_IB_405_Oct14.RetPart.pdf): Figure 22.

<sup>6</sup> Author's calculations from Craig Copeland, 2014b, Individual Retirement Account Balances, Contributions, and Rollovers, 2013, Employee Benefit Research Institute Issue Brief #414, [https://www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_414.May15.IRAs.pdf](https://www.ebri.org/pdf/briefspdf/EBRI_IB_414.May15.IRAs.pdf): Figure 9. IRA balances include amounts rolled over from 401(k)-type accounts.

<sup>7</sup> Ibid.

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which is 77 percent of the \$1,503 average monthly benefit for men 65 and older (\$18,036 annually).<sup>8</sup> And women are twice as likely as men to receive a benefit that provides less than a poverty-level income: 38 percent of retired female workers,

compared to 18 percent of retired male workers, receive benefits below \$950 a month (\$11,400 annually).<sup>9</sup>



*Women's retirement security is reduced by caregiving responsibilities*

Although women have dramatically increased their work in the paid labor force over the past 50 years, they still shoulder most of the responsibilities of caring for children, elders, and other loved ones. The increase in labor force participation has been most dramatic for women taking care of young children. In 1976, 34 percent of mothers with children under age three were in the labor force; by 2012, this share had nearly doubled to 61 percent.<sup>10</sup>

Mothers are now the sole or primary breadwinner in 41 percent of families with children under 18, and co-breadwinners (contributing 25 percent to 49 percent of earnings) in another 22 percent.<sup>11</sup> Yet women still do most of the work inside the home. The latest time-use survey by the U.S. Department of Labor shows that women spend more than twice as much time as men caring for household members, and more than 1.5 times as much time maintaining the household.<sup>12</sup>

<sup>8</sup> Social Security Administration, 2016, Annual Statistical Supplement, 2015, Washington, DC: Social Security Administration, Office of Research, Evaluation, and Statistics, [https://www.ssa.gov/policy/docs/statcomps/supplement/:Table 5.A16](https://www.ssa.gov/policy/docs/statcomps/supplement/:Table%205.A16). This figure includes individuals receiving benefits as retired workers, spouses, surviving spouses, and disabled workers.

<sup>9</sup> Ibid.: Table 5.B9. The poverty threshold is \$11,367 annually, or \$947/month, for a single individual 65 or older.

<sup>10</sup> U.S. Department of Labor, 2016, "Facts Over Time: Labor Force Participation Rate of Mothers by Age of Own Child," Washington, DC: U.S. Department of Labor Women's Bureau. [https://www.dol.gov/wb/stats/LForce\\_rate\\_mothers\\_child\\_76\\_12\\_txt.htm](https://www.dol.gov/wb/stats/LForce_rate_mothers_child_76_12_txt.htm)

<sup>11</sup> Sarah Jane Glynn, 2014, Breadwinning Mothers: Then and Now, Washington, DC: Center for American Progress, <https://cdn.americanprogress.org/wp-content/uploads/2014/06/Glynn-Breadwinners-report-FINAL.pdf>

<sup>12</sup> U.S. Department of Labor, 2016, "American Time Use Survey Tables," Washington, DC: U.S. Department of Labor Bureau of Labor Statistics, <http://www.bls.gov/news.release/atus.t01.htm>: Table A-1.

Motherhood produces a wage penalty for most women, while fatherhood produces a wage bonus for most men.<sup>13</sup> In addition, because of caregiving responsibilities, women are more likely than men to take time out of the paid workforce, working part time or leaving the workforce temporarily or permanently. Part-time workers earn less than full-time workers—and not just because they work fewer hours. Part-time workers are three times as likely as full-time workers to hold jobs with a low hourly wage. In a majority of occupations, part-time workers are paid less than full-time workers doing the same job.<sup>14</sup> Part-time workers are also far less likely to have access to benefits such as paid sick leave, health insurance, and retirement plans.<sup>15</sup> In addition, women remain far more likely than men to leave the workforce entirely to take care of home or family. In 2015, 15 percent of women ages 25 to 54 reported that they were not employed during the previous year to take care of home or family. Just 1 percent of men ages 25 to 54 reported that they were not employed for that reason.<sup>16</sup> (For more information on caregiving, see Section 5 of this *Report*.)

*Women are more likely to be single and heads of households, making it difficult to achieve and maintain retirement security*

Over the past 50 years, women's family lives have changed along with their work lives. Between 1970 and 2015, the percentage of women who are married decreased from 62 percent to 51 percent, while the percentage of women who were never married or are divorced increased from 26 percent to 40 percent.<sup>17</sup> During that same time period, the proportion of families headed by single mothers more than doubled from 12 percent to 26 percent.<sup>18</sup> The decline in marriage has been greatest for some groups that are already at higher risk of poverty, including people of color and those with less education and lower incomes.<sup>19</sup>

These trends will decrease retirement security for many women. Part of the reason is that Social Security spousal benefits are not well-equipped to serve

<sup>13</sup> Michelle J. Budig, 2014, "The Fatherhood Bonus and the Motherhood Penalty: Parenthood and the Gender Gap in Pay," Washington, DC: Third Way, <http://www.thirdway.org/report/the-fatherhood-bonus-and-the-motherhood-penalty-parenthood-and-the-gender-gap-in-pay>.

<sup>14</sup> Anne Morrison and Katherine Gallagher Robbins, 2015, "Part-time Workers are Paid Less, Have Less Access to Benefits—and Two-Thirds are Women," Fact Sheet, National Women's Law Center, [https://nwlc.org/wp-content/uploads/2015/08/part-time\\_workers\\_fact\\_sheet\\_8.21.1513.pdf](https://nwlc.org/wp-content/uploads/2015/08/part-time_workers_fact_sheet_8.21.1513.pdf).

<sup>15</sup> *Ibid.*

<sup>16</sup> Authors' calculations from Sarah Flood, Miriam King, Steven Ruggles, and J. Robert Warren, 2015, Integrated Public Use Microdata Series, Current Population Survey: Version 4.0, Minneapolis: University of Minnesota, <http://www.ipums.org>. The Integrated Public Use Microdata Series (IPUMS-USA) consists of more than fifty high-precision samples of the American population drawn from fifteen federal censuses and from the American Community Surveys of 2000-present. These samples, which draw on every surviving census from 1850-present, and the 2000-present ACS samples, collectively constitute one of the richest sources of quantitative information on long-term changes in the American population.

<sup>17</sup> U.S. Census Bureau, 2016, "Families and Living Arrangements: Marital Status," Washington, DC: U.S. Census Bureau, <http://www.census.gov/hhes/families/data/marital.html>; Table MS-1.

<sup>18</sup> U.S. Census Bureau, 2016, "Families and Living Arrangements: Families," Washington, DC: U.S. Census Bureau, <http://www.census.gov/hhes/families/data/families.html>.

U.S. Department of Education, 2012, "Fast Facts: Degrees Conferred by Sex and Race," Washington, DC: U.S. Department of Education, National Center for Education Statistics, <https://nces.ed.gov/fastfacts/display.asp?id=72>; Table FM-2.

<sup>19</sup> Government Accountability Office, 2014, Trends in Marriage and Work Patterns May Increase Economic Vulnerability for Some Retirees, Report to the Chairman, Special Committee on Aging, U.S. Senate, GAO-14-33, p. 16, <http://www.gao.gov/assets/670/660202.pdf>.

women in these situations. Workers earn Social Security benefits for their spouse that can be worth up to 50 percent of the worker's benefit, and up to 100 percent of the deceased worker's benefit for a surviving spouse. However, these spousal benefits are not available to individuals who have never married or who are divorced without a marriage that lasted 10 years. Changes in marriage trends mean that fewer women, particularly fewer black women, will potentially qualify for these benefits.

### *Women's longer life expectancy means they are likely to have greater retirement needs than men but fewer resources*

The average life expectancy at age 65 of women overall is longer than that of men (20.3 years compared to 17.8 years).<sup>20</sup> In fact, the average life expectancy at age 65 for black women (19.4 years) and Hispanic women (22 years) is longer than that of white, non-Hispanic men (17.8 years). In addition, in order to adequately plan for retirement, people need to consider the possibility that they may live longer than average. Nearly four in ten women and three in ten men who have reached 65 can expect to live past their 90th birthday.<sup>21</sup>

The longer life expectancies of women mean they are more likely to face higher medical expenses and need long-term care. Older women are more likely than older men to experience multiple chronic health conditions and functional limitations that require long-term care.<sup>22</sup>

## Policy Options

An array of policy options<sup>23</sup> is available to address these challenges to women's retirement security.

### *Improve benefits for low lifetime earners*

Social Security benefits for women and other groups of workers with low lifetime earnings could be improved by reforming the Special Minimum Benefit (SMB), an alternative benefit formula based on the number of "years of coverage" rather than career average earnings, and improving regular Social

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<sup>20</sup> Centers for Disease Control, 2015, United States Life Tables, 2011, National Vital Statistics Report 64(11), [http://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64\\_11.pdf](http://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64_11.pdf): Table A.

<sup>21</sup> Virginia Reno, Jasmine V. Tucker, and Elise A. Walker, 2014, When Should I Take Social Security Benefits? National Academy of Social Insurance Social Security Brief No. 43. [https://www.nasi.org/sites/default/files/research/BRIEF\\_When\\_Should\\_Take\\_Social\\_Security.pdf](https://www.nasi.org/sites/default/files/research/BRIEF_When_Should_Take_Social_Security.pdf).

<sup>22</sup> Kaiser Family Foundation, 2013, "Medicare's Role for Older Women," Fact Sheet, <http://kff.org/womens-health-policy/fact-sheet/medicares-role-for-older-women/>.

<sup>23</sup> For a complete list of Social Security policy options to address women's retirement insecurity and the proposals' policy context, see Joan Entmacher, Mikki Waid, and Benjamin Veghte, 2016, "Overcoming Barriers to Retirement Security for Women: The Role of Social Security," National Academy of Social Insurance.

Security benefits for low earners. The SMB could be reformed by increasing the maximum value of the SMB; making the requirements for earning one “year of coverage” for the SMB the same as for one year of regular Social Security credits; and indexing the SMB to wages, which tend to grow faster than inflation.<sup>24</sup> The basic benefit formula for lower-income workers could be improved by increasing the amount of earnings credited to Social Security at the higher percentage rate that applies at the low end of the benefit scale.



#### *Provide Social Security earnings credits for caregiving*

To address the reduction in women’s retirement security due to the assumption of caregiving responsibilities, Social Security could provide earnings credits for caregiving. Modest Social Security earnings credits for a certain number of years could be made available in the regular benefit formula to workers with low or no earnings when they are providing care to a young child, older disabled child, or other dependent relative.

#### *Reduce the marriage duration required for divorced spouse benefits*

Social Security could address the challenges brought about by changing family structures by reducing the marriage duration required for divorced spouse benefits. A reformed divorced spouse benefit could allow divorced spouses and divorced surviving spouses married five to nine years to receive a partial benefit based on the former spouse’s work record.

#### *Improve benefits for surviving spouses*

Surviving spouses, especially widows, have higher rates of poverty than married persons. Under the current benefit formula, the surviving spouse of a dual-earner couple experiences a greater drop in household benefits at widowhood than does the surviving spouse of a single-earner couple. To make benefits for surviving spouses more adequate and equitable, surviving

<sup>24</sup> Glenn Springsteen, Kevin Whitman, and Dave Shoffner, 2014, Proposed Revisions to the Special Minimum Benefit for Low Earners, Washington, DC: Social Security Administration, Office of Retirement and Disability Policy Brief 2014-01, <https://www.ssa.gov/policy/docs/policybriefs/pb2014-01.html>.

spouses could receive the higher of the widow(er)'s benefit under current law or a new alternative benefit equal to 75 percent of the sum of the spouses' combined worker benefits. The improvement could be targeted to low- and moderate-income couples who are at greater risk of poverty and economic insecurity through a cap.<sup>25</sup>

*Increase benefits and maintain their purchasing power for vulnerable older seniors*

***Social Security could address the challenges women face because of their longer life expectancies by increasing benefits for vulnerable older seniors***

Social Security could address the challenges women face because of their longer life expectancies by increasing benefits for vulnerable older seniors and basing Social Security's Cost of Living Adjustment on seniors' living costs.

For long-term beneficiaries with low benefits, benefits could be modestly and gradually increased starting around age

80. To render this change more progressive, the increase could be the same amount for all retirees in the same cohort, rather than a percentage of the individual's benefit.

Another way Social Security could address the problem of providing retirement income over longer life expectancies among women is to amend the way the cost-of-living adjustment (COLA) is calculated. Social Security provides an automatic annual COLA to prevent inflation from eroding the value of benefits over time. This protection is especially important to women, who make up 71 percent of beneficiaries age 90 and older.<sup>26</sup> However, the Consumer Price Index that Social Security uses to determine the COLA, the CPI-W, is based on the spending patterns of urban wage earners. Urban wage earners' consumption patterns are different from those of seniors, who spend twice as large a share of their budgets on health care as the population as a whole.<sup>27</sup> The cost of health care tends to rise more quickly than many other goods.

An alternative measure of inflation developed by the Bureau of Labor Statistics, the Consumer Price Index for the Elderly (CPI-E), takes account of the consumption patterns of older individuals. When health care costs rise much more rapidly than the costs of other goods and services, as they did

<sup>25</sup> Joan Entmacher, 2008, Strengthening Social Security Benefits for Widow(er)s: The 75% Combined Worker Benefit Alternative, National Women's Law Center. <http://www.nwlc.org/sites/default/files/pdfs/BenefitImprovementforWidowsFeb09.pdf>.

<sup>26</sup> Author's calculations from Social Security Administration, 2016b, Annual Statistical Supplement, 2015, Office of Research, Evaluation, and Statistics, [https://www.ssa.gov/policy/docs/statcomps/supplement/: Table 5.A10](https://www.ssa.gov/policy/docs/statcomps/supplement/:Table%205.A10).

<sup>27</sup> Alicia Munnell and Anqi Chen, 2015, "Do We Need a Price Index for the Elderly?" Center for Retirement Research at Boston College Issue Brief 15-18, [http://crr.bc.edu/wp-content/uploads/2015/10/IB\\_15-18.pdf](http://crr.bc.edu/wp-content/uploads/2015/10/IB_15-18.pdf).

between 1983 and 2002 and have recently begun to do again, basing the Social Security COLA on the CPI-E (or similar index designed to measure the spending patterns of the elderly) ensures that the value of Social Security benefits keeps pace with beneficiaries' cost of living.<sup>28</sup>

## Conclusion

Social Security has proven to be the most effective vehicle for the achievement of retirement security for most women. Enhancing Social Security benefits would be an effective strategy for improving retirement security for women and other economically vulnerable groups. To expand benefits and close the projected long-term shortfall would require increased Social Security revenue. For a review of revenue-raising options, which are beyond the scope of this brief, see the Academy report, *Fixing Social Security: Adequate Benefits, Adequate Financing*.<sup>29</sup>

*Social Security has proven to be the most effective vehicle for the achievement of retirement security for most women.*



<sup>28</sup> Ibid.

<sup>29</sup> Virginia Reno and Joni Lavery, 2009, *Fixing Social Security: Adequate Benefits, Adequate Financing*. National Academy of Social Insurance Report, [https://www.nasi.org/sites/default/files/research/Fixing\\_Social\\_Security.pdf](https://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf).