

From Work to Retirement: Tracking Changes in Women's Poverty Status

Many mothers of the baby boom generation face increased chances of being poor in their retirement years even as poverty rates among older Americans have declined substantially over the past several decades.

The critical factors that most influence whether older women will become or stay poor during the retirement years are **marital status** (divorced, widowed or never married are negatives), **employment** (having a job is a plus) and **health** (good health is a major benefit).

There is also a greater risk of poverty in old age for women than for men. Elderly women are nearly twice as likely to be poor as elderly men and the risk of poverty increases as women age. While poverty rates among the elderly are low for married couples, they are significantly higher for unmarried women who are widowed, divorced or never married.

Because of longer life expectancy for women, they are more likely to experience the loss of their spouse, live alone in old age and become financially vulnerable. Nearly 40 percent of women 65 and older between 1998 and 2000 were unmarried and living alone, compared with only 16 percent of men.

Also, in 2001 when most women in this study were in retirement, the poverty rate was three times higher for African-American women (42 percent) than for white women (14 percent).

This study examines the extent and possible causes of women's poverty status as they move from their midlife years (ages 30 to 44) and pre-retirement years (ages 45-59) into the retirement years (ages 64-78). The study traces how major changes in women's lives – marital status, labor force status and health status – influence the risk of being poor.

This brief describes a new study for AARP's Public Policy Institute which demonstrates how poverty status changes over the course of people's lives, and how it is affected by race, marital status, health status, employment, and poverty in earlier life.

White and African-American women retirees: differences and similarities.

- During the early retirement years, both white and African-American women had increased risk of poverty. Only those who remained married, continued to work, or remained in good health maintained relatively low rates of poverty.
- For both white and African-American women, those who were married were significantly less likely to be poor over their entire life span than women who were unmarried (widowed, divorced, or never married.)
- African-Americans were substantially less likely to have income from assets compared to white women.
- Income from a pension plan plays a critical role in preventing African-American women from sinking into poverty during retirement years, more so than among white women.
- Nearly two-thirds of white women who are poor in old age have not been poor in the earlier years. This demonstrates an increased risk or a newly emerging risk of poverty for many white women.
- Old age poverty for African-American women reflects economic disadvantages in their earlier years compared with white women.

- Income generating employment during retirement years is crucial in keeping both groups out of poverty.

**What about younger generations of women.
How will they fare in retirement?**

Retirement income for younger generations of women will more likely be based on their own employment and earnings, not their spouses'. While marriage for older women has been crucial in protecting themselves against poverty, marriage is not likely to play an important role for younger women who have very different marital histories – high rates of divorce, re-marriage or never being married.

Younger women are more likely to have continuous work experience compared to the older generation in this study, most of whom left work when their children were young but returned to work as their children grew older. With a continuous work record, younger women are likely to have higher income from Social Security and pensions.

What do policy makers need to know to help retired women escape poverty?

Since earnings during retirement protect women from poverty, it is critical for policy makers to examine the extent and kinds of barriers facing older women workers. Some women may be able

to work only part-time but employers may be unwilling or unable to offer them part-time jobs.

It is also important to improve the Social Security system and employer-provided pensions in ways that can improve the financial security of future women retirees. Although the majority of women retirees receive Social Security benefits, some women either receive no benefits or have benefits too low to keep them from poverty.

Methodology:

This study uses data from the National Longitudinal Survey (NLS) of Mature Women, which is a unique data source that tracked a large number of women from midlife (ages 30-44 in 1967) until they reached retirement years (ages 64-78 in 2001). The survey collected data on a variety of topics including marital status, employment, health, income and assets throughout a near 35-year period.

The analysis looks at the changing economic status for women from 1967 to 2001, examines how marital, employment and health status coincide with poverty rates, researches to what extent old-age poverty reflects women's economic status throughout their lives and analyzes income sources and how they play a role in the economic health of women during retirement.

This paper is a summary of the AARP research paper – *From Work to Retirement: Tracking Changes in Women's Poverty Status* – by Sunhwa Lee and Lois B. Shaw of the Institute for Women's Policy Research.

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