



## Women and Retirement Security

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 "strengthening retirement benefits and programs, including pension improvements and protecting Social Security from privatization."<sup>1</sup>

The current Social Security system is more than just a retirement program; across the lifespan, it is one of the most successful anti-poverty programs in our nation's history, providing benefits to many children, disabled workers, surviving spouses, and retirees. Older women especially benefit greatly from this program, since many depend on Social Security as their primary source of retirement income. More than half of older women would fall into poverty without Social Security benefits.<sup>2</sup> In fact, the traditional three-legged stool model for retirement—Social Security, pensions, and savings—does not support most women. The traditional model is insufficient for women because pensions and private savings options are often unavailable or inadequate for women and their work/life patterns. Reform of all three options is needed to secure financial stability for women retirees.

### Background

Women are more likely to suffer financial insecurity in their later years for many reasons. They earn less than men when working in the same position and also continue to work in job fields that pay less. Also, women do not spend as much time in the work force as men do, and women live longer than men on average and need more resources to support a longer lifespan.

Women who work full time earn about 77 cents for every dollar men earn.<sup>3</sup> This gap is found throughout the economy: even controlling for factors known to affect earnings such as education and training, parenthood and hours worked, AAUW has found that college-educated women still earn five percent less than men one year out of college and 12 percent less than men 10 years out of college, even when they have the same major and occupation as their male counterparts.<sup>4</sup> The pay gap means women only earn about 75 percent of men's earnings during from the time they are 45 to the time they are 54,<sup>5</sup> a key time for retirement saving. The bottom line is that women can't save money they haven't earned. Continuing pay inequity results in women having fewer savings and lower (if any) pension benefits, leaving them on an unequal footing in retirement. For example, in 2009, the median income among women 65 and older was \$10,000 less than the median income for men 65 and older, and older women's Social Security benefits were 71 percent of older men's benefits.<sup>6</sup>

Although more women work now than ever before and in a multitude of different industries and occupations, they are still concentrated in certain fields. Women working in traditionally female industries actually make 20 to 30 percent less than those in nontraditional fields which also are more likely to offer retirement benefits.<sup>7</sup> In fact, 60 percent of women still work in low-wage positions that often do not offer pension plans – including clerical, sales, and service jobs.<sup>8</sup> Without Social Security, single women who work in low-wage positions would have to

save 25 percent of their earnings starting from their first day of work in order to adequately provide for retirement.<sup>9</sup>

Social Security is not perfect. Women still bear a disproportionate burden of caregiving responsibilities for families, which takes them out of the paid workforce throughout their lifespan to care for children and for aging parents.<sup>10</sup> In 2006 women averaged 27 years in the workforce compared to almost 40 years for men. While the current Social Security benefit formula compensates women for lower lifetime earnings by providing a higher return of income for lower-income workers, it is not enough for the substantial amount of time women are out of the workforce on average and it cannot make up for the fact that women are also unlikely to be making pension or retirement savings investments during their displacement.<sup>11</sup>

Finally, women do face a different time frame than men when sufficiently planning for retirement. In 2007, a woman who was 65 years old could expect to live to age 84.9, while a 65-year-old man could expect to live to age 82.2.<sup>12</sup> Because women live longer, they depend on Social Security's lifetime benefits for more years than do men; because of the insufficiencies of the three-legged approach to retirement, women are more likely to need survivors' benefits. Other types of savings plans do not provide life-long benefits, cost of living increasing, or continue to provide for widows.<sup>13</sup>

### **Retirement Insecurity**

Compared to men, women have fewer resources to draw upon in their later years. 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. In 2008, unmarried women received 50 percent of their total income from Social Security while non-married men only received 38 percent of their total income from Social Security.<sup>14</sup> Among all women over the age of 65, 23 percent rely on Social Security for all of their income.<sup>15</sup> And, according to the Social Security Administration, the program is the only source of retirement income for 30 percent of unmarried elderly women.<sup>16</sup>

Women's retirement insecurity is in part because many women do not have private savings to rely on. Among workers offered a 401(k) plan in 2008, female wage and salary workers ages 21–64 participated in a retirement plan at a lower level than males did, and only half of all workers participated in a private plan.<sup>17</sup> This rate has likely only decreased as more families defer retirement savings to pay for day-to-day expenses. According to the Employee Benefit Research Institute, women's lower participation rate has to do with the difference in earnings between men and women.<sup>18</sup> For example in 2007, while fewer than 58 percent of workers in the bottom quartile of household income participated in a defined contribution pension plan when offered, almost 88 percent of workers in the top quartile of household income did so.<sup>19</sup> Because men, on average, earn more than women, their overall participation rates in 401(k) plans are higher. However, when wages are held constant, the participation rate for women is generally equal to or greater than that of men.<sup>20</sup> But, many women are in industries or occupations that do not even include the option of a 401(k) or other defined contribution plan. For example, women are twice as likely to work on a part-time basis as men.<sup>21</sup> This part-time

status is a major factor in the lower overall pension coverage rate for women (36 percent) when compared to men (48 percent).<sup>22</sup> In 2004, only 28 percent of women age 65 and older received pension benefits, versus 45 percent of men.<sup>23</sup> Finally, even when women do participate, the median amount women's pension income is about half that of men.<sup>24</sup>

### **Social Security is Vital to Women**

The reality is that Social Security is the strongest of the three legs of retirement security for women. Over half of all elderly women would be poor without Social Security.<sup>25</sup> Estimates show that the poverty rate for individuals age 65 and older would increase from 10 percent to nearly 50 percent without Social Security benefits.<sup>26</sup> According to the Institute for Women's Policy Research, in 2005, more than two-thirds of unmarried women would be living below the poverty line if they did not receive Social Security.<sup>27</sup>

For many women, their individual Social Security benefits are inadequate, but Social Security has family supports in place that mean many women receive spousal and widow benefits. Social Security provides guaranteed, inflation-protected, lifetime benefits for widows, many divorced women, and the wives of retired workers in addition to the benefits it affords individual workers. This is a valuable and necessary benefit because in retirement, 60 percent of women age 62 or older rely on spousal benefits along with or as a supplement to their own retirement benefits.<sup>28</sup>

Furthermore, disability and survivor benefits protect millions of women and children. Just over one in 10 adult women receiving Social Security collect benefits by virtue of being a disabled worker.<sup>29</sup> And, in addition to adult beneficiaries, over 4 million children receive Social Security benefits as dependents of deceased, disabled, or retired workers.<sup>30</sup> In fact, over 6.5 million children receive some of their family income from Social Security.<sup>31</sup> This means Social Security provides more income to families with children than welfare, which serves about 3 million families with children.<sup>32</sup> These benefits have enabled women to feed, house, and clothe their families with dignity under difficult circumstances.

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.<sup>33</sup> 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 updates the program while guaranteeing solvency.

### **Improving Retirement Security for Women**

However, the current Social Security benefits are not enough. Many women still cobble together retirement benefits from a number of sources because they are insufficient, and even then are left to rely on the benefits of their spouse, other public assistance programs, or live in poverty. The current Social Security system contains many benefits that must be maintained and strengthened, including full cost-of-living adjustments, guaranteed lifetime benefits, a progressive benefit formula, spousal and widow benefits, and disability and survivor benefits.

AAUW is also committed to helping make the other key components of retirement security work for women. Pensions must be extended to more women who work part-time. By requiring employers sponsoring 401(k) and other defined contribution plans to allow part-time employees to participate in the plan if they work at least 500 hours per year for three years, more part-time workers, and therefore more women, will be eligible to participate. Many women are unable to participate in their employer's defined contribution and defined benefit pension plans because of vesting rules. Length of service determines when an employee can join a plan, when the individual becomes completely entitled to their pension or vested accounts, and when benefits may be paid. Since women spend on average 12 years less in the workforce than men, and vesting depends on how long you work, they are less likely to be able to satisfy plan vesting and eligibility requirements. By allowing workers who take off time under the Family and Medical Leave Act (FMLA) to count that time toward meeting vesting service requirements, more women will be able to participate in pension plans.

In addition, AAUW supports reducing vesting requirements. A Government Accountability Office (GAO) simulation found that reducing vesting requirements in defined benefit plans to 2-year cliff vesting and in defined contribution plans to 2-year cliff and 3-year graduated vesting schedules would result in an increase in median benefit levels by over 6 percent. GAO also found that increases in pension benefits gained as a result of this change represent a larger portion of total pension accumulation for less affluent women.<sup>34</sup>

### **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 support efforts to make retirement more secure for women. 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](http://www.aauw.org/takeaction). For more information, read AAUW's related position papers on Social Security Privatization and Pay Equity. You can find these and other resources on our website at [www.aauw.org](http://www.aauw.org).

### **Conclusion**

Social Security provides benefits to women throughout life and in retirement. AAUW believes that it is vital to women's economic security to provide for the long-term solvency of Social Security and to maintain its current guaranteed benefits. In addition, AAUW supports measures to increase women's ability to participate in alternate forms of retirement programs. This includes counting the time women take off as part of FMLA towards vesting, promoting the availability of 401(k) and other defined contribution plans for part-time workers, and encouraging more women to work in higher wage, non-traditional jobs. AAUW strongly

supports initiatives that seek to close the persistent and sizable wage gaps between men and women, and minorities as well, to further reduce the inequity in retirement security.

For more information, call 202/785-7793 or e-mail [VoterEd@aauw.org](mailto:VoterEd@aauw.org).

**AAUW Public Policy and Government Relations Department**  
**October 2011**

<sup>1</sup> American Association of University Women. (June 2011). *2011-13 AAUW Public Policy Program*. Retrieved January 14, 2011, from [www.aauw.org/act/issue\\_advocacy/principles\\_priorities.cfm](http://www.aauw.org/act/issue_advocacy/principles_priorities.cfm).

<sup>2</sup> U.S. Congress Joint Economic Committee. (October 2010). *Social Security Provides Economic Security to Women*. Retrieved January 14, 2011, from [http://jec.senate.gov/public/?a=Files.Serve&File\\_id=d0036901-2da3-4387-b77f-d33affe6f7f](http://jec.senate.gov/public/?a=Files.Serve&File_id=d0036901-2da3-4387-b77f-d33affe6f7f).

<sup>3</sup> U.S. Census Bureau. (September 2010). *Income, Poverty, and Health Insurance Coverage in the United States: 2009*. Retrieved January 14, 2011, from [www.census.gov/prod/2010pubs/p60-238.pdf](http://www.census.gov/prod/2010pubs/p60-238.pdf). AAUW favors using the Census data because they report median *annual* earnings in addition to *weekly* earnings. Annual earnings of full-time wage and salary workers is a standard measure of pay differentials. Economists also calculate the wage gap using median “usual weekly earnings” of full-time wage and salary workers. Weekly figures do not include bonuses and overtime pay. Because men are more likely than women to receive bonuses and work overtime, the gender wage gap in annual earnings is slightly wider than when measured using usual weekly earnings. Differences can also be measured on an hourly basis. Among workers paid on an hourly basis, women age 16 and older typically earn, on average, about 84 percent of men’s earnings. Because only part of the work force is paid on an hourly basis, it is not usually considered a good representation of the full work force.

<sup>4</sup> American Association of University Women. (2007). *Behind the Pay Gap*. Retrieved August 16, 2011, from [www.aauw.org/learn/research/upload/behindPayGap.pdf](http://www.aauw.org/learn/research/upload/behindPayGap.pdf).

<sup>5</sup> U.S. Department of Labor, Bureau of Labor Statistics. (July 2009). *Highlights of Women’s Earnings in 2008*. Retrieved January 14, 2011, from [www.bls.gov/cps/cpswom2008.pdf](http://www.bls.gov/cps/cpswom2008.pdf).

<sup>6</sup> Joint Economic Committee Chairman’s Staff. (April 12, 2011). *The Gender Wage Gap Jeopardizes Women’s Retirement Security*. Retrieved April 12, 2011, from [http://jec.senate.gov/public/?a=Files.Serve&File\\_id=f6fda396-2623-4e99-817e-bf9387360326](http://jec.senate.gov/public/?a=Files.Serve&File_id=f6fda396-2623-4e99-817e-bf9387360326).

<sup>7</sup> Wider Opportunities for Women. (2009). *Work 4 Women: Exploring High-Wage Nontraditional Career Options*. Retrieved January 14, 2011, from [www.wowonline.org/pdf/womennontradsheet2005.pdf](http://www.wowonline.org/pdf/womennontradsheet2005.pdf).

<sup>8</sup> Fairness Initiative on Low-Wage Work. *Fact Sheet*. Retrieved January 14, 2011, from [www.lowwagework.org/factsheets/](http://www.lowwagework.org/factsheets/).

<sup>9</sup> Wider Opportunities for Women. (2009). *The State of Women and Their Families’ Lifelong Economic Security*. Retrieved January 14, 2011, from [www.wowonline.org/pdf/IntergenerationalFactsheet.pdf](http://www.wowonline.org/pdf/IntergenerationalFactsheet.pdf)

<sup>10</sup> MetLife Mature Market Institute and the National Alliance for Caregiving. (July 2006). *The MetLife Caregiving Cost Study: Productivity Losses to U.S. Business*. Retrieved January 14, 2011, from [www.caregiving.org/data/Caregiver%20Cost%20Study.pdf](http://www.caregiving.org/data/Caregiver%20Cost%20Study.pdf).

<sup>11</sup> Economic Policy Institute. (May 2005). *Social Security: Frequently Asked Questions*. Retrieved January 14, 2011, from [epi.3cdn.net/4f894bf3eec6822dec\\_a5m6brb5d.pdf](http://epi.3cdn.net/4f894bf3eec6822dec_a5m6brb5d.pdf).

<sup>12</sup> U.S. Census Bureau. (January 2011). *The 2011 Statistical Abstract: Life Expectancy by Sex, Age, and Race: 2007*, Table 103. Retrieved January 14, 2011, from [www.census.gov/compendia/statab/2011/tables/11s0103.pdf](http://www.census.gov/compendia/statab/2011/tables/11s0103.pdf).

<sup>13</sup> Economic Policy Institute. (2007). *Building on Social Security’s Success*. Retrieved January 14, 2011, from [www.wowonline.org/pdf/IntergenerationalFactsheet.pdf](http://www.wowonline.org/pdf/IntergenerationalFactsheet.pdf).

<sup>14</sup> U.S. Social Security Administration. (June 2010). *Social Security is Important to Women*. Retrieved January 14, 2011, from [www.ssa.gov/pressoffice/factsheets/women.htm](http://www.ssa.gov/pressoffice/factsheets/women.htm).

<sup>15</sup> Institute for Women’s Policy Research. (2003). *Gender and Economic Security in Retirement*. Retrieved January 14, 2011, from [www.iwpr.org/pdf/D456.pdf](http://www.iwpr.org/pdf/D456.pdf).

<sup>16</sup> U.S. Social Security Administration. (May 2006). *Income of the Population 55 or Older, 2004*, Table 6.B2. Retrieved January 14, 2011, from

[www.ssa.gov/policy/docs/statcomps/income\\_pop55/2004/sect06.html#table6.b2](http://www.ssa.gov/policy/docs/statcomps/income_pop55/2004/sect06.html#table6.b2).

<sup>17</sup> Employment Benefit Research Institute. (December 2009). *Participating in a Retirement Plan: Gender Differences*. Retrieved January 14, 2011, from [www.ebri.org/pdf/FFE149.21Dec09.Final.pdf](http://www.ebri.org/pdf/FFE149.21Dec09.Final.pdf).

<sup>18</sup> Employment Benefit Research Institute. (October 2005). *Issue Brief No. 286, Employment-Based Retirement Plan Participation: Geographic Differences and Trends*. Retrieved January 14, 2011, from [www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_10-20051.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_10-20051.pdf).

<sup>19</sup> Congressional Research Service. (July 2009) *401 Plans and Retirement Savings: Issues for Congress*. Retrieved January 14, 2011, from [www.ebri.org/whatsnew/CRS401kReport.pdf](http://www.ebri.org/whatsnew/CRS401kReport.pdf).

<sup>20</sup> Brookings. (2000). *Participation in Voluntary Individual Savings Accounts: An Analysis of IRAs, 401(k)s, and the TSP*. *Social Security Bulletin*, 63(1). Retrieved January 14, 2011, from [www.brookings.edu/testimony/2010/0901\\_retirement\\_saving\\_john.aspx](http://www.brookings.edu/testimony/2010/0901_retirement_saving_john.aspx).

<sup>21</sup> U.S. Department of Labor, Bureau of Labor Statistics. (June 2010). *Highlights of Women's Earnings in 2009*. Retrieved January 14, 2011 from [www.bls.gov/cps/cpswom2009.pdf](http://www.bls.gov/cps/cpswom2009.pdf).

<sup>22</sup> Center on Budget and Policy Priorities. (2001). *the Importance of Social Security to People of Color and Women*. Retrieved January 14, 2011, from [www.cbpp.org/7-18-01socsec2.htm](http://www.cbpp.org/7-18-01socsec2.htm).

<sup>23</sup> Employment Benefit Research Institute. (March 2006). *Retirement Annuity and Employment-Based Pension Income among Individuals Ages 50 and Over*. *Notes*, 27(3). Retrieved January 14, 2011, from [www.ebri.org/pdf/notespdf/EBRI\\_Notes\\_03-20063.pdf](http://www.ebri.org/pdf/notespdf/EBRI_Notes_03-20063.pdf).

<sup>24</sup> Employment Benefit Research Institute. (December 2007). *Income of the Elderly Population Age 65 and Over, 2006*. *Notes*, 28(12). Retrieved January 14, 2011, from [www.ebri.org/pdf/notespdf/EBRI\\_Notes\\_12-20071.pdf](http://www.ebri.org/pdf/notespdf/EBRI_Notes_12-20071.pdf).

<sup>25</sup> AARP. (November 2010). *Social Security a Barrier to Poverty for Many*. Retrieved January 14, 2011, from [www.aarp.org/work/social-security/info-10-2010/social\\_security\\_barrier\\_to\\_poverty.html](http://www.aarp.org/work/social-security/info-10-2010/social_security_barrier_to_poverty.html).

<sup>26</sup> Ibid.

<sup>27</sup> Institute for Women's Policy Research. (March 2010). *Social Security: Vital to Retirement for 35 Million Women and Men*. Retrieved January 14, 2011, from [www.iwpr.org/pdf/D487SSVital.pdf](http://www.iwpr.org/pdf/D487SSVital.pdf).

<sup>28</sup> U.S. Social Security Administration. (2009). *Annual Statistical Supplement to the Social Security Bulletin, 2009*, Table 5.A14. Retrieved January 14, 2011, from [www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf](http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf)

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> National Academy of Social Insurance. (February 2003). *Children's Stake in Social Security*. Retrieved January 14, 2011, from [www.nasi.org/usr\\_doc/Social\\_Security\\_Brief\\_No\\_14.pdf](http://www.nasi.org/usr_doc/Social_Security_Brief_No_14.pdf).

<sup>32</sup> U.S. Department of Health and Human Services. (October 2010). *TANF: Total Number of Child Recipients*. Retrieved January 14, 2011, from [www.acf.hhs.gov/programs/ofa/data-reports/caseload/2010/2010\\_children\\_tan.htm](http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/2010/2010_children_tan.htm).

<sup>33</sup> Social Security and Medicare Boards of Trustees. (2010). *2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*. Retrieved August 16, 2011, from [www.ssa.gov/OACT/TRSUM/index.html](http://www.ssa.gov/OACT/TRSUM/index.html).

<sup>34</sup> U.S. Government Accountability Office (October 2007). *Retirement Security: Women Face Challenges in Ensuring Financial Security in Retirement*. *Report to the Ranking Member, Special Committee on Aging, U.S. Senate*. Retrieved January 14, 2011, from [www.gao.gov/new.items/d08105.pdf](http://www.gao.gov/new.items/d08105.pdf).