



## 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 2009-2011 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> In addition, they only earn about 75 percent of men's earnings during from the time they are 45 to the time they are 64.<sup>4</sup> 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. 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>5</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>6</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>7</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>8</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>9</sup>

Finally, women do face a different time frame than men when sufficiently planning for retirement. In 2005, a woman who was 65 years old could expect to live to age 85, while a 65-year-old man could expect to live to age 82.<sup>10</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>11</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, compared to 35 percent of similar men.<sup>12</sup> Among all women over the age of 65, 23 percent rely on Social Security for all of their income.<sup>13</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>14</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 2004, the overall participation rate was 41 percent for women and almost 45 percent for men.<sup>15</sup> 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>16</sup> For example, while fewer than 20 percent of workers earning less than \$15,000 per year participate in a 401(k) plan when offered, almost 70 percent of workers earning \$50,000 or more do so.<sup>17</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>18</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 more than twice as likely to work on a part-time basis as men.<sup>19</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>20</sup> In 2004, only 28 percent of women age 65 and older received pension benefits, versus 45 percent of men.<sup>21</sup> Finally, even when women do participate, the median amount women's pension income is about half that of men.<sup>22</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>23</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>24</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>25</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>26</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>27</sup> And, in addition to adult beneficiaries, over 4 million children receive Social Security benefits as dependents of deceased, disabled, or retired workers.<sup>28</sup> In fact, over 5 million children receive some of their family income from Social Security.<sup>29</sup> This means Social Security provides more income to families with children than welfare, which serves about 3 million families with children.<sup>30</sup> These benefits have enabled women to feed, house, and clothe their families with dignity under difficult circumstances.

### **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>31</sup>

### Resources for Advocates

It is AAUW advocates across the county 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).

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<sup>1</sup>American Association of University Women. (June 2009). *2009-11 AAUW Public Policy Program*. Retrieved July 9, 2009, from [http://www.aauw.org/advocacy/issue\\_advocacy/principles\\_priorities.cfm](http://www.aauw.org/advocacy/issue_advocacy/principles_priorities.cfm).

<sup>2</sup>AARP (October 2007). *Women and a Secure Retirement: Two Steps Forward, One Step Back*. Retrieved August 12, 2009 from [http://bulletin.aarp.org/yourmoney/retirement/articles/money\\_for\\_life\\_sb1.html](http://bulletin.aarp.org/yourmoney/retirement/articles/money_for_life_sb1.html)

<sup>3</sup> U.S. Census Bureau and the Bureau of Labor Statistics. (September 2009). Annual Demographic Survey. Retrieved September 18, 2009, from <http://www.census.gov/hhes/www/poverty/poverty08.html>. 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> U.S. Department of Labor, Bureau of Labor Statistics. (July 2009). *Highlights of Women's Earnings in 2008*.

Retrieved August 12, 2009 from <http://www.bls.gov/cps/cpswom2008.pdf>

<sup>5</sup> Wider Opportunities for Women (2009). *Women and Non-Traditional Employment*. Retrieved August 14, 2009 from <http://www.wowonline.org/pdf/womennontradsheet2005.pdf>

<sup>6</sup> Older Women's League (2008). *You Can't A Save What You Don't Earn*. Retrieved August 14, 2009 from [http://www.owl-national.org/Action\\_Alerts.html](http://www.owl-national.org/Action_Alerts.html).

<sup>7</sup> Wider Opportunities for Women (2009). *The State of Women and Their Families' Lifelong Economic Security*. Retrieved August 14, 2009 from <http://www.wowonline.org/pdf/IntergenerationalFactsheet.pdf>

<sup>8</sup> National Alliance for Caregiving and AARP. (April 2004). *Caregiving in the US*. Retrieved January 3, 2008, from <http://www.caregiving.org/data/04finalreport.pdf>.

<sup>9</sup> Economic Policy Institute. (May 2005). *Social Security: Frequently Asked Questions*. Retrieved August 12, 2009, from [http://epi.3cdn.net/4f894bf3eec6822dec\\_a5m6brb5d.pdf](http://epi.3cdn.net/4f894bf3eec6822dec_a5m6brb5d.pdf)

<sup>10</sup> National Center for Health Statistics. *Health, United States, 2008*, Table 26. Retrieved August 12, 2009, from [http://www.cdc.gov/nchs/data/08.pdf#026](http://www.cdc.gov/nchs/data/hus/08.pdf#026)

<sup>11</sup> Reno, Virginia P. (2007). *Building on Social Security's Success*. Economic Policy Institute. Retrieved August 14, 2009 from <http://www.wowonline.org/pdf/IntergenerationalFactsheet.pdf>

<sup>12</sup> U.S. Social Security Administration. (May 2006). *Income of the Population 55 or Older, 2004*, Table 6.B2. Retrieved January 2, 2008, from

[http://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>13</sup> Lee, Sunwha and Shaw, Lois. (2003). *Gender and Economic Security in Retirement*. Institute for Women's Policy Research. Retrieved January 10, 2008, from <http://www.iwpr.org/pdf/D456.pdf>.

<sup>14</sup> U.S. Social Security Administration. (May 2006). *Income of the Population 55 or Older, 2004*, Table 6.B2. Retrieved January 2, 2008, from

[http://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>15</sup> Employment Benefit Research Institute. (October 2005). *Issue Brief No. 286, Employment-Based Retirement Plan Participation: Geographic Differences and Trends*. Retrieved January 3, 2008, from [http://www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_10-20051.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_10-20051.pdf).

<sup>16</sup> Employment Benefit Research Institute. (October 2005). *Issue Brief No. 286, Employment-Based Retirement Plan Participation: Geographic Differences and Trends*. Retrieved January 3, 2008, from [http://www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_10-20051.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_10-20051.pdf).

<sup>17</sup> Employment Benefit Research Institute. (October 2005). *Issue Brief No. 286, Employment-Based Retirement Plan Participation: Geographic Differences and Trends*. Retrieved January 3, 2008, from [http://www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_10-20051.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_10-20051.pdf).

<sup>18</sup> Springstead, Glenn R. and Wilson, Theresa M. (2000). Participation in Voluntary Individual Savings Accounts: An Analysis of IRAs, 401(k)s, and the TSP. *Social Security Bulletin*, 63(1). Retrieved January 3, 2008, from <http://www.ssa.gov/policy/docs/ssb/v63n1/v63n1p34.pdf>.

<sup>19</sup> U.S. Department of Labor, Bureau of Labor Statistics. (July 2009). *Highlights of Women's Earnings in 2008*. Retrieved August 12, 2009 from <http://www.bls.gov/cps/cpswom2008.pdf>

<sup>20</sup> Center on Budget and Policy Priorities. (2001). *The Importance of Social Security to People of Color and Women*. Retrieved January 7, 2008, from <http://www.cbpp.org/7-18-01socsec2.htm>.

<sup>21</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 3, 2008, from [http://www.ebri.org/pdf/notespdf/EBRI\\_Notes\\_03-20063.pdf](http://www.ebri.org/pdf/notespdf/EBRI_Notes_03-20063.pdf).

<sup>22</sup> Employment Benefit Research Institute. (December 2007). Income of the Elderly Population Age 65 and Over, 2006. *Notes*, 28(12). Retrieved January 3, 2008, from [http://www.ebri.org/pdf/notespdf/EBRI\\_Notes\\_12-20071.pdf](http://www.ebri.org/pdf/notespdf/EBRI_Notes_12-20071.pdf).

<sup>23</sup> AARP (2007). *Social Security*. Retrieved August 12, 2009 from

[http://www.aarp.org/issues/dividedwefail/financial/divided\\_we\\_fail\\_platform\\_social\\_security.html](http://www.aarp.org/issues/dividedwefail/financial/divided_we_fail_platform_social_security.html)

<sup>24</sup> AARP (2007). *Social Security*. Retrieved August 12, 2009 from

[http://www.aarp.org/issues/dividedwefail/financial/divided\\_we\\_fail\\_platform\\_social\\_security.html](http://www.aarp.org/issues/dividedwefail/financial/divided_we_fail_platform_social_security.html)

<sup>25</sup> Institute for Women's Policy Research. (May 2005). Six Key Facts on Women and Social Security. Retrieved January 3, 2008, from <http://www.iwpr.org/pdf/D462.pdf>.

<sup>26</sup> U.S. Social Security Administration. *Annual Statistical Supplement to the Social Security Bulletin, 2006*, Table 5.A14. Retrieved January 3, 2008, from

<http://www.ssa.gov/policy/docs/statcomps/supplement/2006/supplement06.pdf>.

<sup>27</sup> U.S. Social Security Administration. *Annual Statistical Supplement to the Social Security Bulletin, 2006*, Table 5.A16. Retrieved January 3, 2008, from

<http://www.ssa.gov/policy/docs/statcomps/supplement/2006/supplement06.pdf>.

<sup>28</sup> U.S. Social Security Administration. *Annual Statistical Supplement to the Social Security Bulletin, 2006*, Table 5.F4. Retrieved January 3, 2008, from <http://www.ssa.gov/policy/docs/statcomps/supplement/2006/supplement06.pdf>.

<sup>29</sup> Hill, Catherine and Virginia Reno. (February 2003). Children's Stake in Social Security. *Social Security Issue Brief*, 14. National Academy of Social Insurance. Retrieved January 3, 2008, from

[http://www.nasi.org/usr\\_doc/Social\\_Security\\_Brief\\_No\\_14.pdf](http://www.nasi.org/usr_doc/Social_Security_Brief_No_14.pdf).

<sup>30</sup> Coalition on Human Needs (January 2005). *Social Security: A Human Needs Issue*. Retrieved August 12, 2009 from <http://www.chn.org/dia/organizations/chn/humanneeds/050114b.html>

<sup>31</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 August 18, 2009 from <http://www.gao.gov/new.items/d08105.pdf>