

Baby Boomer Women: Secure Futures or Not?

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Social Security: Why Boomer Women Need More

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Nearly 40 million boomer women aged 42 to 60 are rapidly approaching retirement. The boomer generation is not only large but its life experiences have been different from prior generations, and especially so for women. Unlike their mothers, who had a high average birthrate of 3.6 births per woman, the average woman in this generation has had fewer than two children. While boomer women were likely to have been raised by stay-at-home moms with husbands who supported the entire family, they themselves have combined work and child rearing and contributed substantially to family incomes. They are better educated, have worked more consistently over their lifetimes, and are much less likely to be married moms. Boomer women are more likely never to have married, more likely to divorce when married, and more likely to have children outside marriage, but they also have a larger share who have remained childless.¹ How will Social Security, a system developed in the 1930s when the ideal middle-class family had a full-time homemaker, serve this new generation of retirees?

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account, but it does far better by some women than others. On the positive side, lower earners receive larger than proportionate benefits, a feature that is helpful to women workers whose lifetime earnings are generally much lower than men's. Benefits are lifelong and (since 1975) adjusted annually for inflation, a feature that increases in value the longer you live and thus is especially important for both working and homemaking women. At age 65, women's life expectancy is three years longer than men's,² and after age 85, 71 percent of the population is female.³ Almost since the beginning of Social Security in 1935, spousal and survivor benefits have gone to the nonworking (or low-earning) wives and dependent children of retired or deceased workers. Spousal and survivor benefits for divorced women who had been married at least 20 years were added in 1965, and in 1977, the length of marriage required to receive benefits based on a former husband's earnings was reduced to 10 years, a reform especially helpful to baby boomer women, who have about twice the divorce rate of their mothers. In fact, the U.S. Census Bureau projects that half of boomer marriages will end in divorce.⁴ Over the years, Social Security coverage has also been expanded to include many women's occupations, such as maids and nannies, that were originally excluded. Now a nearly universal social insurance system, Social Security provides 90 percent of older women and 89 percent of older men with benefits, protecting millions of Americans from the risks of outliving either their earnings or their marriages.

On the negative side, it must be said that the system meets the needs of men better than women, and women married to high-earning men better than other women. Historically, the system has served the lifelong worker with strong labor market attachment best. Traditional defined benefit retirement plans were often based on employees' 35 highest years of earnings, and so is Social Security. At age 62, the age when most retirees begin collecting Social Security, many more men than women have worked the full 35 years.⁵ Men's monthly benefits average \$1,039 and are substantially higher than women's at \$798.⁶ Women receive no credits toward Social Security benefits for the years they have spent out of the labor market caring for family members, and as a result, their retirement benefits are smaller because they have not worked for wages all 35 years. Never-married women, of course, are not eligible for any spousal or survivor benefits. Nor are divorced women who were married less than 10 consecutive years to the same man. A married woman contemplating divorce today needs to think about extending the legal

length of her marriage to 10 years, because chances are her husband's lifetime earnings will be higher than hers, and her benefits as an ex-spouse and divorced survivor may eventually be more valuable to her than those based on her own earnings record. Eligibility for disability benefits, added in the 1950s, generally requires the worker to have worked at least half of the years from age 22 to the onset of the disability, a test that many young mothers may not meet. Indeed, a homemaker who has never worked for wages is generally not entitled to disability benefits unless she becomes divorced after a marriage lasting 10 years or more or becomes widowed and she is over age 50.⁷ For boomer women and those who follow them, because of their high rates of divorce and non-marriage, it is important that they establish their own earnings records as early on in their careers as possible.

Despite women's lower monthly benefits and the ways in which their needs are not fully met, overall the Social Security system transfers income from men to women, mostly from husbands to wives (but also from single men to married women and from higher-earning and shorter-lived men to lower-earning and longer-lived women). In a given year, women contribute 39 percent of the taxes paid in and receive 50 percent of the dollar value of benefits paid out; women are also nearly three-fifths of all adult Social Security beneficiaries.⁸ Over the lifetime, the disproportion between taxes paid in and benefits paid out is even more in women's favor.

While many view this transfer as completely appropriate because women do the bulk of family care work and deserve compensation for that work, others argue that it is unfair to working wives and single men and that it benefits mostly higher income married women who can afford not to work for pay. Still others argue that the distribution toward women is insufficient, even insulting, because a wife's benefit is equal to only 50 percent of her husband's. Even women who work consistently generally

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earn less per hour and work many fewer hours than men. As a result, many more older women (12 percent) than older men (7 percent) end up in poverty, despite the transfers to women currently provided.

Whatever one's view of the income transfer inherent in spousal benefits, spousal benefits are incredibly important to today's retirees. Two-thirds of married retired women find that the spousal benefit is larger than the benefit based on their own work records—thus, the availability of the spousal benefit increases their incomes. And if the husband predeceases the wife—

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most typically the case since not only do women have higher life expectancy than men, they also tend to be younger than their husbands—the wife's survivor benefit is 100 percent of her husband's benefit (though she may not keep both her own benefit and her husband's). The widow typically will experience a one-third cut in Social Security benefits the couple had received (from 150 percent of the husband's benefit as a couple to 100 percent as a widow), a cut that is sizable enough to land many widows in poverty. While most older married couples have incomes above the poverty level (95 percent), widows have an increased risk of poverty (18 percent are poor), and never-married and divorced women have poverty rates that are higher yet (20 and 22 percent, respectively). In fact, the older women get, the more likely they are to be poor.⁹ Thus, while the spousal and survivor benefits are very generous by some standards,

they nevertheless do not prevent many older, once-married women from falling into poverty, along with many never-married women.

Many boomer women, who have spent less of their lives married or indeed never married, will find the spousal benefits unavailable to them. And many married boomer women, who have worked a substantial amount over their lifetimes, will also not receive spousal benefits, since their own benefits will be larger than the 50 percent spousal benefit. Full-time homemakers, in relatively short supply in the boomer generation, benefit most from the spousal benefit. In short, the Social Security system rewards the old-fashioned family norm of the breadwinner husband and the homemaker wife best.

A more equal-earning couple loses up to half its Social Security income when one member of the couple dies. In fact, a more equal-earning couple will receive less in retirement benefits from Social Security than a couple with the same total household income where the husband earned all the money and the wife none, because of the lack of a spousal benefit in the equal-earner case. And while some equal-earning couples may be very high earners, for whom the lack of spousal benefits is insignificant, others may have low earnings and would benefit greatly from spousal benefits, if they were available to them. Research shows that about 37 percent of the dollar value of spousal benefits goes to the top 25 percent of families when measured by assets, so that less well-off couples are not getting a fair share of spousal benefit dollars. African-American women, less likely to marry than white women and more likely to be equal earners when they do, are only half as likely to receive spousal benefits.¹⁰ Spousal benefits are also not available to gay or lesbian couples. Yet another weakness of the current system is that a never-married woman, who may also take on significant family care responsibilities, as a mother, daughter, or sister, gets no compensation from the Social Security system for that caretaking work.

Overall, despite their increased paid employment relative to their mothers, the boomers' lesser access to spousal benefits, coupled with the fact that women simply do not earn as much as men, means that boomer women are not expected to be any better off in retirement than their mothers. Poverty rates for older women are expected to remain about the same as they are today.¹¹ Since nontraditional family forms—dual-earner couples, never-married women, and women whose marriages are of shorter duration—are all more common among the boomer generation, it is important to make adjustments to the Social Security system to better meet boomer women's needs.

Are there ways to adjust the eligibility rules and benefit formulas to reduce their negative impact on the groups of women who are currently disadvantaged and are a growing share of boomer women? Yes. A number of possibilities are under consideration. Some proposals would increase the benefits going to survivors, while others would increase survivors' benefits but also reduce the benefits going to retired married couples (since married couples are least likely to be poor). Both of these types of proposals would help older widows, among those most likely to be poor. Other proposals would allow a widowed working wife to keep portions of both her own worker benefits and the survivor benefit from her husband, thus reducing the inequitable treat-

ment of more equal-earning wives in the current benefit structure. Yet other proposals increase benefits to divorced women (from 50 percent of the ex-spouse's benefit currently to 75 or 100 percent, for example). Another proposal is to increase the size of the minimum benefit, so that for someone who had worked 40 years the minimum benefit would equal the federal poverty level (which it does not do now). While this last proposal would be especially helpful to low-earning, never-married women, it would be less helpful to single mothers, many of whom, although self-supporting, likely took time out of the labor market for child birth or when their children were young. Additional forms of minimum benefits that would be more useful to those who have spent time in caregiving have also been proposed; for example, providing a flat grant to all retirement-age people who have resided in the United States for at least 10 years regardless of their contributions to the system.¹² Several proposals have been offered to establish caregiving credits for the years women (or men) spend caring for minor children or elderly family members. All of these would help women especially, reducing their poverty rates in retirement. Those that help never-married and divorced women, as well as those that improve benefits for working wives, will be especially helpful to boomer women.

Research about the likely effects of some of these proposals has produced surprising results. Urban Institute researchers have found that proposals usually thought of as helping middle-class women actually would do the most for lower-income women.¹³ More specifically, shortening the number of years of marriage required for receiving spousal and survival benefits based on the ex-husband's earnings to either five or seven years, for example, or increasing divorced spouses' benefits from 50 percent to 75 or 100 percent of the ex-husband's benefits, reduces the poverty of all older women by about one-twelfth, depending on the specific change proposed. And a large share of these benefits go to low-income women. Providing a modest childcare credit, up to five years of earnings credits equal to half the average annual earnings, when a parent has a child under six would reduce poverty about the same amount, and the benefits would again be targeted at the lower end of the income distribution. A strong point of caregiving credits is that they provide a way for parents to obtain added income in retirement (to make up for their foregone earnings) and to do so outside marriage. As such, the credits would help all single parents, including never-married parents and those who were in short-duration marriages, again all groups that are characteristic of the boomer generation.

Given that the breadwinner model has not been the dominant family type in the United States for at least three decades, and given that more women are spending more time outside marriage or never marrying at all, it may well be time to reexamine and modify the Social Security system to enable it to insure women in all types of families against the risks of old age. The system needs to be modernized to address the needs of the boomer generation of women and the generations of women following their pathbreaking footsteps. Interestingly, advocates of privatizing Social Security claim that individual accounts will modernize the system and better protect never-married and divorced women as well as equal-earning spouses, the very groups that have grown in the boomer generation. But these claims need to be critically evaluated. Since the essence of private accounts is “every boat on its own bottom,” transfers are not generally incorporated to those more in need—divorced women, low-earners, those who took time out to care for family members, and those who live a long time.

Despite the new forms of family in which baby boomer women live and their lesser financial reliance on husbands, many boomer women have nevertheless earned much less than men over their lifetimes. In one recent study, the typical woman aged 26–59 (the baby boom and the next generation) earned just 38 percent of what the typical man did over 15 years.¹⁴ Their earnings records alone will not provide women such as these with an adequate Social Security benefit, especially if they face retirement never having married or no longer married, as many of them will. For these generations of women, benefits to single women, low-earning women, divorced women, and women who took time out to care for children need to be improved within Social Security (not removed from Social Security). Reforms that would continue to transfer money from higher-earning men to lower-earning women and to help women overcome the effects of gender gaps in both earning and caregiving would help reduce older women’s poverty the most.

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NOTES

1. Baby boomers came of age after the 1963 Equal Pay Act, the 1964 Civil Rights Act, and Title IX of the Education Amendments of 1972 had all become law. Oral contraceptives were increasingly available to young, unmarried women, and abortion was legalized in 1973. These changes transformed women's opportunities to attend college, pursue careers, and control their fertility, and women took advantage of them. They stayed in school longer, worked more, delayed marriage and childbearing, divorced more, and had more wherewithal to raise their children outside marriage. By the early 1990s, the rate of childbearing outside marriage had nearly doubled for the late baby boomers (those born after 1956) compared with their mother's generation, and much of the increase was among women in their 20s and 30s, not among teens. The divorce rate more than doubled from the 1950s and early 1960s to the 1970s and beyond. *Source*: Suzanne M. Bianchi and Daphne Spain, 1996, "Women, Work, and Family in America," *Population Bulletin* 51(3): 2-48.
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