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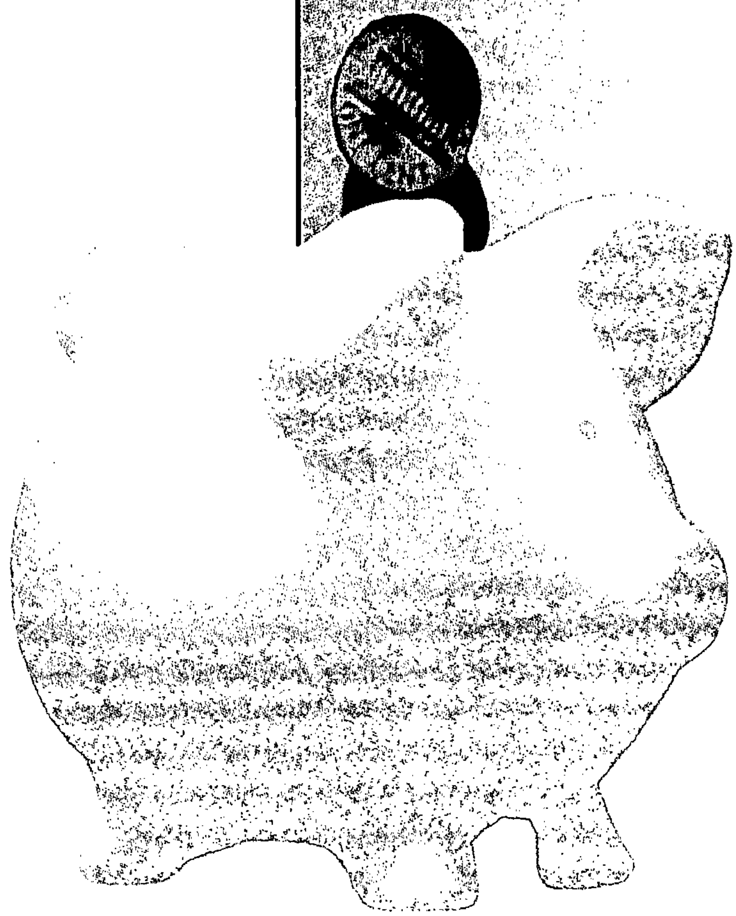
WOMEN, WORK, AND PENSIONS:

IMPROVING THE ODDS FOR A SECURE RETIREMENT



THE VOICE OF MIDLIFE AND OLDER WOMEN

The Path to Poverty: An Analysis of Women's Retirement Income

May 1997

Introduction

For many women, the path to poverty in old age begins the first day they go to work. Women in 1996 earned 75 percent of what men earned.[1] As women age, this gap widens and continues into retirement. Even with Social Security benefits, one in four women today age 65 and older lives near or below the poverty line.[2]

The foundation of a woman's economic security in retirement is Social Security. Ninety-two percent of older women (more than 18 million) receive Social Security retirement benefits of some kind. Private pensions are the second major source of income for retirees. However, by the mid 1990's only 18 percent of women age 65 and over were receiving a pension. [3]

Growing old in America is very different for women than it is for men. Race and ethnicity, family, and economic resources are primary influences in the quality of older women's lives. The economic status of older women reflects their past lives, their education, employment history and marital status. The financial problems faced in old age are often extensions of the problems and choices they dealt with earlier in their lives.[4] For most women, decades of Social Security contributions will translate into virtually the same retirement benefits as those paid to their mothers and grandmothers, who may never have earned wages or paid Social Security taxes. These benefits alone are inadequate for all generations.

The work patterns of today's young women will likely follow the same course as their mothers in the baby boom generation with periods of paid work interspersed with time taken off to have and raise a family and/or care for older relatives. If these patterns hold, younger women will continue to predominate in the same low-paying, non benefits occupations as older women; 58 percent of younger women and 59 percent of older women work in sales, service and clerical jobs. [5] When these women retire, they will not only receive low Social Security benefits, they will have little or no pension income. Data from the Survey of Income and Program Participation showed that while for women workers 14.7 percent of all potential work years were spent away from work, for all men only 1.6 percent of all potential work-years were spent away from paid work. Thus women spend far more time away from work and cannot build the seniority that men may achieve.[6]

What will the future hold for women in retirement? Today a woman's race/ethnicity and marital status largely determine whether she will be poor. By 2020, 21 percent of the female population age 65 and older will be comprised of women of color, compared to 10 percent now. Unless there are societal changes, these minority women of the future will face the same hardships as today's older woman of color.

Whether a woman is married or widowed, divorced, separated or single makes a big difference in her economic situation in retirement today. Older married women are generally the most economically secure. Conversely, four of 10 older women living alone are poor or near poor. Because of later marriages, more divorces, and greater longevity, older women of the future will have spent more of their lives unmarried. A higher proportion of younger women will remain single all of their lives. Trends suggest that more older women will live alone and enter their later years without a husband. Today, three in ten households are married couples without children under 18. This raises serious questions for baby boomers and younger people who will retire in the 21st century. Who will care for this retired population? Without their own financial resources, how will they fare? The Social Security retirement trust funds are projected to be depleted by 2029 unless modest changes are implemented. Long range planning for retirement is essential.

The legacy of poverty in older age does not need to be passed from mothers to daughters and granddaughters born in the 1990's and beyond. We know the faults and biases in the structure of the U.S. retirement system. That gives women the power to make changes to that structure. Further, women know that the decisions they make during their work lives can alter the cycle of poverty among older women.

Older Women and Poverty

Although most older people are more economically secure than their predecessors, many women and minorities age 65 and older live in poverty.[4] 42 percent of women age 65 and older were living below 125 percent of poverty.[3] Poverty in late life begins with lower wages during working years. As noted earlier, overall, year-round, full-time women workers earned 75 percent of what men earned in 1995.[1] The wage gap widens with age; women 55 years and older who were employed full time in 1994 earned $391 a week compared to $591 a week for men, or 66 percent of men's wages. Women age 25 to 54 years old earned 74 percent of the wages of men in the same age range, $425 a week for women versus $575 a week for men. [1]

The economic chasm that is evident between women and men during their work lives continues to widen when they retire. Women 65 and over in 1995 had a median income of $9,335–62 percent of $14, 983 annual median income of older men.[3] In 1995, older women were over twice as likely (13.6 percent) to be living below the poverty line as older men (6.2 percent). Another 8.5 percent of older women were near poor, compared to 5.2 percent of men.[7] Ninety-two percent of women age 65 and over in 1994 got some form of income from Social Security, while 77 percent received income from their assets.[3]

Without Social Security, in 1994, among unmarried women 65 years and over, 64 percent of those getting these monthly checks would have been poor. Twenty percent of those receiving social Security were poor in spite of their coverage. Ninety percent of all unmarried 65 year old and older recipients depend on Social Security for 90 percent or more of their income; 22 percent of these have no other income.[3] Income obtained from Social Security varies by race, with 92 percent of white women receiving benefits compared to 86 percent of African American women and 77 percent of Hispanic women. African American and Hispanic women also have significantly less retirement income from assets than white women; 33 percent for African American women and 31 percent for women of Hispanic origin, compared to 69 percent for white women. Further 19 percent of African American and 26 percent of Hispanic origin women age 65 and over received some form of public assistance, compared with only five percent of white women. [3]

Almost three-fourths of the four million older poor people in the United States are women. In 1995, only 10.5 percent of all people age 65 and over were poor,[3] but 75 percent of this group were women .[7] Further, since the threshold used to establish poverty status for older persons is about 10 percent lower than for other groups, these poverty estimates understate the degree of economic hardship actually experienced.

Older African American and Hispanic origin women are especially vulnerable to a life of poverty. In 1995, 31 percent of African American women age 65 and over and 28.9 percent of older women of Hispanic origin were living in poverty, compared to 14 percent of white women and 13.6 percent of all older women.[4]

Marital Status Often Determines Whether Women Are Poor

Separated and divorced older women are substantially poorer than widows, and all are poorer than wives. Approximately 37 percent of women over 61 years old who were separated from their husbands in 1994 lived below the poverty line. 33 percent of divorced women over 65 lived in poverty, compared to 27 percent of widowed women. [3]

The net worth of married couples is far greater than for male and female householders. In 1993, women age 65 and over had a median net worth of $9,560, compared to $12, 927 for men and $44,410 for married couples. This data excludes the equity they have in their homes, which for most people is the largest share of their net worth. [8] Many women are only a man away from poverty. Half of all poor widows were not poor before the death of their husbands. Almost four times more widows live in poverty than do wives the same age.

By some projections, Social Security and pension systems will have practically ended poverty among older men and married couples by 2020. But poverty will remain widespread among older women living alone, those who are separated, divorced, widowed or never married.[9]

Our Retirement System Does Not Work for Many Women

Retirement plans, both Social Security and private pensions, benefit male work patterns. First enacted in 1935 when lifestyles were very different, Social Security retirement benefits best serve the traditional family: a paid worker (usually the husband), an unpaid homemaker (usually the wife), and children. But most American families do not fit that profile today, and even fewer will fit it in the future.[12] Today, women are in the work force in greater numbers than ever. According to the Social Security Administration, nearly 60 percent of women work outside the home.

Many factors leave older women at severe economic disadvantage:

- Women's labor force participation often includes gaps for raising a young family and providing care for older relatives that make it difficult (if not impossible) for many older women to qualify for high Social Security retirement and private pension benefits;
- As noted earlier, almost two-thirds of women work in traditionally lower-paying jobs, e.g. sales, service and clerical;
- Women's work patterns (e.g. taking part-time or contingent jobs, moving in and out of the labor force, choosing lower-paying employment because of caregiving responsibilities) will continue to keep women's wages considerably below men's, and therefore women's retirement benefits low;
- The types of jobs (such as temporary and part-time work) that give women the flexibility to move in and out of the job market do not usually provide pension coverage; as a result, Social Security is often the only income they have in retirement;
- Women live longer than men;
- Women have to pay more out-of-pocket health care costs due to living longer and having more disabilities; [11/12] and
- The money that married women in the work force pay into Social Security may not be counted when benefits are calculated.

Many of these factors are out of most women's power to control. However, female workers should be aware that the choices they make about work and family in their earlier lives will have serious consequences when they enter retirement. An examination of the three primary sources of retirement income sheds some light on why many older women live in or near poverty.

The Three-Legged Stool Theory Does Not Work for Most Women

The basis for U.S. retirement policy has been the concept of the three-legged stool. The three legs of the stool are Social Security, employer-paid pensions, and savings and investment income. But this stool has never worked for women. Social Security, of course, is paid for by the employer and the employee in equal amounts during the working years. The traditional pension in the private sector is paid by the employer. Each individual is responsible for the savings and investment leg of her stool. [13]

Thus, theoretically, one leg is shared equally by the employer and employee; one leg is paid by the employer, and one leg by the employee. In reality, many employers have either never offered pensions or have been eliminating the employer-paid pension plans, thereby removing or shortening their leg of the stool. Too often women have no money left after the expenses of daily living to put toward an Individual Retirement Account (IRA) or other savings.

Social Security

Social Security remains the most reliable leg of the stool. But the 1994 Old Age, Survivors and Disability Insurance (OASDI) Trustees Report projects that by 2013 some of the interest earned by the Social Security trust funds will need to be spent along with tax revenue to cover benefit payments. By 2019, it will be necessary to redeem some trust fund securities because income (including contributions and interest) will be less than expenditures. OASDI trust funds will be depleted by 2029, according to projections of the trustees report, unless components of the system are modified.[14]

Almost 19 million women age 65 and over received Social Security benefits in December 1996, and 11.3 million dollars in monthly benefits were paid by the federal government at that time for all persons covered by OASDI, totaling $29.4 billion in that one year.[16]

Eleven million three hundred thousand women had enough earnings in covered employment to qualify for retired worker benefits; of these about 6.5 million women were entitled to benefits solely as workers. Nearly five million women were entitled to both a spousal benefit and a retired worker benefit; their earnings as wives and widows were greater than if they chose a benefit based just on their own earnings.[16] Approximately 7.1 million women were entitled to spousal benefits only;[16] 49.2 million people received monthly OASDI benefits, 58.3 percent were women.

Fundamental biases persist in the Social Security retirement program. Social Security penalizes dual-earner families and discriminates against caregivers, divorced spouses, and people who retire early and live long. Generally, women are entitled to Social Security retirement benefits in one of three ways: solely as retired or disabled workers, solely as wives or widows, or ideally, entitled on the basis of their own earnings and those of their husbands. [10]

Retired Workers

Among retired workers receiving Social Security benefits on their own work records, the average Primary Insurance Amount (PIA) a man receives in his check is 29 percent more than the average PIA of a woman ($817 to $634).[17] Because Social Security benefits are wage-based, women's continuing lower earnings translate into lower retirement benefits. The wage gap ensures that the average woman will have consistently lower benefits than the average man.[11]

Although more women have joined the paid work force, their Social Security retirement income does not reflect their growing contributions. In 1970, women received 70 percent of the Social Security benefits men received. In 1995, as noted earlier, that percentage was 75 percent.

Twenty-seven percent of all older women, and 37 percent of unmarried older women, rely on Social Security retirement benefits for at least 90 percent of their income. Further, 20 percent of older unmarried women have no other source of income.[9] When Social Security is their principal source of retirement income, older women are more likely to be poor. Only 11 percent of older women with 50 to 75 percent of their income from Social Security are poor, while 56% of older women with 100 percent of their income from Social Security are poor.[13]

Dual Entitlement

Dually entitled women who are both married and wage earners primarily receive higher benefits based on their husband's records. Since 1960, the percentage of women drawing benefits based on their own work records has remained virtually constant at 36 percent, even though the percentage of women dually entitled to benefits on both their own work records and those of their husbands jumped from five percent in 1960 to 25 percent in 1993. Those years during which a working woman paid into the system through payroll taxes do not yield higher benefits but do decrease the liability to the Social Security system. She will receive exactly the same spousal benefit that she would have received had she never worked outside the home.

In 1994, only 64 percent of married women born in the early Depression years were eligible for their own Social Security retired worker benefits. Projections indicate that increasing numbers of married women will be eligible for Social Security benefits on their own work records. These include

- 76 percent of married women in 1999 born in the late Depression
- 79 percent of married women in 2004 born during World War II; and
- 85 percent of married women in 2009 who were born in the early baby boom generation.

In 1994, approximately two-thirds (64 percent) of older women received spousal benefits, including 26 percent who were dually entitled. Benefits for dually entitled women averaged $617 per month, including $408 for wives and $758 for widows. Another 39 percent received spousal benefits only, which averaged $533 per month, $373 for wives and $636 for widows. These were still higher than 100 percent of what the average married woman would have received based on her own low earnings record. The other 36 percent of older women who received higher benefits are retired worker--in 1994, an average monthly benefit of $623.[17]

Spousal Benefits

A lifelong homemaker has no Social Security protection in her own right. Even though she has worked for decades in the home and has contributed substantially to her family's economic well-being, a homemaker, if she has no earnings, will receive only a spousal benefit equal to half of the benefit her husband receives.[11]

For the homemaker who is divorced, half a benefit can be far too little to live on. A divorced woman is eligible to receive a spousal benefit if she was married for at least 10 years. However, half of her ex-husband's benefit is just one-third of what they would receive as a couple. Together, they were receiving 150 percent of his Social Security, 100 percent for him and 50 percent for her. As an individual, she receives only the 50 percent. This provides many divorced, lifelong homemakers with benefits that leave them living in poverty. The average monthly spousal benefit in 1994 was $361 for divorced women age 62 or older.[17]

A newly divorced woman age 62 and over must wait two years to receive Social Security benefits if her former husband is still working , but she can receive benefits immediately if her ex-husband is already drawing Social Security. This two-year waiting period can be a time of great deprivation with no other source of income. It can also be regarded as imposing a penalty on divorce. Sixty times more women than men are dependent on their divorced spouse's earnings for Social Security benefits.[18]

A divorced woman is financially better off after her ex-husband dies, because even a divorced widow receives 100 percent of her deceased husband's benefit. However, a widow may not draw any benefits until age 60, unless she has a child under 16 or a disabled child. A widow's gap is created for widows under age 60 who have no children under age 16 and who, therefore, cannot yet draw benefits. Once a widow has reached age 60 (or 50 if she is disabled), should she draw her benefits early rather than wait until age 65, her benefits are actuarially reduced to around 70 percent of her normal widow's benefit. [11] Social Security is the sole source of income for 21 percent of all widows who receive benefits. Without Social Security, 62 percent of widows would be poor. Further, 1.6 million widowed beneficiaries live below the poverty line.[9]

Lower wages prompt single and divorced women to draw their benefits early, and thereby have their benefits actuarially reduced. Despite the fact that benefits are reduced to 80 percent of their normal amount for workers who retire early at age 62, 72 percent of retired women draw their benefits early.[11]

For a woman drawing an early spousal benefit, as opposed to a worker's benefit, the shortfall is even worse. The spousal benefit is reduced to 75 percent of the full benefit for a spouse electing to draw benefits at age 62. 82 percent of spouses draw early benefits. Many are separated or divorced and in need of immediate income and cannot consider the consequences down the road.[12] Projections indicate that Social Security retired worker spousal benefits will decrease by 18 percent by 2009. 29 percent of married women born in the early Depression years who retired in 1994 received no retired worker spousal benefits. By the time they retire in 2009, that percentage will be 47 percent for women born in the baby boom years.

Supplemental Security Income and Older Women

The Supplemental Security Income (SSI) program was established as a joint federal-state program in 1972 to help poor elderly Americans, and the blind and disabled of all ages to meet their most basic needs. SSI is administered by the Social Security Administration and financed by general revenues and the states. The program is designed to guarantee a minimum level of income by providing cash payments to help the very poor who do not qualify for Social Security benefits, or those whose benefits are not adequate for subsistence.. Benefits are means tested, that is, if recipients have too many assets, they are required to "spend down" or impoverish themselves in order to qualify. Although the process of qualifying for SSI is difficult, those who qualify are also eligible for Medicaid, food stamps, and rehabilitation and home health care assistance.

Even with SSI, however, many women are still poor. The maximum federal SSI benefit of $458 per month in 1995 brings an individual up to only 75 percent of poverty, and the maximum benefit of $687 for a couple reaches only 90 percent of the poverty line. Half of the states provide additional supplements to persons living independently, but even these add-ons are inadequate in terms of raising recipients' income above the poverty level.

Who receives SSI? In 1995, 6.5 million poor elderly, disabled and blind Americans received SSI. 33 percent of these were age 65 and over, and almost 60 percent were women. Older women constitute one-fourth of older persons receiving SSI.[17] More than one million older women eligible for SSI benefits are not receiving them.

Of Americans who qualify for SSI benefits because of age and poverty status, 79 percent are age 70 or older, 54 percent are age 75 or older, and 35 percent are 80 or older. Finally, women are more likely to rely on SSI at an earlier age. Starting at age 50, more women than men receive SSI benefits based on disability.

SSI is vulnerable to budget cuts at both the federal and state levels. The traditional immunity that programs for older Americans have enjoyed at the federal level is no longer assured. Some Congressional leaders want to reform welfare by eliminating the entitlement status of SSI and imposing a spending cap on the program. If entitlement status is eliminated and a federal spending cap becomes law, eligible recipients will no longer have a right to receive SSI. In an amended program, SSI would become a discretionary (rather than entitlement) program and Congress could appropriate a set amount of money each year. This could result in:

- Serious funding reductions, given expected cuts in domestic discretionary spending;
- Not appropriating sufficient funds in a given year; and
- Appropriated funds that would fail to address the factors causing increased applications, such as economic downturns or higher numbers of elderly persons.

Further, if there is no right to receive SSI, and appropriated funds fall short in a given year:

- New applications would not be taken from eligible persons;
- Waiting lists would develop for elderly and disabled individuals who would have been eligible previously;
- Benefits to current beneficiaries could be reduced;
- Cost-of-living adjustments (colas) could be lowered or eliminated; and
- More persons could become homeless or remain in institutions due to the loss or unavailability of cash assistance.

Pensions

ERISA

Prior to the enactment of the Employment Retirement Income Security Act (ERISA) in 1974, there was very little regulation of pensions. ERISA provided a number of rights to individual participants for the first time, establishing minimum participation and vesting requirements. And setting standards for the number and percentage of employees to be covered by a pension plan. A pension with survivor benefits was established as the standard for married participants and vested workers could opt for a survivors benefit once they reached the planned early retirement age.

Over the years, there have been frequent amendments to ERISA, including expanded protections for workers and beneficiaries. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) sought to establish equity in coverage; plans that paid a disproportionate amount of pension benefits to high-paid employees were required to provide a minimum benefit to moderate- and lower-paid employees.[13]

Passage of the Retirement Equity Act (REA) in 1984 increased survivor benefit protection. A retiring worker must now obtain a spouse's written consent before electing a pension without survivor benefits. The REA also lowered the participation and vesting ages. Qualified Domestic Relations Order (QDRO) provisions made it easier to get a share of a company pension as marital property at divorce, with payment coming directly from the company.[13]

The Tax Reform Act of 1986 (TRA) reduced the vesting rules so that, now, most plans have a five-year vesting schedule. The Omnibus Budget Reconciliation Act of 1986 (OBRA) prohibits employers from excluding workers close to retirement age from participating in a pension plan, and requires plans to continue accruing benefits for participating workers who work past age 65.[13]

Private Pension Plans

Social Security was never intended to be the sole source of retirement income for older Americans. An employer-paid pension should form the second solid leg of the retirement stool, accompanying Social Security benefits and savings and investment income for workers in the private sector. Unfortunately, for many women the pension leg may be missing entirely, producing a shaky future. The addition of pension income would allow many women on the edge of, or in, poverty to move into economic security.

There are thousands of different state and local government pension systems and several federal plans, which makes it difficult to generalize about all public employee pension plans. Workers with private pensions have traditionally been covered under defined benefit plans, which guarantee a specific benefit amount based on factors such as the employee's salary and years of service. The employer funds this type of plan and the federal Pension Benefit Guaranty Corporation (PBGC) guarantees the payment of benefits. The defined benefit plan is being replaced increasingly with a defined contribution plan, which does not guarantee a specific benefit amount and is based on how much money the company and/or worker contributes and the interest earned on the investments in the plan. The risk under these plans has shifted from the employer to the employee.

One form of retirement plan is a tax-sheltered savings plan called the 401(k) in which workers choose their own investments. These do-it-yourself plans are less costly for the employer than traditional pension plans because the workers themselves must contribute and bear the risk that the investments will do well. The company is not obligated to add additional money, but may pay into the plan only after an employee makes a contribution. These plans are not federally guaranteed and are not considered pensions.[13]

Those favoring 401(k)s see them as the wave of the future, benefitting people who frequently change jobs because they do not lose their savings upon leaving a company (that is, the plans are portable). Opponents of 401(k)s predict danger as baby boomers reach retirement age because fewer employees are participating in pension plans.

For too long, pensions have been the invisible benefit in the employment package.[13] Many people do not consider pensions when they plan careers or choose jobs. In theory, if more women are aware of the impact that pensions can make on their economic security in retirement, and they factor this into their work and retirement decisions, tomorrow's older women will attain greater financial security than their struggling mothers and grandmothers have achieved.[20] In practice, however, few women have the option for a pension and those who do may face situations in which the choice is more money for survival now or less money today in order to save for the future. In this scenario, present economic hardship will win out.

Which Women Receive Pension Coverage?

Employer-sponsored pension plans are increasingly being replaced by 401(k)s. In 1992, there were over 708,000 employer-sponsored pension plans, approximately 100,000 were defined benefit and 600,000 were defined contribution. Pension trusts held $2.1 billion in assets, which paid for annuities.[16] More than 30 million active workers are now covered by 401(k)s.[21]

Private pension plans favor employees following typical male work patterns--long continuous years of service in higher-paid specific types of jobs. The same factors that contribute to women receiving lower Social Security retirement benefits--changing jobs, low wages, limited hours, or moving in and out of the labor force in primarily non-union service jobs--make it difficult for women workers to qualify for private pensions. Women are half as likely as men to receive a pension, and those who do get half as much. Twenty percent of women and 47 percent of men over 65 receive pensions. Only 18 percent of women age 65 and over receive private pension income, compared with 34 percent of men. The mean pension income of older women who do receive private pensions is $2,682 annually, compared to $5,731 for men.[3] The mean government pension is $7,569 for women compared to $14,722 for men.[3] Many women work for small businesses that do not provide pension plans.[4] 45 percent of women in the paid labor force work for firms with less than 100 employees, and only 24 percent of companies this size offer pensions.[4]

Women in the contingent labor force often do not qualify for pension coverage. Requirements such as the number of hours worked for purposes of participation virtually freeze out many women who work part-time, seasonal or temporary jobs. One-fourth of all women workers are employed part-time, compared to only 11 percent of men. Women make up about two-thirds of the part-time labor force.[1]

Vesting, Portability and Integration

It is more difficult for the typical woman worker to obtain a pension and to get the maximum income possible when she retires.

Because of female work patterns, many women who qualify for pensions leave before their pensions vest. The vesting period is the years of working in a company required to earn a legal right to a pension. Most plans require five years on the job before pension rights vest. Half of all men have been on their current job more than 5.1 years, compared to 3.8 years for women. Only 36 percent of private sector female workers are vested in their pensions.[21]

Unlike Social Security, most traditional pensions are not portable, that is most cannot be moved from job to job, which especially hurts women, who change jobs frequently. Only seven percent of full-time workers with defined benefit plans had portability provisions in 1993.[22] Pension integration, in which a pension is reduced by taking Social Security into account when figuring pension benefits, more commonly occurs with women. Integration is most common for lower-paid workers, where women are over-represented.[11] In 1993, 60 percent of clerical and sales employees with defined benefit plans had their pensions integrated with Social Security.[26] Only four percent of retirees with defined benefit plans got cost-of-living adjustments in 1993. 90 percent received no post-retirement pension increases of any kind.[21]

The Move to 401(k)s

Eighty-seven percent of private-sector pension plans are defined contribution plans; 52 percent of all participants in private plans are in defined contribution plans.[23] An increasing number of businesses that discontinue defined benefit plans either establish less generous 401(k) plans or leave workers with no employer-provider pension.[4] Largely because of 401(k)s, full-time worker participation in traditional employer-paid pension plans declined from 18 percent in 1979 to 26 percent by early 1990's.[16] However, only middle-and upper-income retirees are more likely to prosper with 401(k)s.

Because workers are required to make their own investment decisions with 401(k)s, many employees (especially service and blue-collar workers) invest more conservatively than professional plan managers. These employees are cautious because they are worried about losing their money. The result is that their investments do not prosper sufficiently.

Pensions and the Family

Women who leave jobs to assume family obligations pay a heavy pension penalty. Because pension benefits are typically calculated on the worker's final earnings, leaving a job significantly before normal retirement age will mean that the pension will be based on wages that may be 10 or 20 years out of date, with no indexing for inflation. A man and a woman can each work 40 years, with both working under the same type of pension plan at all times. However, the man remains in the same job and the woman in four different jobs. The result is that the man's pension could be twice the woman's.[1]

More flexible job arrangements made to accommodate working women's family responsibilities will greatly diminish women's retirement income. Consultancies, part-time jobs, shared jobs, seasonal employment, and home-based self-employment are all increasingly popular alternatives for women. All are virtually unprotected by pension coverage. More than 44 percent of employers now use part-time help of some kind. Three out of four of them began the practice within the last 12 years. Under federal law, employers who do choose to offer a pension plan may exclude employees working less than 20 hours a week (1,000 hours a year) from coverage.[11]

Spousal Benefits for Women Who are Wives, Widowed or Divorced

Women are more likely to receive pension benefits as a wife, divorced spouse, or widow, usually 50 percent or less than a worker's benefit, than they are from their own work years.[20] The primary factors in determining an employee's benefit level are salary and total years of service, areas where women workers often fall short and thus do not qualify for pensions on their own work records.

Many divorced women lose out on their former husband's pension benefits. Only 27 percent of divorced women collect pensions in relation to their spouse.[13] Women of all ages need to know that if they get divorced, a portion of their husband's pension can become part of the divorce settlement.[20] Federal law includes provisions for a divorced woman to receive a retiree's pension and survivor benefits on the death of a former husband. However, it does not require pension-sharing upon divorce. More important are state divorce laws that specify whether pensions are considered property and how they are dealt with at the time of divorce.[20]

To collect an ex-husband's pension benefits, a woman must obtain a court order dividing the pension benefit, called a Qualified Domestic Relations Order (QDRO). She will most likely be awarded less than half of the pension, based on the value of the pension at the time of the divorce and the length of the marriage. Pension plans are only required to offer widow benefits of half the amount received while the husband was alive. If the worker is the survivor, however, the worker's pension is not decreased. The survivor is most often the wife, leaving widows as a group with a much lower pension income than widowers.[11] Many couples continue to waive survivor's benefits in order to receive higher benefits while both are living or because they do not understand the waiver they are signing.

IRAs and Savings

The third leg of the retirement stool is personal savings, which includes Individual Retirement Accounts (IRAs) and investments. More than $200 billion in American retirement savings are in private pension plans.[16] However, many women living from paycheck to paycheck are unable to put anything in savings, and find this leg of the stool more of a theory than a realistic option. After home ownership, interest-earning assets accounted for the next largest share of net worth in 1991, at 14 percent. These included savings accounts and money market accounts. IRA or Keogh accounts made up only five percent of most people's assets.[24]

Although 67 percent of retirees have some income from assets, more than 20 percent have less than $250 in annual asset income. This comes mostly from savings, certificates of deposit, and interest on checking accounts. The median amount of asset income is only $1,720 a year.[8]

Fewer women than men participate in IRAs. Among full-time workers, 20 percent more men than women have IRAs. However, among part-time workers, twice as many women as men contribute to an IRA. Women are less able to accumulate savings than men because they make less, and because the money they earn during their work lives has gone to the expenses of daily living.[11]

Married women in the paid work force are substantially penalized by IRA laws. Married couples are disqualified from tax-deductible IRA contributions above a certain income level if either spouse has pension coverage at work. Since men are more likely than women to have this coverage, women are more likely to be disqualified from a deductible IRA, even though they may have no pension benefit in their own right and would need an IRA in case they are divorced or widowed.[11]

Homemakers are also penalized. Normally, each wage earner may deduct an IRA contribution of up to $2,000 a year for income tax purposes. Under federal law, if only one spouse works in paid employment, the couple can contribute a maximum of $2,250 per year to IRAs for both of them. This contribution may be split between them in any way, as long as no more than $2,000 per year is invested in any one IRA account. In effect, the value of a homemaker's work is set at $250.[11]

Conclusion

This report has presented a sobering account of women's prospects for economic security in retirement. For despite dramatic increases in female labor force participation, a host of factors continue to leave many women–including those who have worked for long periods of time–economically vulnerable in late life.
The already significant economic divide between men and women was seen to widen

the elderly poor. For older women who live alone, or who are African American or Hispanic, poverty rates are particularly troubling.

The concept of retirement income as a three-legged stool supported by Social Security, employer-paid pensions, and savings and investments has been seen as more ideal than real for many older women. Heavy reliance on Social Security as the sole or primary source of income, continued poor access pensions, especially in the private sector, and the inability to save due to the necessity for many of "living from paycheck to paycheck" thus were seen to leave many older women at risk for a shaky economic future. Based on these realities, OWL has called upon the US Congress to reform the nation's retirement income systems to insure than women are rewarded for their contributions both to their employers and to their families.

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OWL is the only grassroots national organization dedicated exclusively to providing a voice for the nearly 56.5 million American women mid-life and older. OWL works to improve a variety of inter-related economic, social and health situations facing middle-aged and older women through research, education, and advocacy.

OWL's 15,000 volunteer members conduct public education campaigns through its 73 chapters nationwide. Membership in **OWL** is $25. annually. For additional information:

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Testimony of Deborah Briceland-Betts
Executive Director

Older Women's League

before the

House Committee on Ways and Means
Subcommittee on Social Security

May 22, 1997

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Testimony of Deborah Briceland-Betts
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House Committee on Ways and Means
Subcommittee on Social Security
May 22, 1997

Thank you for providing OWL with the opportunity to testify today. We commend this Subcommittee for exploring the impact of changes to the Social Security system's future so thoroughly before moving forward with the development of any legislative proposals.

My name is Deborah Briceland-Betts. I am executive director of OWL. Founded in 1980, OWL is the first national grassroots membership organization to focus exclusively on issues of concern to women over 40 years of age. Through education, research, and advocacy, we work to advance public policy changes that will reduce the inequities women face as they age.

INTRODUCTION

Before proceeding with my testimony, I want to make it clear that OWL recognizes the large stake every American has in the Social Security system. Social Security remains by far the most important retirement program for all our citizens. And while we believe the system does not serve women nearly as well as it should, we maintain that it is a necessary and vital income insurance plan which establishes a foundation for economic protection and security for older workers and their families.

OASDI today is supposed to be a gender neutral program. But, because lifestyles were very different in 1935 when the program was instituted, retirement plans, both Social Security and private pensions, were based on male work patterns. They still best serve the traditional family: a paid worker (usually the husband), an unpaid homemaker (usually the wife), and children. Today however, most American families do not fit that profile, and even fewer will in the future. And while Social Security is a major--often, the only--lifeline for many older women, many of us, including widows and divorced women, receive neither equitable nor adequate benefits today, nor, under current provisions, will they forty or fifty years from now. Let there be no mistake: OWL supports the principles underlying the current Social Security system, and we will work to preserve them. Our goal is to assure that, in the future, the current Social Security system more adequately responds to the patterns of women's lives.

WOMEN IN EMPLOYMENT

During World War II there was a surge of women in the labor force which declined after the war. Then, in the 1970's there was another increase. In 1950, only 34% of women participated in the labor force. In 1972, 44% of women were in paid employment, and today, according to the Social Security Administration, almost 60% of American women work.

During the last decade, the nature of work has changed. The number of part-time, temporary, and contract workers--contingent workers--grew at a rate almost double that of the total labor force. Their numbers, most of whom are women, are expected to increase 82% by the year 2000, particularly with the new requirements for women receiving welfare benefits. Increased use of contingent workers means that women will stay in low-paying work with few benefits such as health insurance, paid vacation, sick leave, or pension plans.

Pension participation is least likely among low wage, part-time workers and in many industries where women workers predominate. Gender-based annuities in many pension programs, and the general lack of indexing of pension benefits further penalize women. Pension integration, whereby a pension is reduced by a portion of one's Social Security, more commonly occurs for women workers. Further, the decrease in employer-funded defined benefit plans leaves low-paid women dependent on their own much smaller contributions to such plans that exist.

The continued concentration of women in lower-paying jobs will reduce the financial security of women, resulting in a greater than ever reliance on Social Security.

WOMEN'S REALITIES

To arrive at a more adequate level of benefits, several realities of women's lives--and their consequences--must be confronted:

- Women's wages are considerably less than men's
- Women live longer than men
- Women are the primary caregivers in America

Women's Wages Continue to Lag Significantly Behind Men's

In 1939, median earnings for full-time women workers in the labor force were 58% of the median earnings of men. More than a half century later, that figure has risen only to 71%. The wage gap is greatest between women and men aged 45 to 64--women earn 62.7% of men's earnings at the time men are at the height of their earning power during the ages 45-54, women 55-64 earn 63.9% of the earnings of men in the same age range.

A major reason for this disparity is that women have been, and continue to be, segregated in low-paying occupations; six of ten working women are in sales, service, and clerical jobs. The future does not bode well for younger women in the labor force--58% of women between 20-44 are in these occupations, just as are 59% of women between 45-64.

The Department of Labor has identified six occupations dominated by women as those most likely to experience large-scale growth by the year 2000. Wages in five of these occupations--sales work, waitressing, cashier, food worker, and nursing aide--remain at or below the poverty level. OWL's research on chronic care workers--nursing home and home health aides--found that there is rapid expansion in these areas, but the turnover of workers is high because of low wages, few benefits, lack of a guaranteed income, and no upward mobility. This has implications not only for the financial future of these workers, but also for the quality of care provided to their clients.

Already, many older women, especially those over age 65, are clustered in most of these jobs, working part-time for low pay and no benefits. The projected increase in the number of these jobs suggest that women's real earnings profile will deteriorate, rather than improve.

Although job expectations of the current generation of young women have changed and more women have entered professional jobs, they remain exceptions. Most of today's young women can expect to do the same low-paying work as their mothers and to suffer the same poverty in retirement.

Women Live Longer Than Men

In 1993, men at birth had a life expectancy of 72.1 years, women 78.9. At age 65, the life expectancy for women is an additional 19.2 years, while for men it is only 15.4 years. By 2070, according to SSA projections, a 65-year-old woman can expect to live to 87, another 22 years, while a man will live to 83, only 18 years.

Because of their greater longevity, most American women will live out their lives as widows. Currently, half of all women age 65 and over are widows, and about 100,000 women become widowed annually.

Millions of widowed older women depend exclusively on Social Security for adequate income during retirement. This is particularly true of black and other minority women. However, the Social Security benefits they receive are not adequate for their needs. Black women are more likely than white women to take the reduced benefits associated with early retirement: almost 66% begin drawing Social Security before age 65, in part because of the stress of a lifetime of low wages and physical work, and because women experience job discrimination earlier than men. The incidence of poverty is dramatically higher among minority elderly who live alone--43% for blacks and other nonwhites and 35% for Hispanics--compared with a poverty rate of 16% for white elderly persons living alone.

According to the General Accounting Office, approximately 80% of widows become poor only upon the death of their husbands. Their husbands tended to retire early because of poor health. The resulting loss of earnings, as well as medical expenses, deplete the resources available to the widows. The husband's death may, as well, ultimately mean the loss of his pension income.

The increase in the divorce rate also has contributed to the growing diversity of family roles and work patterns, since many divorced women must work to support themselves or their families.

Today, the number of women between the ages of 45 and 64, who are separated, divorced, or widowed is twice that of men. Most of these women are the sole support for their families.

The causes of poverty among older persons living alone, 80% of whom are women, can be better understood by examining the sources of income available to this group. Social Security benefits comprise 79% of the incomes of the poor elderly; Supplemental Security Income (SSI) contributes about 14%; while employment earnings, employer pensions, and income from assets taken together contribute only 7%. On the other hand, moderate to high income older persons living alone depend on Social Security for only 22% of their total incomes, while income from assets contributes 52%, employer pensions 13%, and employment earnings 12%. But because they live longer, even women with assets or savings become dependent on COLA protections as their own money begins to run out.

Women Are the Primary Caregivers for Children and Older Persons

OWL estimates that 89% of all women over age 18 will be caregivers to either children, parents, or both. Up to twelve million Americans are unpaid caregivers to older persons, almost three out of four of whom are women. Their average age is 57.

Today, women who are in midlife will spend more time caring for their parents than they have for their children. This phenomenon has been labeled the "sandwich generation" because women are sandwiched between caring simultaneously for small children and aging parents. The phenomenon will not go away. In fact, the fastest growing segment of the population is the 85 and older group. The "sandwich" is often now a triple decker: many women care for elderly grandmothers, mothers, and small children simultaneously.

Caring for aged relatives forces many women in the workforce to cut their hours, take time off without pay, and rearrange their job schedules. In a national survey, 11% of caregivers to the elderly stated they quit their jobs in order to provide care. Findings from a study done by OWL, in collaboration with the Families and Work Institute, on the balancing act for employees with elder care responsibilities, reveals that almost a quarter of the respondents drastically changed their employment situation as a result of their elder care responsibilities. This included changing jobs, becoming unemployed, becoming self-employed, or taking on several part-time jobs. Women spend a median of 11 years out of the workforce, years that she is not vesting in a pension or paying into Social Security. These "zero years" out of the paid workforce are then included in the computations for her benefits, disproportionately penalizing her for her years as an unpaid caregiver.

These factors leave women at retirement age at a severe economic disadvantage and result in significant inequities and disparities in their Social Security benefits. Despite major reforms through the years, fundamental biases against women persist.

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The Older Women's League believes that there are two issues that must be addressed in any reform of the Social Security system: while these hearings are primarily focused on the future solvency of the Trust Fund, consideration of the adequacy of the system in addressing women's needs must also be of paramount importance.

Traditionally, Social Security is considered to be one leg of a three-legged stool of retirement income--Social Security, pensions and savings. Unfortunately, for many older women, Social Security is the only leg, and for many American women, it does not work as well as it should:

- In the 1990s, we have the dilemma of dual entitlement and single benefit. A woman in a two-earner couple who is dually entitled to both a worker benefit on her earnings and a spousal benefit on her husband's earnings can receive only the greater of the two, usually the spouse benefit.

  Since 1960, the percentage of women drawing a benefit based on their own work records has remained virtually constant--36%--even though the percentage of women dually entitled to benefits on both their own work records and those of their husbands has jumped from 5% in 1960 to 25% in 1993. Those years during which a working woman paid into the system through payroll taxes do not yield higher benefits but do decrease the liability to the Social Security system. Despite the increased participation of women in the workforce, they will remain just as dependent on their spouses--receiving exactly the same spouse benefit that they would have received had they never worked outside the home.

- In addition, too many women must rely on the spouse's benefit rather than their own work record either because of wage inequities or because they have left the work force to care first for children and later for ailing parents or spouses.

- So-called "zero years" are taken into account when calculating the benefits of women who have taken extended periods of time away from work to fulfill caregiving responsibilities. Inevitably, adding zero years to the calculation results in lowered benefits.

- A divorced person age 62 and over can receive Social Security upon divorce if the former spouse is drawing Social Security, but must wait two years if the former spouse is still in the workforce. This provision was enacted as part of the Social Security Amendments of 1983. (The stated purpose of the two-year requirement was to prevent couples from obtaining a divorce in order to avoid loss of spousal benefits under the earnings test). This two-year waiting period can be a time of great deprivation with no alternative options available. It can also be regarded as imposing a penalty on divorce. Moreover, the gender inequity is clear: 60 times more women than men are dependent on their divorced spouse's earnings for Social Security benefits.

- If a widow(er) becomes disabled more than seven years after the spouse's death, she/he is not eligible for disability benefits.

  The reason for the seven-year limit was the view that if a previously uninsured widow or widower in good health entered the labor market after the spouse's death, the widow(er) would be able to develop his or her own worker eligibility for disability benefits and not need to rely on the deceased spouse's coverage. However, when the seven-year restriction was enacted in 1967, less than seven years of Social Security earning was enough to qualify an individual for disability benefits.

  Today, this is no longer true. Even if a widow(er) entered the labor force in covered work within a few months after the spouse's death, it would take, under subsequent adjustments in the law, close to 10 years to develop eligibility for disability benefits for those who experienced qualifying impairments. Thus, a spouse who diligently went to work and became disabled during the seventh to 10th years following her deceased spouse's death could be left without benefit eligibility that would have been assured to widows and widowers who developed their disabilities just a few years after the deceased worker's death. This is an inequity that weighs most heavily upon older women who simply were not in the Social Security-covered workforce during their family rearing and caregiving years.

  In addition, there is 50-year age requirement for eligibility for widow(er)s. Developing a 10-year earnings record is a considerable burden on midlife and older women who essentially have been out of the workforce until their husbands died, and then, along with their lack of experience, face age and sex discrimination when they seek to return to the workforce.

- Technically, a widow who enters in or continues in the work force past age 65 receives her own delayed retirement credits for any month after age 65 that she does not receive Social Security benefits. If her own benefits are greater than her widow's benefits, she will receive delayed retirement credits. But if her widow's benefits are the greater amount, when she retires, she will actually receive no delayed retirement credits whatsoever. The benefits paid will be identical to those she would have received if she had never entered the work force or had retired at an earlier age.

- Women who have devoted most of their adult lives to caregiving are not treated differently than long-term wage-earners when applying the earnings test. For example, a women in her early sixties who, because she devoted herself to caregiving in earlier years, has no earnings record, may try to work in order to achieve some small savings to be used for her support in later years. In these cases, if the earnings test is applied, she is danger of losing a portion of her savings.

- Social Security does not provide spouse benefits to spouses under the age of 62 who are caring for an annuitant so disabled as to be in need of aid and attendance. In contrast.

if an adult disabled child who is receiving benefits is in need of attendant care, benefits are paid to a mother providing that care regardless of her age.

The Advisory Council Recommendations

Assuring the future solvency of the Social Security Trust Fund raises another, equally important, set of issues for women. The Report of the 1994-1996 Advisory Council on Social Security highlights the difficulty of ending these inequities--for women, none of the three options proposed by the Council provides a fully acceptable solution.

OWL must oppose any form of privatization. While seeking to provide safeguards for the future, it raises a whole new set of problems, chief among them that it would destroy the guarantee of a lifetime benefit, critical for women now, and, because of rising divorce rates, continued low earnings and other problems delineated in this testimony, even more critical in the future.

First, privatization ignores the social insurance nature of Social Security, which, as the result of a shared risk pool, assures that those who qualify will have a minimum benefit, gives people with higher wages a higher benefit, and assures that benefits will continue for as long as people live. Privatization would undermine the redistributive impact of the program, and benefit only those individuals with high wages. It is clear that women cannot afford to lose a known basic benefit, with its guarantee of a progressive formula for even small increases.

Were Social Security privatized, whether through the Individual Account (IA) option or the Personal Savings Account (PSA) option, women would have substantially smaller accounts than men, made even smaller because they will not include the redistributive benefit. Further, according to a GAO report recently presented to this subcommittee, women tend to be more conservative investors than men, so that, over time, their smaller investments would lead to yet smaller returns.

Privatization would hurt those women who, because of lower wages throughout their work life, have been unable to invest and therefore have little knowledge of investment markets and risk making unfortunate investment choices; those who spend some of their money before retirement, often for long term care for a spouse or education for a child; and, those who, simply, live too long.

Importantly, particularly in light of current prospects for a balanced budget, privatization would cost America trillions of dollars. A new administrative structure have to be established and costs increased; and, as funds are paid out to individuals instead of into the Trust Fund, benefits for current retirees would still have to be paid. The only way those transitional costs could be compensated would be through increased taxes, lower benefits--and/or a huge increase in the deficit, which could result in the demise of other components of our nation's social insurance program, such as Medicare.

The Maintain Benefit (MB) option contains proposals that OWL can support; we know that some adjustment in payroll taxes and the COLA may be necessary to maintain the Trust Fund's long-term solvency. However--and we are aware that this is a complex issue--we have concerns about any proposal that extends the benefit computation period without considering the special needs of women as unpaid caregivers.

Another potential problem in the ~~MB~~ option is the investment of Trust Fund income in private investments. This raises complex issues, including the potential risk to beneficiaries inherent in a non-government-bond based portfolio, and questions surrounding who will make decisions on investments, and what they will be. Additionally, there will be costs associated with administering such investments; and the withdrawal of funds from the Trust Fund will have a serious impact on the deficit if the Treasury must go elsewhere to borrow.

RECOMMENDATIONS

Making the System Work for Women

OWL believes that existing data shows that the solvency of the Social Security Trust Fund can be assured with minor changes to the current system. But we believe that any proposal to address the future solvency of the Trust Fund must be analyzed for its impact on women. Such assessments must take into account the proposal's impact on both today's beneficiaries and tomorrow's.

More importantly, as Congress comes to grips with the more universal problems of solvency, it is time, we believe, to eliminate the inequities women face. The laws and regulations governing eligibility and benefits system must be rewritten to make this guaranteed benefit, so vital to American women, truly gender neutral, for both current and future recipients.

Restoring Public Confidence

One problem Social Security faces currently is a lack of public confidence in its future. Despite solid reports that the Trust Fund is fully solvent until 2037, the public, particularly younger people, believes the Trust Fund will be bankrupt before long, and they will not have benefits when they reach retirement age. This view is being actively promoted by those favoring privatization, and it appears to resonate with the public.

It is OWL's view that without the backing of an informed public, no meaningful proposals for change can succeed. Historically, people do not focus on their retirement during their younger working years, and many do not understand what Social Security is, how it works, and what effect the options presented by the Advisory Commission would have on the future of their benefits. With the special impact that the baby boom will have on the solvency of the system, the involvement of younger people in decision-making process is critical.

OWL urges the implementation, before any further Congressional action on the Trust Fund's future, of a comprehensive, nationwide education campaign that will illuminate the scope of the challenge that exists in reforming the system, and describe various reforms that have been proposed, with an accurate assessment of their impact. We believe that this is an issue that transcends partisan politics, and such efforts should be non-partisan and non-political.

Improved Research is Necessary

The report of the Advisory Council, and the more recently released report by the Social Security Advisory Board, Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership emphasize that the Social Security Administration, since the 1970's, given insufficient attention to policy, research and program evaluation activity. The Council report, in fact, states that the research and analysis resources within the agency are "not sufficient to address adequately the problems facing the program over both the short- and long-term ."

The reduction in research at SSA during the past two decades coincides with years that awareness of the inequities women face in the Social Security system have increased. OWL joins the Council and the Advisory Board in urging an immediate enhancement of its policy, research and evaluation capability. The increased availability of data on the distributional impacts of Social Security policy options and changes is vital. It is only through such an increase that the true effectiveness of existing programs for women, and the prospects for future proposals can be properly assessed before they are implemented.

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OWL looks forward to working with the members of this Subcommittee during the months ahead to achieve changes in Social Security that, while maintaining the basic principles of social insurance that lie at the root of our country's compact with its citizens, will ensure that women will have, long into the future, access to pensions and Social Security benefits, without being penalized for their caregiving years, and for living longer than men.

OWL

THE VOICE OF MIDLIFE AND OLDER WOMEN

OWL Facts

SOCIAL SECURITY PRIVATIZATION AND WOMEN

Social Security was never intended to be solely a retirement program. It is also a social insurance program in which individuals pool their resources to protect against risks. One-third of the program's beneficiaries are widows, children and the disabled. It is a national commitment through which we care for one another.

The **privatization** of Social Security has been put forward as a way to keep the program solvent for the long term. Privatization would divert some or all of current Social Security taxes into private accounts. A privatized system of **personal investment accounts**, however, would do nothing to ensure the solvency of Social Security in the future, and it would change the structure of the system from one based on guaranteed benefits and shared risk to one based on individual investments and individual risk.

Because of their life and work patterns, any form of individual retirement accounts would be particularly harmful to women. Women spend an average of 11.5 years out of the workforce, most often caregiving for children or frail relatives. These are years during which they are not paying in to Social Security, or accumulating credits toward retirement. Women earn only 74 percent of what men earn for the same work. Most women workers are clustered in low-wage, low benefits job sectors. And, they live an average of seven years longer than men.

In a system of private accounts, they would start with much less to invest, no longer have access to the often desperately needed cost-of-living increases built into the current Social Security program, and, because of their longevity, face the possibility of outliving their assets.

Most women, particularly those with the smallest benefits, would earn even less than under the current system; and, in an outcome just the opposite of what those favoring privatization advertise, the transition to a private system would increase the federal deficit by several trillion dollars and force the imposition of new consumption and other taxes to compensate for the costs.

While seeking to provide safeguards for the future of the Trust Fund, it raises a whole new set of problems, chief among them the destruction of the guarantee of a basic lifetime benefit, critical for women now, and, because of their projected continued low earnings, rising divorce rates, and increasing longevity, even more critical in the future.

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Privatization Will End the Benefits that a Shared Risk Pool Currently Provides

Privatization ignores the social insurance nature of Social Security, which, as the result of a shared risk pool, assures that those who qualify will have at least a predetermined minimum benefit. At the same time, it allows people with higher wages a higher benefit; it assures that benefits will continue for all people as long they live. Privatization would undermine the redistributive impact of the program, and benefit only those individuals with high wages. Women cannot afford to lose a known basic benefit, with its guarantee of a progressive formula for even small increases through the periodic cost-of-living adjustment (COLA).
Were Social Security privatized, women would start out with substantially smaller accounts than men, made even smaller because they will not include the redistributive benefit.

Women Are More Careful Investors Than Men

According to recent GAO reports, as well as other studies of womens' investment behavior, women tend to be more conservative investors than men. With less money to invest, they tend to weigh their investment decisions carefully to assure the minimum loss. This means that, over time, their initially much smaller investments would lead to yet smaller returns. This is particularly true of those women who have spent some of their meager savings before retirement, often for long term care for a spouse or education for a child; and, for those who, simply, live too long and outlive their assets.

As importantly, many women, who, because of lower wages throughout their work life have been unable to put money into investment markets, have little education about how to do so. They face the additional risk of making unfortunate investment choices, or being swayed by unscrupulous advisors.

Privatization Will Have A Draconian Impact on the Economy, Which Will Particularly Harm Women

The transition from the current system to a new privatized system would cost America trillions of dollars. A new administrative structure would have to be established, requiring increased costs and resulting in reduced benefits. Most importantly, however, as funds are paid out to individuals instead of into the Trust Fund, benefits for current retirees would still have to be paid. The only way those transitional costs could be compensated would be through increased taxes, lower benefits--and/or a huge increase in the federal deficit, possibly resulting in the demise of other components of our nation's social insurance program, such as Medicare, and severe cutbacks in other programs that help sustain the lives of older American women.

OWL

THE VOICE OF MIDLIFE AND OLDER WOMEN

PRINCIPLES
WOMEN AND SOCIAL SECURITY

1. **Social Security must always remain an earned right.**
America's government has a contract with its older citizens to enable them to have a secure retirement. Social Security is an integral component of that compact, and must always provide equitable coverage for those who have paid for it.

2. **Social Security should be an equitable program.**
Women, the disabled, racial and ethnic minorities, low and moderate income working people, and families must all be treated in way that will provide fair and equal outcomes today and in the future. Structural barriers in the design of Social Security that have the unintended consequence of creating inequities must be removed for future recipients.

3. **Social Security should be genuinely gender-neutral in its outcomes.**
The specific inequities faced by women, caused by their traditional employment histories and life patterns, must be specifically addressed so that women of future generations will, when they retire, receive all the benefits to which they are entitled.

4. **Social Security should provide adequacy-maintaining benefit levels for all recipients.**
As pension coverage and savings decline for many persons, a larger proportion of retirement income will come from Social Security. Any proposed "across the board" benefit cuts implemented in efforts to maintain the program's solvency would disproportionately harm women and minorities; temporary, seasonal and part time workers; and the chronically under- and unemployed.

5. **All existing and new revenue sources must be explored before any changes in Social Security's structure are undertaken to assure its future solvency.**
Modification of existing program fundamentals, such as the calculations of cost-of-living increases through the Consumer Price Index, changes in the retirement age, and raising the floor for the taxation of benefits; as well as ideas such as income caps, earnings sharing, taxation of unearned income, shifts in the allocation of spousal and survivor benefits, and the use of general revenues, must be carefully analyzed for their consequences for women, and their distributional impact generally, before any radical changes that could destroy the foundation of the program are proposed.

6. **Social Security must keep Americans secure. No changes should affect current recipients.** There should be no ex post facto effects of legislation on current recipients.

7. **Major changes in Social Security must not be made in isolation.**
Any changes in benefits and/or revenues must be considered in the context of projected changes in Medicare, Medicaid, private retirement benefits and other aspects of the government's social insurance programs that have a profound impact on women's lives.

8. **Information on the impact of Social Security reform must be provided to the public by the Social Security Administration. Adequate funding should be provided for comprehensive public education about Social Security and any changes being proposed.**
The distributional and other effects of structural reform and other proposed policy options for Social Security and other programs administered by the Social Security Administration must be analyzed and made publicly available.

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OWL

THE VOICE OF MIDLIFE AND OLDER WOMEN

OWL Facts

WOMEN AND RETIREMENT INCOME

Social Security began in 1935 to fit a traditional single-earner family structure--husband, wife and children--and while it is designed to be gender neutral, changing family structures have created great inequities for women in the Social Security system.
Tragically, poverty for women in old age too often begins the first day they enter the workforce. When they make decisions about the kind of job they will hold, few women understand the consequences that these decisions will present when they retire. Younger women believe this problem is one of the past, but three in five women today still hold sales, clerical, and retail jobs--low-wage positions that frequently offer no pension benefits.

- **The average woman now spends 11.5 years out of the workforce, caregiving. That's time she is not vesting in a pension or paying into Social Security.** Today, many women in midlife are part of the "sandwich generation"--caring simultaneously for small children and aging parents. And, the fastest growing segment of the population today are those 85 and older, making the "sandwich" a triple decker for many women who are caring simultaneously for grandmothers, mothers, and small children.

- **Most women do not have income from pensions.** The flexible work that allows women to be caregivers is usually low-waged, with few benefits, especially pensions. Only one in five women who work for firms with fewer than 100 employees are covered by a pension plan. Women also change jobs more frequently than men, making vesting in a pension difficult, as most plans vest only after 5 years. Only 13 percent of women 65 or older receive income from a pension. And those women receive only about 40 percent of what men receive in annual benefits.

- **Women still earn only 74 percent of what men earn for the same work**--30 years after the Fair Pay and Equal Pay Acts were passed. Over a life time, this adds up to about $250,000 less in earnings for a woman to save and/or invest in her retirement.

- **Women live an average of seven years longer than men, which compounds all of these problems.** In 1993, older women were almost twice as likely to be living in poverty as older men. Social Security represents 90 percent or more of income for 27 percent of all older women; 20 percent depend on Social Security as their sole source of income in retirement. The median income of women over 65 in 1995 was $9,355. Women retiring during the next 20 years will have less than one-third the income necessary to retire comfortably. Older women of color are poorest in retirement: only 25% of African American and 33% of Hispanic women have income from savings or assets. And younger women do not understand their future plight.

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OWL Facts

GENDER BIAS IN THE SOCIAL SECURITY SYSTEM

Social Security was designed in 1935 as a gender neutral program. Lifestyles were very different when the program was instituted, and retirement plans, both Social Security and private pensions, were designed on male work patterns. They still best serve the old-style family: a paid worker (usually the husband), an unpaid homemaker (usually the wife), and children. Today, most American families do not fit that profile, and even fewer will in the future, and that fact makes certain provisions in the Social Security law particularly harmful to women.

- In the 1990s, perhaps most important is the dilemma of dual entitlement and single benefit. A woman in a two-earner couple who is entitled to both a worker benefit on her earnings and a spousal benefit on her husband's earnings can receive only the greater of the two, usually the spouse benefit.

  Since 1960, the percentage of women drawing a benefit based on their own work records has remained virtually constant--36 percent--but the percentage of women entitled to benefits on both their own work records and those of their husbands has jumped from 5 percent in 1960 to 25 percent in 1993. Despite the increased participation of women in the workforce, they remain just as dependent on their spouses--receiving exactly the same spouse benefit they would have received had they never worked outside the home, either because of wage inequities or because they have left the work force to be a caregiver to children or parents.

- So-called "zero years" are included in the average when the amount of benefits is being calculated for women who have taken extended periods of time away from work to fulfill caregiving responsibilities, resulting inevitably in lowered benefits.

- A divorced person age 62 and over can receive Social Security upon divorce if the former spouse is drawing Social Security, but must wait two years if the former spouse is still in the workforce. This provision was enacted to prevent couples from obtaining a divorce in order to avoid loss of spousal benefits under the earnings test. For many women without other options, this waiting period can be a time of great deprivation; and, it can be regarded as imposing a penalty on divorce. Moreover, the inequity is clear: 60 times more women than men are dependent on their divorced spouse's earnings for Social Security benefits.

- If a widow(er) becomes disabled more than seven years after the spouse's death, she/he is not eligible for disability benefits. A seven-year limit was chosen because if a previously uninsured widow or widower in good health entered the labor market after the

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spouse's death, the widow(er) would be able to develop his or her own worker eligibility for disability benefits. However, when the seven-year restriction was enacted in 1967, fewer than seven years of Social Security earnings was enough to qualify an individual for disability benefits. This is no longer true; the requirement now is 10 years.

Today, a spouse who diligently went to work and then became disabled during the seventh to 10th years following her spouse's death could be left without the benefit eligibility that would have been assured to them if they developed their disabilities within a few years after the worker's death. This inequity weighs most heavily upon older women who simply were not in the Social Security-covered workforce during their family rearing and caregiving years.

- A widow who enters or continues in the work force past age 65 receives her own delayed retirement credits for any month after age 65 that she does not receive Social Security benefits. If her own benefits are greater than her widow's benefits, she will receive delayed retirement credits. But if her widow's benefits are the greater amount, when she retires she will actually receive no delayed retirement credits whatsoever. Therefore her benefits could be identical to those she would have received if she had never entered the work force, or had retired at an earlier age.

- Women who have devoted most of their adult lives to caregiving are not treated differently than long-term wage-earners when applying the earnings test. In fact, a women in her early sixties who, because she devoted herself to caregiving in earlier years, has no earnings record, may try to work in order to achieve some small savings to be used for her support in later years. In these cases, if the earnings test is applied, she is danger of losing a portion of her savings.

- Social Security does not provide spouse benefits to spouses under the age of 62 who are caring for a beneficiary disabled enough to need aid and attendance. In contrast, if an adult disabled child who is receiving benefits needs attendant care, benefits are paid to a mother providing that care regardless of her age.

THE VOICE OF MIDLIFE AND OLDER WOMEN

When You Are 65, What Will Your Income Be?

Caregivers sacrifice time *and* money.

Women are the primary caregivers in most American families. Caregiving often requires part-time work or interrupted careers, major reasons that most women do not have pensions, and typically earn and retire on much less than men.

- The average woman working full-time, year-round, still makes only 74 cents for every dollar earned by a man. Of course, women working part-time earn much less.
- More than one-fourth of working women worked part-time in 1996, compared to one in ten working men. Among women employed part-time in the private sector, almost three out of four lacked pension coverage.
- Women take more time away from the labor force than men. The Department of Labor estimates that "generation X" women born in the years 1979 - 1980 will spend on average 29.4 years in the labor force over their lifetime, compared to 38.8 years for men.
- The majority of working women -- 52 percent-- still lack pensions. Among women employed part-time in the private sector in 1993, three-fourths lacked coverage. If all private sector employees are considered (full and part-time workers), women's coverage drops to 39 percent, compared with men's 46 percent.

Women live longer, but retire on less.

Women live an average of seven years longer than men. They face retirement years with less to live on.

- One in four older women lives in or near poverty, and women living alone, almost half are poor or near-poor. At age 65 and older, women typically live on $9,355 a year, compared to men's $16,484.
- Of all older Americans living in poverty, three-fourths are women.

Social Security, Medicare, and Medicaid are part of a critical safety net.

For many older women, Medicare and Social Security make the difference between maintaining their independence at home and going into a nursing home. For those in nursing homes, Medicaid helps pay for care. Decreases in Medicare, Medicaid, or Social Security will increase the already high numbers of older women living in poverty.

- Medicare pays for necessities such as visits to the doctor, hospital care, and some home care.
- Seven in ten nursing home residents are women; the average cost of nursing-home care is $40,000 per year. Two-thirds of nursing home residents get substantial help from Medicaid for the cost of their long-term care.
- Thirty-seven percent of women age 65 and older who live alone rely on Social Security for at least 90% of their income. Without Social Security, the percent of older women living in poverty would climb from 16% to 52%.

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Why OWL is Important to Women

OWL works to improve the quality of life for midlife and older women. It is the only national membership organization dedicated exclusively to promoting social and economic equality for women age 40 and over. It is a community-based private, non-profit organization that accomplishes its work through research, education, and advocacy activities conducted by and chapter network across America. OWL provides a strong voice for more than 58 million women age 40 and over in America.

OWL'S Education Activities

Each year, OWL's 15,000 members -- all volunteers -- undertake national public education and advocacy campaigns designed to combat a variety of inter-related economic, social, and health vulnerabilities facing women over 40.

OWL's programs on women's financial security include *Secure Women/Secure Lives*, a comprehensive project on women and retirement. Chapters throughout the nation work to ensure that women may make informed choices about their financial futures.

OWL's health campaigns geared to midlife and older women include education on osteoporosis, continence, and heart disease. OWL, in partnership with the American Medical Women's Association, is launching a national public education campaign through the media on women and nutrition.

OWL'S Public Policy Activities

OWL is the only organization speaking for the interests of 58 million women. For 18 years, OWL volunteer members' voices have carried from the community, to the state and national levels, a variety of issues important to women. These issues have included pensions, health care access and quality, equal pay and age discrimination in employment, affordable housing, and domestic violence. A weekly twenty-four hour telephone message about current federal legislation of interest to women is available to OWL members.

Join OWL Today!

Make a difference, join OWL, the only organization dedicated to making a better future for all women over age 40. For membership material and the location of the OWL chapter nearest you, call 1-800-825-3695 (in the Washington D.C. area, call 202-783-6686).

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