



Women and Social Security

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Social Security keeps millions of American women out of poverty in old age, but many low-income unmarried women remain at risk. The program provides more generous benefits to some women over others with the same earnings, and favors married women who do not work outside the home. Renewed attention to Social Security's long-term deficit offers an opportunity for reform to recognize women's changing roles without creating inequities, discouraging work, or harming the most vulnerable.

This brief discusses features of Social Security that have greater ramifications for women and considers proposals to make benefit distribution more equitable to women. Since women have diverse work and family experiences, any reform is likely to have disparate effects. We highlight differences among groups of women while recognizing the diversity within them.

Features of Social Security that Affect Women

More women than men receive Social Security (24.8 million women, compared to 18.9 million men in December 2004). And its progressive formula and lifetime annuity payments disproportionately benefit women, since women have lower earnings than men and live longer. But even with Social Security, lower earnings (often due to career interruptions for child-rearing) and longer lives (and thus greater chances of becoming widowed) place women at higher risk of poverty in old age than men. Women in retirement received average monthly worker benefits of \$826 in December 2004, while men averaged \$1,077. About 12 percent of women 65 and older were estimated to be in poverty in 2004, compared to just 7 percent of men the same age (Whitman and Purcell 2005).

Social Security spousal and survivor benefits also disproportionately help women, but favor some over others. Entitled workers' spouses (or those divorced from workers after a marriage lasting at least ten years) can receive their own benefit or half of their spouse's benefit, whichever is greater.¹ Surviving spouses receive the higher of their own benefit and the spouse's benefit.² Spousal and survivor benefits overwhelmingly go to women since wives usually earn less than their husbands and outlive them.³

Spousal benefits favor non-working women, adversely affecting work incentives for women who earn much less than their spouses. In general, women who earn less than their spouses (in the extreme, a non-working wife of a high-wage worker) receive larger Social Security benefits per dollar of tax paid than women whose earnings are similar to their spouses'. Women who will get a spouse benefit receive no return on their payroll contributions to Social Security, which reduces incentive to work (e.g., Favreault, Sammartino, and Steuerle 2002).

The share of unmarried women 65 and older in poverty is about four times higher than the share of married women (17.7 compared to 4.9 percent) (Social Security Administration 2005b, Table 8.1, pp. 141–142). Widows 65 and older are slightly less likely to be in poverty (16.0 percent) than divorced (22.3 percent) or never-married (20.7 percent) women (Social Security Administration 2005b, Table 8.1, pp. 141–142). Spousal and survivor benefits contribute to these differences because they help most widows and many divorced women, but do not help never-married women. Such discrepancies in poverty risk will persist in the future, despite women's increasing labor force participation and wages (Toder et al. 1999, 2002).

Social Security Reform and Women

Recent debates have focused on fundamental changes in Social Security, such as personal accounts, but some have also discussed ways to reduce and restructure benefits. Some options could improve fairness for women and reduce poverty risk, while making Social Security more financially sound (table 1). For example, minimum benefits independent of marital status could more effectively reduce women's risk of poverty than spouse benefits (Favreault and Sammartino 2002; Herd 2005). Now that over a third of births occur outside of marriage, partially substituting caregiver credits for marital benefits could compensate women for the costs of childrearing and improve outcomes for lower-income women.⁴ Similarly, limiting auxiliary benefits (for example, by setting the maximum spouse benefit to half of the average worker benefit) could reduce payments to spouses of high-earning workers and free up funds for those more in need.

Plans to "carve out" personal accounts from the existing payroll tax raises questions, including whether annuitization is required, whether account sharing is required for married couples, and how offsets are designed (Reno et al. 2005). Our research has shown that annuitization and benefit sharing are important for women (Uccello et al. 2003). Personal account plans without them could increase poverty risk among older women.

In Social Security's underfunded context, designing benefit cuts that would not hurt some women is difficult. But changes should be designed to avoid adverse



TABLE 1. Selected Social Security Reform Proposals

Proposal	Issues and likely effects for low-income and older women
Grant childcare credits (e.g., some percentage of average wage when caring for child under age 5)	Targets childrearing rather than marital status, and thus would benefit women who raise children outside of marriage; progressive by some measures; may not reach many low-income women who work while their children are young
Increase survivor's benefit (often to 67 or 75 percent of couple's benefit)	Increases equity for women with significant career histories whose incomes sometimes decrease by a large percentage upon their spouse's death; can increase redistribution to higher-income individuals, but this can be alleviated through careful design; sometimes paired with spouse benefit reduction as partial cost offset
Shore up minimum benefits	Can be more effective at reducing poverty among low-income and older women than similar-costing spouse/survivor changes because poverty among low-income and older women is disproportionately concentrated among unmarried (especially never-married and divorced) women
Decrease marriage duration for divorced spouse benefit	Effects tend to be highly skewed: it does not reach a large fraction of poor women, but those it helps tend to have substantial benefit increases
Defer benefits to later in life through indexing changes	Can help direct resources to when poverty risk is higher (and work ability lower); efficacy may change as cohorts with different work and pension experiences reach old age
Carve out individual accounts with standard benefit offset	Effects can vary widely depending upon design and assumptions about participation and portfolio choices and future economic conditions; features with large effects for women include annuitization (whether mandated, annuity features), earnings sharing (whether required over the duration of a marriage), inheritance provisions, and offset design for noncontributory benefits

impacts on women vulnerable because of low wages or intermittent work histories. Combining multiple parameter changes (e.g., formula adjustments with spousal benefit changes) can help balance tensions between adequacy and equity.

Notes

1. Additional actuarial reductions apply when claiming benefits prior to the normal retirement age.
2. A worker whose spouse or survivor benefit is the larger of the two is referred to as "dually entitled."
3. Women are far more likely than men to qualify only for spouse or survivor benefits: almost 99 percent of spouse- or survivor-only beneficiaries aged 60 and older were women in 2004 (Urban Institute tabulation from Social Security Administration 2005a, Table 5.A10).
4. Caregiver credits appear to be a better solution than additional "dropout" years given the large fraction of parents who continue to work in the year after a child's birth.

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