

# STRENGTHEN SOCIAL SECURITY

## ...don't cut it.

### Social Security Works for Women

Our Social Security system is gender-neutral, but because women tend to have lower earnings over the course of their working years and longer life expectancies, Social Security is particularly important to women. As women's participation in the workforce has increased, they have been able to earn vital retirement, disability, and survivors' protections for themselves and their families. While women have made great strides in the 80 years since Social Security was created, they still rely disproportionately on its vital, but modest benefits. Social Security should not only be protected for our nation's women; it should be expanded.

#### Why Social Security is Important to Women

In 2014, 32.3 million women received Social Security benefits—over half (54.7 percent) of all beneficiaries.<sup>1</sup> Among the oldest Social Security beneficiaries (those 85 and older), nearly two-thirds (66 percent) are women.<sup>2</sup> The average benefit received by women in 2014 was \$13,016<sup>3</sup>—just \$1,346 over the federal poverty limit for an individual.<sup>4</sup> Despite their modesty, these benefits are critical to the economic security of the women who receive them. Without Social Security, the percentage of senior women living in poverty would have risen dramatically, from 12.1 percent in 2014, to 45.6 percent.<sup>5</sup> In addition to its important anti-poverty protections, Social Security has several other features which make it especially vital to women:

- Social Security's benefits replace a higher percentage of the incomes of lower earners. Although women have made great strides since moving into the workforce, there has been a persistent gap in the earnings of women and men. In 2014, the typical woman earned just 78.6 cents for every dollar earned by her male counterpart.<sup>6</sup> Because of their lower earnings, Social Security's progressive benefit formula is especially important for women.
- In addition to their lower wages, women are often the primary caregivers in American households—about 60 percent of caregivers are women.<sup>7</sup> Caregiving can have adverse effects on women's lifetime earnings—approximately 6 in 10 caregivers report at least one change in their employment situation (such as reduced hours or taking a leave of absence) due to caregiving.<sup>8</sup> Social Security's progressive benefits are vital to women who provide unpaid care.
- Over the course of their working years, women's lower earnings leave them less able to set aside savings for retirement. As a result, Social Security's benefits, although modest, are the most critical, if not the only, source of income for women in retirement. In 2012, Social Security benefits represented 90 percent or more of the incomes of nearly 3 in 10 (29.6 percent) women aged 65 and older.<sup>9</sup>
- Social Security benefits are adjusted for inflation, so that they maintain purchasing power over time. This is especially critical for women, who have longer life expectancies than men—women reaching age 65 in 2015 are expected to live another 21.6 years, on average, compared to 19.3

years for men.<sup>10</sup> Even if they outlive their savings and other sources of retirement income, women cannot outlive their Social Security benefits.

### **To Improve Social Security for Women, Expand Benefits**

Although Social Security benefits are vital to the women who receive them, they are still too modest, and should be expanded. Fortunately, there are a number of policy options that would improve Social Security benefits for all Americans, including women:

- *Increase benefits across the board.* Although Social Security benefits have substantially reduced poverty among elderly women, these benefits are still too modest. There are a variety of proposals that would increase monthly benefits for all Americans progressively.<sup>11</sup> Low-income beneficiaries, especially women, would benefit most from such expansions.
- *Ensure that benefits keep pace with the cost of living experienced by Social Security beneficiaries.* Because of their longer life expectancies, women especially rely upon Social Security's cost-of-living adjustments. However, the current index used to calculate these adjustments does not accurately reflect the higher health care costs experienced by seniors and people with disabilities.<sup>12</sup> A more accurate cost-of-living index would ensure that women's Social Security benefits do not erode over time.
- *Provide a caregiver credit.* Because women are often the primary caregivers in American households, their Social Security benefits are especially impacted by time spent out of the workforce to provide care to children and other family members. A caregiver credit would ensure that, even when women and other workers forgo wages to provide unpaid care, their Social Security benefits will not be drastically reduced.<sup>13</sup>
- *Expand Social Security to include paid family leave.* Social Security was created to empower workers to insure themselves and their families against periods of lost wages—retirement, disability, or the death of a working parent. However, many workers also experience temporary periods out of the workforce due to family caregiving duties and personal medical conditions. The expansion of Social Security to include family leave benefits would ensure that workers, especially women, do not face economic insecurity during these temporary periods without wages.<sup>14</sup>
- *Eliminate the cap on payroll contributions and incorporate investment income.* Only 3.3 percent of working women have annual incomes over Social Security's cap of \$118,500,<sup>15</sup> meaning that a majority of women make Social Security contributions on all of their earnings, all year long, compared to millionaires and billionaires, who contribute on only part of their earnings and stop contributing earlier in the year. Eliminating the payroll cap and incorporating unearned income would not only close Social Security's long-range shortfall and help to finance benefit expansions;<sup>16</sup> it would make contributions to the system more equitable for women.

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<sup>1</sup> Social Security Administration (SSA), *Annual Statistical Supplement, 2015*, Table 5.A1, accessed January 29, 2016. <https://www.ssa.gov/policy/docs/statcomps/supplement/2015/5a.html>

<sup>2</sup> Social Security Administration (SSA), *Annual Statistical Supplement, 2015*, Table 5.A10, accessed February 19, 2016. <https://www.ssa.gov/policy/docs/statcomps/supplement/2015/5a.html>

<sup>3</sup> SSA, *Annual Statistical Supplement, 2015*, Table 5.A1, accessed January 29, 2016. <https://www.ssa.gov/policy/docs/statcomps/supplement/2015/5a.html>

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<sup>4</sup> U.S. Department of Health and Human Services, “2014 Poverty Guidelines,” December 1, 2014.

<https://aspe.hhs.gov/2014-poverty-guidelines>

<sup>5</sup> “Senior” refers to those ages 65 and older. Kathleen Romig, “Social Security Lifts 21 Million Americans out of Poverty,” Center on Budget and Policy Priorities, November 9, 2015. <http://www.cbpp.org/blog/social-security-lifts-21-million-americans-out-of-poverty-0>

<sup>6</sup> Data are for full-time, year-round workers. Institute for Women’s Policy Research, “The Gender Wage Gap: 2014,” September 2015. <http://www.iwpr.org/publications/pubs/the-gender-wage-gap-2014>

<sup>7</sup> AARP Public Policy Institute and National Alliance for Caregiving, “Caregiving in the U.S.,” June 2015.

<http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>

<sup>8</sup> AARP Public Policy Institute and National Alliance for Caregiving, “Caregiving in the U.S.,” June 2015.

<http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>

<sup>9</sup> SSA, *Income of the Population 55 or Older, 2012*, Table 9.B1, April 2014.

[https://www.ssa.gov/policy/docs/statcomps/income\\_pop55/2012/sect09.html](https://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/sect09.html)

<sup>10</sup> SSA, “Social Security Is Important to Women,” June 2015. <https://www.ssa.gov/news/press/factsheets/women-alt.pdf>

<sup>11</sup> For example, Senator Brian Schatz (D-HI) has proposed increasing the first bend point of the Social Security benefit formula by 15 percent—approximately a \$70 increase in monthly benefits for all beneficiaries. Senator Brian Schatz, “S.1940 – Safeguarding American Families and Expanding Social Security Act of 2015,” accessed February 18, 2016. <https://www.congress.gov/bill/114th-congress/senate-bill/1940?q=%7B%22search%22%3A%5B%22schatz%22%5D%7D>

<sup>12</sup> Alicia H. Munnell and Anqi Chen, “Do We Need a Price Index for the Elderly,” Center for Retirement Research at Boston College no. 15-18, October 2015. [http://crr.bc.edu/wp-content/uploads/2015/10/IB\\_15-18.pdf](http://crr.bc.edu/wp-content/uploads/2015/10/IB_15-18.pdf)

<sup>13</sup> For example, Representative Nita Lowey (D-NY) has proposed a caregiver credit that could be claimed by anyone spending at least 80 hours per month (up to 60 months) providing care to a dependent relative under the age of 12 or a chronically dependent individual. Representative Nita Lowey, “H.R. 3377 – Social Security Caregiver Credit Act of 2015,” accessed February 18, 2016. <https://www.congress.gov/bill/114th-congress/house-bill/3377?q=%7B%22search%22%3A%5B%22%5C%22hr3377%5C%22%22%5D%7D&resultIndex=1>

<sup>14</sup> One proposal for paid family leave comes from the Social Security Works *All Generations Plan*, which would provide those who are insured for Social Security disability benefits up to 12 weeks of paid leave in the event of the birth or adoption of a child, a family member’s illness, or a personal illness. Nancy J. Altman and Eric R. Kingson, *Social Security Works! Why Social Security Isn’t Going Broke and How Expanding It Will Help Us All*, (New York: The New Press, 2015), pp. 221-222.

<sup>15</sup> Nicole Woo and Cherrie Bucknor, “Over the Top: Who Pays More if We Raise the Social Security Payroll Tax Cap,” Center for Economic and Policy Research, February 2016. <http://cepr.net/images/stories/over-the-top-supplementary-tables.pdf>

<sup>16</sup> Social Security Works, “High Earners Should Contribute Fair Share to Social Security: Policy Options,” April 2015. [http://www.socialsecurityworks.org/wp-content/uploads/2015/04/High-Earners-Should-Contribute-Fair-Share-to-Social-Security\\_Policy-Options\\_FINAL.pdf](http://www.socialsecurityworks.org/wp-content/uploads/2015/04/High-Earners-Should-Contribute-Fair-Share-to-Social-Security_Policy-Options_FINAL.pdf)