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# EPI *policy brief*

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## Social Security and Women

### Women have fewer earnings to rely on in retirement – and need Social Security

- Although only slightly more than half of all workers have a private pension through their employer, women are less likely than men to have a pension: 38% of women compared to 57% of men. Women of color are even less likely to have a pension than are white women.
- A woman's pension is typically smaller than a man's, if she has a pension, because women earn less per hour. Moreover, they often work part time and spend time out of the labor force.
- Because they earn less, women have fewer savings than men to depend upon in retirement – thus they rely more heavily on Social Security.

### Social Security is particularly valuable to women

- Social Security provides extra benefits to people with lower earnings over their working lives, as is often true for women, either due to low wages or years spent outside the workforce. Benefits are determined by workers' earnings – workers with higher earnings pay more taxes and receive higher benefits than low earners. But benefits are also determined by need. Benefits for lower earners are a larger share of their lifetime earnings than are benefits for high earners. For example, a lifelong low earner would receive yearly benefits equal to 53% of her annual pre-retirement earnings, compared with 32% for a lifelong high earner.

- Since women live in retirement an average of 3½ years more than men, they need more retirement income over the course of their lives, not less. They need a retirement program – like Social Security – that provides more income to people who live longer.
- Given their longer life spans, it is especially important for women that Social Security benefits be adjusted each year for inflation. If inflation were 3% per year (a typical rate) but benefits were not adjusted accordingly, benefits would buy 25% less after 10 years and 45% less after 20 years.
- Under Social Security, a woman who never worked but stayed home to care for family members is still entitled to a Social Security benefit equal to half that of her working husband while her husband is alive. If she is widowed, her benefit as a single person would be nearly two-thirds of the total benefit received by the couple.

Widows and divorced women (after a marriage of at least 10 years) are entitled to Social Security benefits even if they never worked, so long as their husbands were eligible for benefits.

### Private accounts would harm women

- The proportionately higher Social Security benefits received by low earners would be lost in a system of private accounts. Instead, each worker's benefits would depend solely on her personal savings.

- Because women earn less than men do over their life times, they will be able to save less in their individual accounts. Thus income inequalities present during women's work lives would carry over into their retirement years.
- Individual accounts will not automatically be adjusted for inflation.
- The benefits for widows and divorced women that Social Security provides will not necessarily be available in a system of individual accounts.
- There are other problems with private accounts.

**Increased risk** – unwise or unlucky investments could greatly reduce retirement incomes. The *guarantee* of Social Security retirement income would be exchanged for the uncertain returns from other investments.

A **tax increase** would be necessary beginning immediately and lasting for the first 30-40 years of the new program to pay for two systems: to provide benefits to people in the current program who lack individual accounts while workers also begin to deposit some tax dollars into their accounts.

**Benefit cuts** – to shrink the necessary tax increase, most privatization proposals cut benefits.

Opportunity for **serious fraud and abuse** – with workers losing billions of dollars.

**High administrative fees** of 1% to 2% of the total value of account, *each year*.

**Retirement benefits no longer tied to need** – each worker's benefits would just depend on his own savings and investment choices.

**Stock market returns will be lower** than most people anticipate – current rates cannot persist.