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United States Senate

COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS

WASHINGTON, DC 20510-6300

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Letter from the Ranking Member

Improving opportunity for workers to earn a secure retirement is critically important to strengthening the middle class and ensuring the economy works for all Americans, not just the wealthiest few. However, too many seniors today are spending their golden years scraping to make ends meet. Too many Americans nearing age 65 want to retire, but are not financially able to stop working. And far too few younger Americans have the ability or the tools to save for their future. In short, our country is facing a retirement crisis.

This retirement crisis is especially acute for women. Too often, it is women who struggle the most with financial hardship in retirement. In fact, among women, age 65 and older, the poverty rate is nearly double that of men in the same age group. This is partly because women face systemic barriers that hinder their ability to access a secure retirement, barriers that begin long before they reach the retirement age.

Women are more likely than men to work in low-paying jobs. Women get paid less than men in nearly every job. Today, women working full time typically earn just 78 cents for every dollar men make. It is plain and simple math: lower wages during prime working years make it hard to support a family, let alone save for retirement. And not only do lower wages make it hard to save for retirement, but they also mean lower Social Security benefits, a double-whammy.

Caregiving responsibilities further cut into women's retirement savings. Women are more likely than men to leave the workforce, or reduce their hours, so they can care for a sick parent or raise a child. So on top of lower wages to begin with, women often go long stretches without earning wages at all. Cycling in and out of the workforce prevents many women from earning a pension or saving for retirement. In fact, women who leave the workforce early to be caregivers lose upwards of \$324,000 in reduced salaries and retirement benefits over their lifetime. Imagine how far that money could go for a woman in retirement today, who has to pinch pennies just to put food on the table.

These barriers continue even into retirement. For example, since Social Security's inception, more women have joined the workforce, which has helped propel our economy forward. But in retirement, even though women depend on Social Security income more than men, their benefits are substantially lower: the average benefit for women 65 and older is about \$14,000 a year, compared to about \$18,000 for men.

Overcoming these barriers will require a range of policy solutions. For starters, we need to address the persistent inequalities women face during their working years, most especially the pay gap. We should raise the minimum wage, which would give nearly one out of three working women a raise they both deserve and need, and we should enact a host of pro-family policies that would reward, not punish, family members for taking care of their loved ones. We also should improve access to retirement savings plans, especially for workers who currently face high hurdles to saving, like part-time workers, and we need to expand spousal protections to cover those accounts most

common in today's market, such as 401(k) plans. Finally, we should strengthen, expand, and modernize Social Security.

After a lifetime of hard work, all seniors deserve the opportunity to live healthy, full, and financially secure lives. Ensuring women are able to access a secure retirement is part of my ongoing work to help the economy grow from the middle out, not the top down, and ensuring our government works for everyone, not just the wealthiest few.

Sincerely,

A handwritten signature in blue ink that reads "Patty Murray". The signature is written in a cursive, flowing style.

Patty Murray (D-WA)
Ranking Member, Senate Health, Education, Labor, and Pensions Committee

WOMEN AND THE RETIREMENT GAP

There is no question that many Americans are not financially prepared for retirement. Middle class wages have been stagnant for decades, and it is getting harder and harder for people to make ends meet, let alone save for retirement. Now, almost half of workers reported having less than \$10,000 in savings.¹ The median retirement account balance among all households ages 55 to 64 – those nearest to retirement – was just \$14,500 in 2013.² Moreover, the retirement savings deficit – meaning the difference between what people have saved for retirement and what they should have saved at this point to maintain their standard of living in retirement – is at least \$6.8 trillion and possibly as high as \$14 trillion.³

The retirement crisis is particularly acute for women. In the past, retirement security was thought of as a three-legged stool to describe Social Security, employee pensions, and personal savings. For women, each leg of retirement security is particularly weak, with fewer opportunities to contribute to retirement savings plans, less disposable income to contribute to personal savings, and fewer earnings that bump up Social Security benefits. As a result, women are more likely to face serious hardship in retirement and are considerably more likely to live in poverty in their old age, compared to their male counterparts. This report gives an overview of the financial picture of women's retirement preparedness, discusses the challenges women face, and offers policy proposals designed to improve women's opportunity to enjoy their golden years with dignity and financial independence.

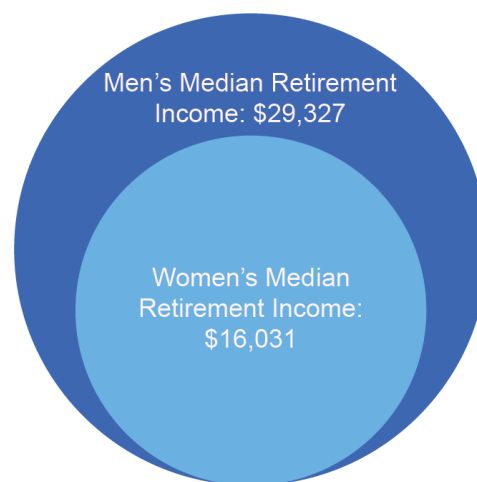
Women and the Retirement Crisis

Without question, many women are not financially prepared for retirement. Women need to save more than men because they live longer, on average. However, women have considerably lower median retirement savings balances than men. A study from the Employee Benefit Research Institute (EBRI), a non-profit research organization that focuses on these issues, found that among individuals with IRAs, the median IRA balance for men was \$12,789 higher than for women in 2013.⁴ Because women's retirement preparedness often lags significantly behind their male counterparts, median income for women 65 and older in 2013, from all sources, was just 55 percent of men's.⁵

The fact that women are often less prepared for retirement means they are almost twice as likely as

Women's Retirement Income Is Just 55 Percent of Men's Retirement Income

Total money income for people 65+ in 2013



Source: Census Bureau

¹ Employee Benefit Research Institute, "2015 RCS Fact Sheet #3, Preparing for Retirement in America," Figure 3 [2015](#).

² Center for American Progress, "The Reality of the Retirement Crisis," [January 26, 2015](#).

³ National Institute on Retirement Security, "The Retirement Savings Crisis: Is It Worse Than We Think?" [June 2013](#).

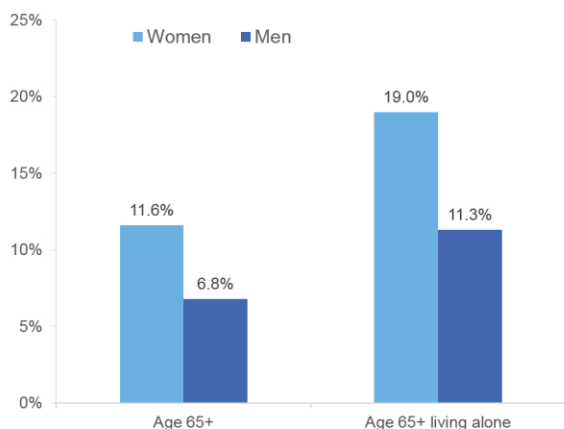
⁴ Employee Benefit Research Institute, "Individual Retirement Account Balances, Contributions, and Rollovers, 2013; With Longitudinal Results 2010-2013: The EBRI IRA Database," [2015](#).

⁵ Census Bureau, Current Population Survey, [2014](#).

men to live in poverty after age 65.⁶ The poverty rate for all women age 65 and older is 11.6 percent, compared to 6.8 percent for men.⁷ For women age 65 and older who live alone, the poverty rate is 19 percent, compared to 11.3 percent for senior men living alone. The poverty rate among African Americans and Latino senior women is even higher. One-fifth of African American women and 23 percent of Latino women 65 and older live in poverty.⁸

Women Are Almost Twice as Likely as Men to Live in Poverty After Age 65

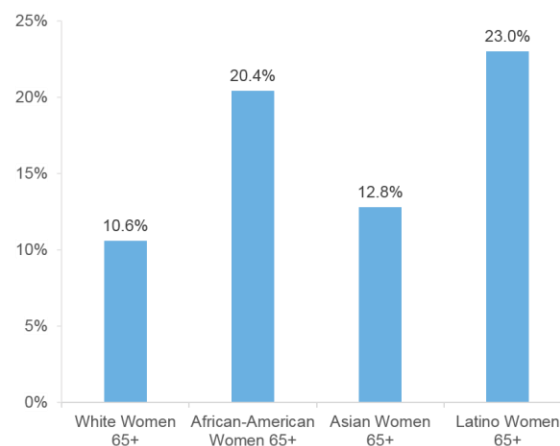
Poverty rate among men and women 65 and older, 2013



Source: Census Bureau, Current Population Survey, 2013

Women of Color Are More Likely to Live in Poverty than White Women

Poverty rate among women 65 and older by race, 2013



Source: Census Bureau, Current Population Survey, 2013

Workplace Trends Create Barriers for Women's Retirement Preparedness

The challenges women face in preparing for retirement begin long before they hit age 65. Systemic barriers for women in the workforce hinder their ability to adequately save for retirement. These challenges include low wages, the pay gap, the impact of caregiving responsibilities, and having less access to employer-provided savings programs and accounts.

The Pay Gap. Across the workforce, women are disadvantaged because even when working full time they typically earn only 78 cents for every dollar paid to men.⁹ In 1963, President Kennedy signed the *Equal Pay Act*, which took the first big step toward eliminating the wage gap. Since then, the gender wage gap has narrowed, but progress has been slow, especially in the last decade.¹⁰ This sluggish rate of progress has harmed women and their families, especially as the workforce participation rate of women has risen. The pay gap clearly makes it more difficult for women to make ends meet, but it also has a profound effect on women's retirement preparedness.

⁶ The poverty rate for all women age 65 and older is 11.6 percent, compared to 6.8 percent for men Census Bureau, Current Population Survey, [2014](#).

⁷ Census Bureau, Current Population Survey, [2014](#).

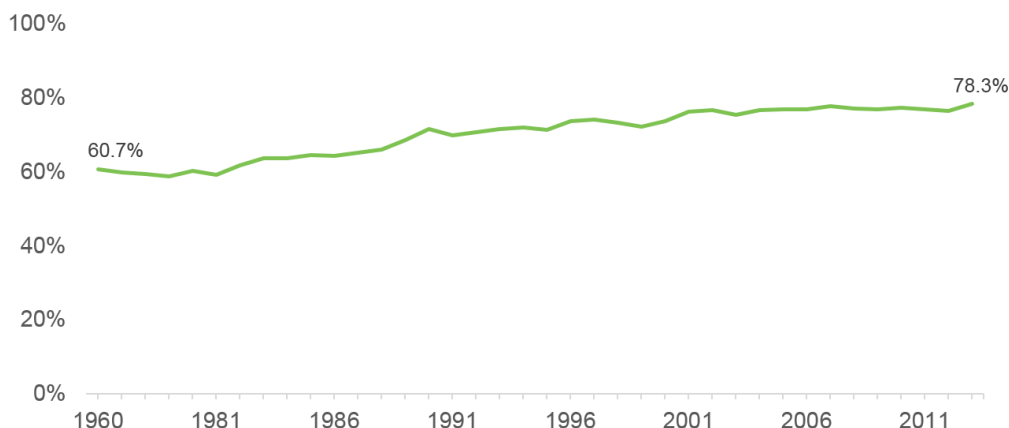
⁸ Census Bureau, Current Population Survey, [2013](#).

⁹ U.S. Census, "Income and Poverty in the United States: 2013," September [2014](#).

¹⁰ National Women's Law Center, "The Wage Gap over Time," October [2014](#).

Progress on Closing the Pay Gap Between Men and Women Has Been Slow

The gender wage ratio and real earnings, 1960-2013



Source: Institute for Women's Policy Research

The pay gap also directly contributes to women receiving lower benefits from Social Security. Social Security benefits are based on lifetime earnings, so the lower a person's earnings, the lower the worker benefits in real dollars.¹¹ In 2014, the average Social Security worker benefit for women 65 and older was \$14,234 a year, 79 percent of the benefit for men of the same age group, which was \$18,113.¹²

The wage gap also affects the benefits women receive from employer-provided retirement plans. Traditional defined-benefit pension plans pay benefits based on a person's salary. Because of the pay gap, women often have lower salaries and, therefore, lower defined-benefit pension benefits. The same is true with employer-provided defined contribution plans like a 401(k), because lower wages mean women have less income to contribute to these plans. Further, even when employers contribute matched savings in defined contribution plans, women are negatively affected by the pay gap, because contributions are usually structured as a percent of pay. In effect, the pay gap leads to a retirement savings gap for women later in life.

Low Wages. Women make up two-thirds of low-wage workers, even though they comprise less than half of all workers.¹³ The immediate effect of low-wage work is a persistently tight family budget. Saving for the future is not an option for many low-wage workers when they are struggling to buy groceries and pay utility bills. In addition, low-wage workers are less likely than other workers to participate in a retirement plan at work.¹⁴ In retirement, these workers will rely almost entirely on Social Security for their income, but their benefits will be meager because of their low lifetime

¹¹ Social Security employs a progressive benefit formula which provides lower earners a higher proportion of their pre-retirement earnings; however, in real dollars, low-wage workers receive less in Social Security in retirement.

¹² Social Security Administration, "Annual Statistical Supplement," Table 5.a16, [2015](#). Monthly benefit multiplied by 12. The ratio is similar when all Social Security benefits, including benefits for spouses and surviving spouses, are included: the average benefit for women 65 and older is \$13,867, 77 percent of the average benefit for men (\$18,039). *Id.*

¹³ National Women's Law Center, "Underpaid and Overloaded: Women in low-wage jobs," [2014](#).

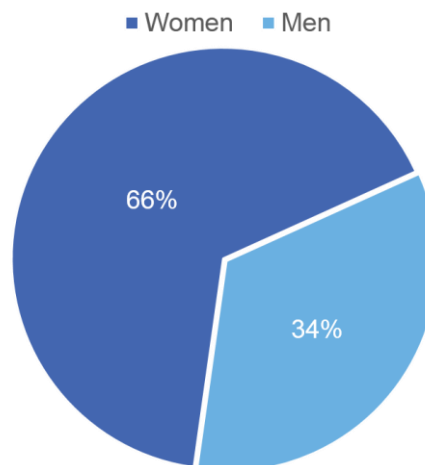
¹⁴ National Women's Law Center, "Underpaid and Overloaded: Women in low-wage jobs," [2014](#).

earnings. The same retirees who will depend on Social Security benefits the most will get the smallest checks.¹⁵

Caregiving Responsibilities. Women are considerably more likely than men to withdraw from the workforce because of family caregiving responsibilities. An estimated 66 percent of caregivers are female, and although men often help care for family members, female caregivers spend 26 percent more time on average providing that care than male caregivers.¹⁶ Women caregivers are especially likely to reduce their hours, switch to a less demanding job, leave the workforce entirely, or lose job benefits.¹⁷ If they return to the workforce, they are more likely to earn lower wages than if they had stayed in the workforce.¹⁸

Women's caregiving responsibilities have profound implications for their retirement preparedness. The cost impact on women who leave the labor force early to be caregivers, in terms of lost wages, pensions, and Social Security benefits, equals \$324,044. That total includes \$142,693 in lost wages, \$131,351 in lost Social Security benefits, and a conservative estimate of \$50,000 for pensions.¹⁹

Two-thirds of Caregivers in the U.S. are Women
Percentage of men and women caregivers, 2009



Source: National Alliance for Caregiving, "Caregiving in the U.S., 2009."

The Retirement System Fails to Adequately Address Women's Needs

Social Security Benefit Calculations. Social Security benefits were designed to meet the basic needs of single income families, in which only one spouse worked. Widows from dual-earner households, women who are divorced, and women who never married are often shortchanged on Social Security benefits.

For example, under the current system, a widow who had significant earnings during her lifetime often suffers a larger reduction in her household Social Security benefit when her spouse passes away than does a widow who did not work, but who has the same household lifetime income. This inequity in the Social Security system is a relic from a time when most women did not work. Another example is the way Social Security treats people who are divorced. Right now, women married for less than 10 years are ineligible for any spousal survivor benefits, but become eligible for full benefits at exactly 10 years of marriage, an arbitrary and much too high threshold for

¹⁵ Demos, "Low-Wage Work and the Coming Retirement Crisis," August 20, [2013](#).

¹⁶ National Alliance for Caregiving, "Caregiving in the U.S. 2009," [2009](#).

¹⁷ National Alliance for Caregiving, "Caregiving in the U.S. 2009," [2009](#).

¹⁸ Erin L. Kelly, "Discrimination Against Caregivers? Gendered Family Responsibilities, Employer Practices, and Work Rewards" in Handbook of Employment Discrimination Research, Rights and Realities, Laura Beth Nielsen and Robert L. Nelson, editors, see section 1.2.1, p. 357, [2005](#).

¹⁹ MetLife, "The MetLife Study of Caregiving Costs to Working Caregivers," [June 2011](#).

benefit eligibility. Making targeted updates to Social Security to address these inequities would help strengthen financial security for women in retirement.

Lack of Access to and Eligibility for Retirement Plans. One of the most important factors determining whether a person will be prepared for retirement is whether he or she is able to participate in an employer-sponsored retirement plan.²⁰ Without access to a retirement plan at the workplace, people are simply much less likely to save. However, approximately 35 percent of the private sector workforce does not have access to a retirement plan at work, and less than half of private sector workers actually participate.²¹ Moreover, two-thirds of part-time workers who work year round do not have access to a retirement plan at work, and if a plan is available, fewer than one in five participate.²² That is particularly problematic for women, who comprise two-thirds of part-time workers.²³

Policy Solutions

Because of these systemic barriers, women need better pathways to prepare for retirement. Fortunately, Congress could pass a number of policies to make a real difference in the lives of working and retired women.

Give Working Women a Raise and Increase Economic Security. Several policies aimed at giving women a level playing field at work would go a long way toward boosting their retirement security. For example, raising the minimum wage would not only help more women and families make ends meet and help close the wage gap, it would allow low-wage workers to save more for retirement and increase their contributions to Social Security. Passing the Paycheck Fairness Act would help ensure that more women get equal pay for equal work. That measure's effect of raising women's wages would also allow women to better save for retirement, in addition to boosting Social Security contributions. Other workplace policies, such as making quality child care affordable, giving workers access to paid sick days and other basic worker protections, and requiring fair scheduling practices, would further boost workers' economic stability and thus their ability to save for their retirement.

Expand and Enhance Social Security. Social Security is the cornerstone of a secure retirement, but it could be doing more to help working women and retirees. In that regard, Congress should pass the Retirement and Income Security Enhancements (RAISE) Act, which would make targeted updates to Social Security to help senior men and women access more stable financial footing in retirement. Specifically, the RAISE Act would ensure widows and widowers from two-earner families receive the same survivor benefits as those from single-earner families. For the surviving spouse, the alternative benefit would equal 75 percent of the sum of the survivor's own worker benefit and the Primary Insurance Amount (PIA) of the deceased spouse. The legislation would also enhance benefits for divorced spouses by allowing those with less than ten years of marriage to be eligible for benefits under the former spouse's earnings.²⁴

²⁰ Jack VanDerhei, Ph.D., Employee Benefit Research Institute, "What Causes EBRI Retirement Readiness Ratings to Vary: Results from the 2014 Retirement Security Projection Model," February [2014](#).

²¹ Bureau of Labor Statistics, Employee Benefits in the United States – March 2014, Table 1, [2014](#).

²² Craig Copeland, Employee Benefit Research Institute, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013," [2014](#).

²³ Bureau of Labor Statistics, Current Population Survey, [2014](#).

²⁴ U.S. Senate Budget Committee, "Retirement and Income Security Enhancements (RAISE) Act," [June 10, 2014](#).

Expand Retirement Plan Eligibility for Part-time Workers. One of the most effective ways to help women prepare for retirement is to ensure that they have access to a retirement plan at their workplace. Currently, too many women working part-time are ineligible to participate in their employers' plans. Congress should require employers that offer defined contribution plans to open up participation in these plans to long-term, part-time workers.

Improve Consumer Protections. Robust consumer protections would help ensure that women's retirement savings are still there when they retire. Specifically, Congress should expand the spousal consent requirements so that a married person must get his or her spouse's consent before taking money out of a retirement plan. That will ensure that one spouse cannot drain the couple's retirement savings immediately before a divorce, or unilaterally make financial decisions that will affect both spouses for the rest of their lives. Traditional pensions already have spousal consent requirements, but most defined contribution plans, for example, 401(k) plans, do not.

Increase Financial Literacy. One of the most promising ways to ensure people gain important financial and economic skills is through the education system. The Financial Literacy and Economic Improvement Act would enhance the teaching and economic personal finance principles across disciplines in school and will make practical financial and economic courses more widely available to youth and adults of any age through the higher education system.

Such policy solutions would go a long way to expand opportunities for women to achieve a financially secure retirement, but they are not the only solutions. We need to must continue to explore other creative policies to help women, and particularly caregivers, earn a secure retirement benefit. Leaving the workforce or reducing working hours to care for a family should not preclude women and caregivers from having a more secure retirement in the future.