

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Closing the Gender Pay Gap Would Improve Women's Social Security Protections and Strengthen Social Security's Financing

More than 51 years after the enactment of the Equal Pay Act,ⁱ women still do not receive equal pay for equal work. In 2012, the typical full-time, year-long female worker earned much less than her male counterpart – only about 77 cents on the dollar.ⁱⁱ Even when performing the same work, e.g. in low-wage jobs that do not require a college degree, women are underpaid vis-à-vis men.ⁱⁱⁱ While experts disagree regarding the size and causes of the gender pay gap, no one can argue that it does not damage women's economic security – not only in the present, but also in the future, by limiting their Social Security protections and ability to save.

The Gender Pay Gap is Sizable and Grows Over a Woman's Career

The gender pay gap has many causes and layers. It is caused in part by direct discrimination on the basis of gender, in part by differential compensation across occupations traditionally pursued by men and women, respectively, and in part by the failure of the American workplace to facilitate the balancing of work and family caregiving.

The data clearly show that women make less than men in nearly every occupation for which wage data are tracked.^{iv} Among those who attend college, one year out of college, women are paid 18 percent less than their male counterparts,^v and ten years out of college, 31 percent less.^{vi} Even after taking into account college major, occupation, economic sector, experience, selectivity of one's undergraduate institution, GPA, and other factors, women still earn 7 percent less than men one year out of college, and 12 percent less 10 years out.^{vii} Over a 35-year career, such earnings discrepancies cumulate to very large sums: across the entire workforce, this adds up to an average career pay gap of \$434,000;^{viii} for college-educated women, the career deficit vis-à-vis a man with the same level of education averages \$654,000.^{ix}

Closing the gender pay gap would:

- **Help Close the Gender Gap in Social Security Benefits, and Strengthen Economic Security of Older Women**

Because Social Security benefits are based on lifetime earnings, the gender pay gap during working years creates a gender gap in Social Security benefits. Furthermore, the fact that many women exit the workforce to perform family caregiving work often puts gaps in their earnings records that lower Social Security benefits. In 2012, women aged 65 or older received an average Social Security benefit of \$12,520, compared to \$16,396 for men.^x Furthermore, women's longer life expectancies and lower levels of savings leave them with fewer resources as they age, making them increasingly reliant upon their Social Security benefits.^{xi} Eliminating the wage gap would increase women's Social Security benefits, providing stronger economic security in retirement. It would also lower poverty among older women, thereby helping to

close the poverty gap among seniors. Today, among those age 65 or older, nearly twice as many women as men are poor: 11 percent of women, compared to 6.6 percent of men.^{xii}

- **Improve Women’s Ability to Supplement Social Security with Retirement Savings**
The ability of women to accumulate individual retirement savings is negatively impacted by the gender pay gap. The more income women have, the more they will be able to save for retirement.
- **Improve Protections for Doubly Disadvantaged Women**
Women of color, women in same-sex partnerships, and disabled women are doubly disadvantaged by the gender wage gap. Closing the wage gap, in combination with other policies that improve the earnings of disadvantaged populations in general, would make Social Security’s protections more adequate for doubly disadvantaged women.
- **Improve Disability, Life, and Unemployment Insurance Protections for Women and Their Families**
Because Social Security’s disability and life insurance benefits are based on the same formula used to calculate retirement benefits, the wage gap substantially affects these vital protections for women and their families. Today, women bring home at least a quarter of the earnings in nearly two-thirds (64 percent) of American families, and over a third (34 percent) of employed women are their family’s sole breadwinner.^{xiii} Since women’s earnings are increasingly critical to American families, it is even more important to replace the loss of these wages should a female worker become disabled or die. Eliminating the wage gap would improve these protections for families who rely on women’s earnings, especially in single parent households where there may not be additional sources of income.
- **Strengthen Social Security’s Finances**
The Institute for Women’s Policy Research estimates that closing the wage gap between women and men of the same age, at similar levels of education and hours of work, would directly increase the wages of 59.3 percent of women – and, in 2012, would have led to additional income of \$447.6 billion dollars.^{xiv} Since about 97 percent of female workers^{xv} have earnings below Social Security’s tax cap (\$117,000 in 2014), and the vast majority of these women work in employment covered by Social Security, most of this additional income would be subject to Social Security, generating tens of billions of additional Social Security revenue each year.^{xvi} This additional revenue, coupled with women receiving benefits on their own earnings records,^{xvii} as opposed to their spouses’, could reduce Social Security’s projected long-term shortfall by roughly one-third!

Policy Solutions

Since the passage of the Equal Pay Act, women have made tremendous gains in educational attainment, now representing a majority (52 percent) of the population with a bachelor’s degree or higher.^{xviii} Still, progress toward pay equality has stalled in recent years.^{xix} Given the degree to which it would strengthen the economic and retirement security of women and their families, the country should do whatever it can to close the gender pay gap. There are four steps Congress could take immediately to close the gender gap in pay and retirement security:

- **Pass the *Paycheck Fairness Act***, sponsored by Congresswoman Rosa DeLauro (D-CT) and Senator Barbara A. Mikulski (D-MD).^{xx} It would close loopholes in the Equal Pay Act, improve

protections against wage discrimination, require employers to show pay disparity is truly related to job-performance – not gender, and prohibit retaliation against workers who inquire about employers’ wage practices.^{xxi}

- **Adopt paid family leave.** Even as women take on a greater presence in the workforce, they still retain traditional roles in the home – women are more likely than men to leave the workforce in order to care for a family member. While leaving the workforce may be temporary, the economic impact of doing so is not: not only do women lose wages while taking leave; they face greater difficulty advancing in their careers once they return.^{xxii}

The United States is the only OECD country without a statutory right to paid maternity leave.^{xxiii} On the state level, California has already successfully implemented paid family leave, and it has been received positively by both employers and workers.^{xxiv} Paid family leave could also be incorporated into the Social Security program, as is done in some other countries’ social insurance systems.^{xxv} The *Family and Medical Insurance Leave Act*, proposed by Congresswoman Rosa DeLauro (D-CT) and Senator Kirsten Gillibrand (D-NY), would provide 12 weeks of paid leave to qualifying workers for the birth or adoption of a new child, the serious illness of an immediate family member, or a worker’s own medical condition – paid for through employee and employer Social Security contributions of 0.2 percent of wages.^{xxvi} This is an affordable, sensible measure that would allow many women who now exit the workforce upon childbirth to remain on their career and pay trajectory.

- **Provide credit toward Social Security benefits for caregivers.** Forthcoming bills by Congresswoman Gwen Moore (D-WI),^{xxvii} Congresswoman Nita Lowey (D-NY),^{xxviii} and others would provide caregiver credits to low-wage workers for each year of care for children under the age of six or for elderly or disabled family members.^{xxix} This would help close the pay gap **after retirement** by strengthening low-wage working mothers’ subsequent retirement benefits.
- **Raise the minimum wage to \$10.10/hour.** Two-thirds of minimum wage workers are women, disproportionately women of color.^{xxx} Raising the minimum wage would close the wage gap by 5 percent^{xxxi} and raise the wages of an estimated 4.8 million working mothers,^{xxxii} while also strengthening their Social Security protections.^{xxxiii}

Conclusion

Although the pay gap has narrowed somewhat in the decades since equal work for equal pay first became law, the remaining gap is unacceptable. A majority of Americans agree: nearly seven in ten, men and women alike, of all ages, say that “this country needs to continue making changes to give men and women equality in the workplace.”^{xxxiv}

This wage gap also violates our sense of fair play. Those who work hard and contribute to work and family should have adequate protections for themselves and their families when they retire, become disabled, or die. Eliminating the wage gap is especially critical to advancing these American values. It ensures that women will be able to better achieve financial security for themselves and their families, while also furthering their contributions to our Social Security system – and, consequently, strengthening its protections for women and their families.

ⁱ U.S. Equal Employment Opportunity Commission, “The Equal Pay Act of 1963,” (June 10, 1963).

<http://www.eeoc.gov/laws/statutes/epa.cfm>

ⁱⁱ http://www.census.gov/hhes/www/cpstables/032013/perinc/pinc01_000.htm. If one looks at median weekly rather than annual earnings, the gap is slightly narrower, at 17.9 rather than 23 percent. Ariane Hegewish, Claudia Williams, Heidi Hartmann, and Stephanie Keller Hudiburg, “The Gender Wage Gap: 2013; Differences by Race and Ethnicity, No Growth in Real Wages for Women” April 2014. <http://www.iwpr.org/publications/pubs/the-gender-wage-gap-2013-differences-by-race-and-ethnicity-no-growth-in-real-wages-for-women>

ⁱⁱⁱ Joan Entmacher et al., “Six New Facts on Why We Must Raise the Minimum Wage and Advance Equal Pay,” National Women’s Law Center, March 11, 2014. <http://www.nwlc.org/our-blog/six-new-facts-why-we-must-raise-minimum-wage-and-advance-equal-pay>

^{iv} U.S. Bureau of Labor Statistics, “Current Population Survey, Annual Average Data Tables,” February 26, 2014, Table 39. <http://www.bls.gov/cps/tables.htm#annual>

^v Christianne Corbett and Catherine Hill, “Graduating to a Pay Gap: The Earnings of Women and Men One Year after College Graduation,” American Association of University Women, October 24, 2012. <http://www.aauw.org/files/2013/02/graduating-to-a-pay-gap-the-earnings-of-women-and-men-one-year-after-college-graduation.pdf>

^{vi} Judy Goldberg Dey and Catherine Hill, “Behind the Pay Gap,” AAUW, April 2007.

<http://www.aauw.org/files/2013/02/Behind-the-Pay-Gap.pdf>

^{vii} Christianne Corbett and Catherine Hill, “Graduating to a Pay Gap: The Earnings of Women and Men One Year after College Graduation,” American Association of University Women, October 24, 2012.

<http://www.aauw.org/files/2013/02/graduating-to-a-pay-gap-the-earnings-of-women-and-men-one-year-after-college-graduation.pdf>

^{viii} Senator Barbara A. Mikulski Media Center, “Mikulski, DeLauro Introduce Paycheck Fairness Act to End Wage Discrimination,” January 23, 2013. <http://www.mikulski.senate.gov/media/pressrelease/1-23-2013-1.cfm>

^{ix} Christianne Corbett and Catherine Hill, “Graduating to a Pay Gap: The Earnings of Women and Men One Year after College Graduation,” American Association of University Women, October 24, 2012. <http://www.aauw.org/files/2013/02/graduating-to-a-pay-gap-the-earnings-of-women-and-men-one-year-after-college-graduation.pdf>

^x Social Security Administration, “Social Security Is Important to Women,” March 2014.

<http://www.ssa.gov/pressoffice/factsheets/women-alt.pdf>

^{xi} Social Security Administration, “Social Security Is Important to Women,” March 2014.

<http://www.ssa.gov/pressoffice/factsheets/women-alt.pdf>

^{xii} Social Security Administration, “Income of the Population 55 or Older, 2012,” April 2014, Table 11.1.

http://www.ssa.gov/policy/docs/statcomps/income_pop55/

^{xiii} AAUW, “The Simple Truth About the Gender Pay Gap,” March 10, 2014.

<http://www.aauw.org/files/2014/03/The-Simple-Truth.pdf>

^{xiv} Institute for Women’s Policy Research calculations based on the Current Population Survey Annual Social and Economic supplements, 2010-2012, for calendar years 2009-2011; all in 2012 dollars. Heidi Hartmann et al., “How Equal Pay for Working Women would Reduce Poverty and Grow the American Economy,” *Briefing Paper* no. C411, Institute for Women’s Policy Research, January 2014. <http://www.iwpr.org/publications/pubs/how-equal-pay-for-working-women-would-reduce-poverty-and-grow-the-american-economy>

^{xv} Social Security Administration, *Annual Statistical Supplement, 2013*, February 2014, table 4B.4.

<http://www.ssa.gov/policy/docs/statcomps/supplement/2013/4b.html>

^{xvi} Since 96.7 percent of female workers have earnings below Social Security’s taxable maximum, eliminating the wage gap would increase the amount of income covered by the payroll tax considerably, by as much as \$433 billion in one year alone. With worker and matching employer Social Security contributions of 6.2 percent respectively, this would amount to a nearly 8 percent boost in Social Security payroll contribution revenue – \$54 billion in 2012. This is a rough estimate that, in practice, should be adjusted downward somewhat to account for the fact that for the very small share of women whose income is close to Social Security’s tax cap, the additional income stemming from closure of the gender pay gap would push their incomes over the cap; any additional earnings for these

women above the cap would not be taxable for Social Security. Finally, if there were offsetting wage or employment effects, this would adjust the revenue gains downward as well.

^{xvii} While the additional earnings would also generate additional earned benefits for most women, this cost would be heavily offset by women, due to their now stronger earnings records, either not claiming – or claim smaller – spousal or survivor benefits.^{xvii} Hence closure of the gender pay gap would generate considerably more additional revenue than additional benefits.

^{xviii} U.S. Census Bureau, “2010-2012 American Community Survey 3-Year Estimates,” 2013.

<http://factfinder2.census.gov/>

^{xix} AAUW, “The Simple Truth About the Gender Pay Gap,” March 10, 2014, Figure 1.

<http://www.aauw.org/files/2014/03/The-Simple-Truth.pdf>

^{xx} “S.84 - Paycheck Fairness Act,” January 23, 2013. <http://beta.congress.gov/bill/113th-congress/senate-bill/84>

^{xxi} AAUW, “The Simple Truth About the Gender Pay Gap,” March 10, 2014, Figure 1.

<http://www.aauw.org/files/2014/03/The-Simple-Truth.pdf>

^{xxii} Pew Research Center, “On Pay Gap, Millennial Women Near Parity – For Now: Despite Gains, Many See Roadblocks Ahead,” December 11, 2013. http://www.pewsocialtrends.org/files/2013/12/gender-and-work_final.pdf

^{xxiii} OECD Family database. www.oecd.org/social/family/database (accessed June 14, 2014).

^{xxiv} More outreach is required, however, to reach low-wage workers, many of whom are unaware of the program. Ruth Milkman and Eileen Appelbaum, *Unfinished Business. Paid Family Leave in California and the Future of U.S. Work-Family Policy* (Cornell University Press, 2013).

^{xxv} OECD Family database. www.oecd.org/social/family/database (accessed June 14, 2014).

^{xxvi} “S. 1810 – The Family and Medical Insurance Leave Act of 2013,” (December 12, 2013).

<http://beta.congress.gov/113/bills/s1810/BILLS-113s1810is.pdf>

^{xxvii} Representative Moore’s bill credits individuals for up to five years of care provided to a child younger than 6 who resides in that individual’s household. “H.R.1374 - Social Security Enhancement and Protection Act of 2013,” March 21, 2013. <https://beta.congress.gov/bill/113th-congress/house-bill/1374>

^{xxviii} Center for Community Change Action, “Caregiver Credit Bill Talking Points,” (retrieved June 19, 2014).

<file:///C:/Users/stconnolly/Downloads/Caregiver%20Credit%20Bill%20talking%20points%20final.pdf>

^{xxix} For each family service year, wages equal to as much as half the national average wage index would be credited toward the worker’s earnings record for Social Security benefit calculation purposes. IWPR, NCPSSM, and NOW, “Breaking the Social Security Glass Ceiling: A Proposal to Modernize Women’s Benefits,” May 2012, p. 11.

http://www.ncpssmfoundation.org/Portals/0/breaking_ss_glass_ceiling.pdf

^{xxx} NWLC, “Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage,” March 28, 2014. <http://www.nwlc.org/resource/fair-pay-women-requires-increasing-minimum-wage-and-tipped-minimum-wage>

^{xxxi} The White House, “The Impact of Raising the Minimum Wage on Women: And the Importance of Ensuring a Robust Tipped Minimum Wage, (Mar. 2014), p. 1.

<http://www.whitehouse.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf>

^{xxxii} Unpublished EPI estimates cited in NWLC, “Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage,” March 28, 2014. <http://www.nwlc.org/resource/fair-pay-women-requires-increasing-minimum-wage-and-tipped-minimum-wage#fifteen>

^{xxxiii} Social Security Works, “Restoring the Minimum Wage Would Strengthen Social Security Protections for Low-Wage Workers and Improve System Finances,” February 21, 2014. <http://www.socialsecurityworks.org/wp-content/uploads/2014/02/Restoring-the-Minimum-Wage-Would-Strengthen-Social-Security-Protections-for-Low-Wage-Workers-and-Strengthen-System-Finances.pdf>

^{xxxiv} Pew Research Center, “On Pay Gap, Millennial Women Near Parity – For Now: Despite Gains, Many See Roadblocks Ahead,” December 11, 2013. http://www.pewsocialtrends.org/files/2013/12/gender-and-work_final.pdf