

## SOCIAL SECURITY AND WOMEN: SOME FACTS

Social Security is the mainstay of retirement-income support for millions of older women. Some assert that women would fare better in a system based in part on individual accounts that could be invested in the equities market. What are the facts?

### **Social Security's progressive benefit formula protects low- and moderate-wage earners.**

Despite their increased labor force participation rate and rising earnings, women remain concentrated in low-paying occupations. Full-time working women in 2002 had a median weekly wage of \$531, which amounted to only 78 percent of the median weekly wage of \$685 for full-time working men.<sup>1</sup>

Social Security's benefit formula ensures that lower-wage workers and their families receive a higher return relative to their contributions than high-wage workers. At the normal retirement age, Social Security replaces approximately 56 percent of the average lifetime earnings of low-wage workers, 42 percent of the average lifetime earnings of average-wage workers, and 35 percent of the average lifetime earnings of high-wage workers.<sup>2</sup> Individual accounts would lack this earnings redistribution.

### **Social Security is the dominant source of income for women in old age. It is a particularly important source of income for older minority women, who are less likely than older white women to have income from private pensions or assets.<sup>3</sup>**

Of women aged 65 and older,

- 91 percent of whites, 88 percent of blacks, and 76 percent of Hispanics receive Social Security.
- 19 percent of whites, 15 percent of blacks, and 8 percent of Hispanics have income from private pensions or annuities.

- 62 percent of whites, 24 percent of blacks, and 26 percent of Hispanics have asset income.

### **Women rely heavily on Social Security.**

Over half of Social Security beneficiaries are women. Women are

- over two-fifths of the beneficiaries of disabled worker benefits,
- 99 percent of the spouses receiving Social Security benefits,
- 99 percent of the nondisabled surviving beneficiaries, and
- 98 percent of the dually entitled, that is, persons entitled to benefits as retired workers and as spouses.<sup>4</sup>

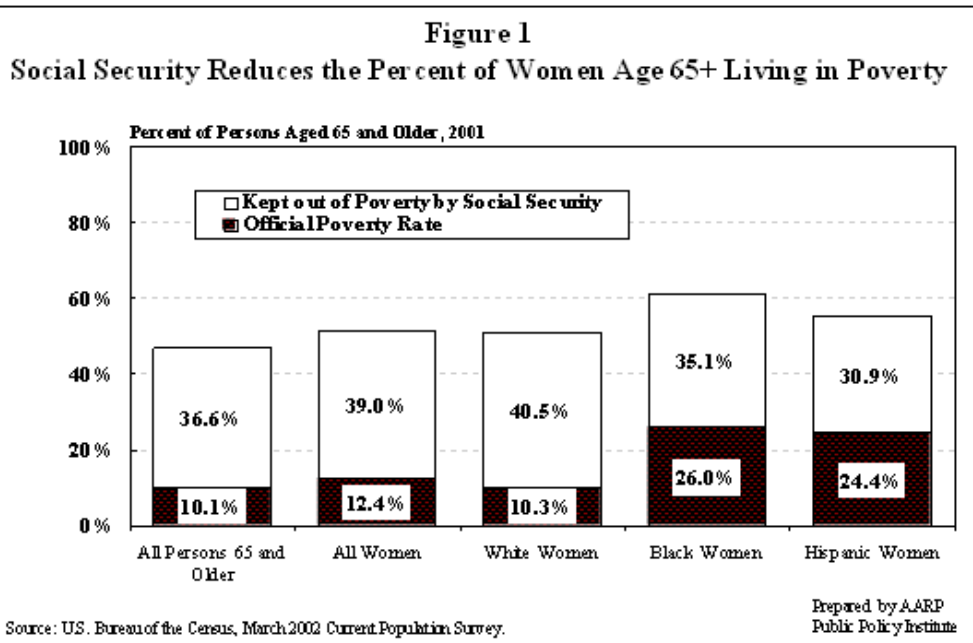
Widowed, divorced, and never-married women, in particular, depend heavily on Social Security. Social Security accounts for half or more of the income of nearly three-fourths of these nonmarried female recipients of Social Security. For one in four, it is the only source of income.<sup>5</sup>

### **Social Security helps keep women aged 65 and older out of poverty.**

The poverty rate for women would be significantly higher without Social Security, increasing from 12.4 percent to over 50 percent (Figure 1).

### **Social Security is gender-neutral.**

By law, the Social Security Administration cannot take gender into consideration when calculating benefits, so women and men with identical work histories and earnings receive identical benefits. However, women typically live longer than men and thus receive benefits for a longer period of time. At age 65, for example, women can expect to live another 19.2 years, compared to 16.3 years for men.<sup>6</sup> Because the private market can consider gender when calculating annuities, the same



accumulation of savings in individual accounts would purchase lower monthly benefits for women than for men, even though payments over a lifetime may be the same.

**Social Security provides inflation-protected, lifetime benefits with no market risk.**

Annual cost-of-living adjustments ensure that Social Security benefits retain their purchasing power. The value of most other sources of retirement income, such as private pensions and annuities, erodes over time.

In addition, Social Security is guaranteed for life. Hence, women need never fear outliving their Social Security benefits. Nor do they have to worry about market fluctuations when it comes to their Social Security benefits. These aspects of Social Security are very important to women because women have longer life expectancies than men, tend to be more conservative investors, and generally have less income to risk. Individual accounts would not provide the same protections.

**Social Security’s spousal and survivor benefits are especially important to women.**

Sixty-two percent of female beneficiaries aged 62 and older receive Social Security benefits as spouses or surviving widows based on the earnings records of their husbands (34 percent) or as dually entitled beneficiaries (28 percent).<sup>7</sup> Dually entitled beneficiaries qualify for their

own retired worker benefits; however, they are entitled to higher benefits based on earning histories of their husbands and so receive the higher of the two benefits.

Wives as well as divorced women who had been married to their ex-husbands for at least ten years are entitled to spousal benefits amounting to 50 percent of the benefits of their husbands or ex-husbands. Upon widowhood, they are automatically eligible for a benefit amounting to 100 percent of their current or former husband’s benefit.

<sup>1</sup> U.S. Bureau of Labor Statistics, *Employment and Earnings*, (Washington, DC: U.S. GPO, January 2003), Table 39.

<sup>2</sup> Social Security Administration, Table VI.E11 at <http://www.ssa.gov/OACT/TR/TR02/lrIndex.html>.

<sup>3</sup> Social Security Administration, *Income of the Population 55 or Older, 2000*, (Washington, DC: U.S. GPO, 2002), Table 1.8.

<sup>4</sup> Social Security Administration, *Annual Statistical Supplement, 2002*, (Washington, DC: U.S. GPO, 2002), Tables 5.A6, 5.A1.2, 5.A1.3, 5.A1.6, 5.G1.

<sup>5</sup> Social Security Administration, *Income of the Population 55 or Older*, op cit., Table 6.B2.

<sup>6</sup> National Center for Health Statistics, *Fast Stats A to Z*, Sept. 11, 2003.

<http://www.cdc.gov/nchs/fastats/lifexpec.htm>

<sup>7</sup> Social Security Administration, *Annual Statistical Supplement*, op cit., Table 5A.14.

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