



Social Security Privatization and Women

Since its founding in 1881, the American Association of University Women has been committed to promoting equity for all women. As part of this effort, AAUW's 2011-2013 Public Policy Program advocates for "strengthening retirement benefits and programs...and protecting Social Security from privatization."¹ AAUW believes that Social Security is of particular importance to the economic security of women. Social Security is a national commitment through which we care for one another across generations and is one of the most successful anti-poverty programs in our nation's history.

Due to the national debt and deficit, all government programs are currently under scrutiny for reform and savings. Social Security should not be an exception, but AAUW strongly opposes privatizing Social Security as a solution. Social Security is the sole, guaranteed source of income for many children, widows, disabled workers, and retirees. The current system contains many social insurance benefits that must be maintained, including lifetime benefits, full cost-of-living adjustments, a progressive benefit formula, spousal and widow benefits, and disability and survivor benefits.²

Privatization schemes are especially bad for women, and we have only to look at recent events to understand the problematic nature of proposals that put personal accounts at the mercy of the stock market. Although Social Security needs reform, the system is not broken. The most recent Social Security trustees' report shows that the system can pay all scheduled benefits through 2040.³ Unlike the recommendations of the President's National Commission on Fiscal Responsibility and Reform which erroneously blame Social Security for the deficit, AAUW supports reform that update the program while guaranteeing its solvency.

Not Just a Retirement Program

Social Security provides lifelong family protections. For a young family, Social Security provides the equivalent of a \$450,000 life insurance policy and a \$450,000 disability insurance policy.⁴ Social Security also provides important benefits to children. Approximately 6.5 million children receive some of their family income from Social Security.⁵ In fact, more children receive Social Security benefits than welfare benefits.⁶ In addition, Social Security is of particular importance for families of color. While they constitute 12 to 13 percent of the U.S. population, approximately 18 percent of the children receiving survivor's benefits due to the death of a parent, and almost 20 percent of all disabled beneficiaries, are African-American.⁷

Social Security provides benefits to over nine million people with disabilities, their spouses, and their children.⁸ One of the main problems with privatization proposals is that disabled beneficiaries typically work less and need benefits earlier in life. This shorter timeline would negate many of the purported benefits of private accounts, since there would not be enough time to accumulate the money needed to support a disabled worker over a lifetime. As the 2001 Commission to Strengthen Social Security ("the Commission") noted, disabled beneficiaries most likely would not have their full lives to accumulate enough funds in their private accounts to supply the same levels of benefits the current system does.⁹

Social Security also provides critical protections for younger workers. A 20-year-old today has a three in ten chance of becoming disabled before reaching retirement.¹⁰ Yet, in 2010, only thirty-seven percent of workers were offered short-term disability from their employers, while only thirty-three percent of workers were offered long-term disability insurance.¹¹ This means for many workers Social Security is their only protection. Privatization turns Social Security guaranteed retirement benefits into a risky venture that can't match Social Security's protections and benefits.

Social Security has also been an incredibly successful poverty prevention program, constituting more than half of the incomes of almost two-thirds of Americans over 65. For one in five of those Americans, Social Security is their only income.¹² Privatizing all or part of the Social Security program would force benefit cuts in the system and shift a larger financial burden—and risk—to future generations. This shift would fundamentally change the social insurance nature of Social Security.

President's Commission to Strengthen Social Security

In December 2001, President Bush convened the Commission, which presented three models for modifying the current Social Security system. Each of the proposed plans would have severely weakened the guaranteed benefits on which women depend. The plans focused on redirecting funds from Social Security to private investment accounts. Depleting the pay-as-you-go Social Security system to establish private accounts would require deep cuts in benefits, and undermine critical disability and survivor benefits. Further, if workers' careers were unexpectedly cut short, they would lack money in their private accounts to protect themselves and their families. Many of those who need Social Security most could not afford to buy comparable private disability or life insurance policies.

In contrast to Social Security's guaranteed, lifetime retirement income, the Commission's proposed privatization schemes would not provide enough funding for a lifetime because no consideration is made for increased life expectancy, soaring health costs, or the volatility of the stock market. Finally, the Commission failed to account for Social Security's protections against inflation and its progressive benefit formula, which are particularly important to women because they live longer and have lower lifetime earnings than men. The 2001 proposals were never adopted, but Americans continue to be concerned about the viability of Social Security, and remain squarely opposed to privatizing the program.¹³

Privatization Is the Crisis

Although Social Security needs some adjustments to address long-term solvency, the system is not broken. Ironically, in looking for solutions to this long-term solvency issue, privatization would be one of the worst choices. Privatization proposals actually weaken Social Security—making the problem worse, not better. In fact, privatization will do nothing to improve the financial health of Social Security. Social Security needs a solid source of funding, but privatization proposals will drain between \$1 trillion and \$9 trillion from the Social Security Trust Fund in the next 10 years as well as increasing the national debt. With this radical change, today's modest funding shortfall would become much more serious, exhausting the Trust Fund

at decades sooner than projected.¹⁴

The recent volatility in the financial and housing markets illustrates another major problem with privatization. Many couples who planned on using the equity from their house as a source of income in their older years are finding that they can no longer count on their housing value and that they are out of time to save more money. In addition, baby boomers are approaching retirement with diminished savings aside from Social Security, especially in light of the recent economic downturn.¹⁵ Even if they had the opportunity to invest their Social Security, by adding the element of risk to retirement savings, it would still be possible to lose that money or have it run out.

While many proposals to privatize Social Security are intended to be a voluntary decision for individuals, the benefit cuts would inevitably affect *all* future beneficiaries, including those who do not participate in “private accounts.” Cutting Social Security benefits would cause greater hardship for those who rely more heavily on Social Security’s income and protections, such as older nonmarried women, disabled workers, and children.

Privatizing Social Security is Bad for Women

Privatizing all or part of the current Social Security program would eliminate many of the guaranteed benefits needed by women *and* jeopardize important benefits to children. If Social Security were privatized, women would be disproportionately harmed for the following reasons:

- *Poverty rates among elderly women would be much higher without guaranteed Social Security benefits.* Women make up 58 percent of Social Security beneficiaries and they depend more heavily on Social Security than men do for their income in retirement. About half of older women would fall into poverty without Social Security benefits.¹⁶ In addition, forty-six percent of all non-married (divorced, widowed, or never married) women age 65 and older get 90 percent or more of their income from Social Security, compared to 35 percent of similar men.¹⁷
- *Women’s lower earnings would translate into smaller contributions to retirement accounts.* Retirement income in a system of private accounts depends on investment contributions. Women in low-income, part-time, or temporary jobs would have less income to contribute to their individual retirement accounts, causing their retirement security to be directly tied to the success of their investments. In addition, due to pay inequity, women’s lifetime earnings are lower than men. Even those women with college degrees still experience a significant wage gap: According to AAUW research, in 2004, college-educated women 25 and older earned 75 percent of what their male peers earned. This pay gap appears within the first year after college—even when women are working full-time in the same fields as men—and widens in the first ten years in the workforce.¹⁸ Currently, Social Security benefits are progressive, compensating women and low-income workers for their lower lifetime earnings.
- *Women spend less time in the workforce, which would give them less money to invest.*

Benefit payouts in a system of private accounts are based in part on the length of time a worker spent in the workforce. Because women are often the primary caretakers of children and elderly relatives, they tend to spend fewer years in the workforce and are more likely than men to work part-time as a result.¹⁹ In fact women, on average, spend a total of 12 years out of the workforce due to caregiving.²⁰ The current Social Security program offers critical protections that benefit widows, divorced women, and the wives of retired workers.

- *Despite improvements in women's pension coverage rates, almost half of working women still lack pension coverage.* In 2005, 54 percent of the 61 million working women were not enrolled in a pension plan.²¹ Because of their lower earnings, women who do receive pension benefits receive only about half the benefits received by men. About one-third of women (30.5 percent) but nearly half of men (49 percent) age 65 and older received pension benefits in 2004.²² As a result, Social Security is the bedrock on which most women's retirement rests.
- *Women depend on the guaranteed benefits of Social Security.* Women's longevity makes Social Security's lifetime, cost-of-living adjusted benefits even more important to women. A system of private accounts instead of Social Security risks lifetime retirement income, since beneficiaries would have to rely on the uncertainties of their investments in place of Social Security benefits; women could actually outlive their benefits. The existing Social Security program provides guaranteed lifetime benefits to retirees, spouses, and widows.

Resources for Advocates

It is AAUW advocates across the country who speak their minds on issues important to them that truly advance AAUW's mission. Stay informed with updates on Social Security and other issues by subscribing to AAUW's Action Network. Make your voice heard in Washington and at home by using the Action Network to urge your members of Congress to oppose efforts privatize Social Security. Write a letter to the editor of your local paper to educate and motivate other members of your community. Attend town hall meetings for your members of Congress, or set up a meeting with your elected official's district office near you to discuss these policies. AAUW members can also subscribe to *Washington Update*, our free, weekly e-bulletin that offers an insider's view on the latest policy news, resources for advocates, and programming ideas. For details on these and other actions you can take, visit www.aauw.org/takeaction. For more information, read AAUW's related position papers on Retirement Security and Pay Equity. You can find these and other resources on our website at www.aauw.org.

Conclusion

AAUW believes that Congress has the opportunity to enact legislation that strengthens and protects Social Security through modest adjustments that would guarantee the solvency of the program, and provide retirement and disability income to women and other low-wage workers. Diverting revenue out of the Social Security system and into private accounts would jeopardize the financial security of women and their families, dramatically increase the projected shortfall,

and require severe cuts in guaranteed benefits. Privatization is a gamble that cannot match Social Security's social insurance protections and benefits across the lifespan.

For more information, call 202/785-7793 or e-mail VoterEd@aauw.org.

AAUW Public Policy and Government Relations Department
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¹ American Association of University Women. (June 2011). *2011-13 AAUW Public Policy Program*. Retrieved June 16, 2011, from www.aauw.org/act/issue_advocacy/principles_priorities.cfm.

² Ibid.

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⁵ Ibid.

⁶ Coalition on Human Needs. (January 2005). *Social Security: A Human Needs Issue*. Retrieved January 13, 2010 from www.chn.org/dia/organizations/chn/humanneeds/050114b.html.

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