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Older Women Workers and Economic Security

Abstract

On average, women earn less than men with each paycheck, which causes a significant gender disparity in earnings over a lifetime. As a result, women often lack the financial resources needed in old age. This fact sheet addresses the economic needs of older women, their sources of income, and the gender wage gap by race and ethnicity. It discusses factors that impact the lower average lifetime earnings of women and policy changes that could increase the economic security of older women. Lower earnings than men for full-time work, lower likelihood than men to work full-time, and a greater likelihood than men to have had time out of the labor force because of caregiving all contribute to women's lower lifetime earnings.

Keywords

older women, work, education, employment, occupations, economic security, gender wage gap

Comments

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WOMEN'S BUREAU
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ISSUE BRIEF

OLDER WOMEN WORKERS AND ECONOMIC SECURITY

On average, women earn less than men with each paycheck, which causes a significant gender disparity in earnings over a lifetime. As a result, women often lack the financial resources needed in old age. This fact sheet addresses the economic needs of older women, their sources of income, and the gender wage gap by race and ethnicity. It discusses factors that impact the lower average lifetime earnings of women and policy changes that could increase the economic security of older women. Lower earnings than men for full-time work, lower likelihood than men to work full-time, and a greater likelihood than men to have had time out of the labor force because of caregiving all contribute to women's lower lifetime earnings.

THE ECONOMIC NEEDS OF OLDER WOMEN

In 2006, the Gerontology Institute at the University of Massachusetts Boston,¹ in collaboration with Wider Opportunities for Women (WOW),² developed the Elder Economic Security Standard™ Index (Elder Index), a measure of income that older adults require to maintain their independence in the community and meet their daily costs of living, including housing, health care, food, transportation, and miscellaneous expenses.³ The Elder Index uses cost data from public federal sources that are comparable, geographically specific, easily accessible, and widely accepted.⁴ It accounts for geographic differences in cost of living.⁵ It shows, as an average, what it costs a retired elder to live in any state or county in the United States. The average annual cost for a single elder person (someone who is 65 years or older) household ranges from \$19,000 to \$29,000 per year, while for couples it ranges from about \$29,500 to \$35,000, all numbers above the poverty line.⁶ However, the average annual Social Security payment for women is only \$13,392⁷ and the annual median income in retirement for women amounts to only \$14,000.⁸



OLDER WOMEN WORKERS AND ECONOMIC SECURITY

This issue brief answers the following questions: *How and why does the gender wage gap vary by age? How do earnings for older women differ by race and ethnicity? What is the impact of the gender wage gap and caregiving responsibilities on women's lifetime earnings and their retirement savings? What can be done to tackle the gender wage gap and improve women's lifetime earnings?*



LABOR FORCE PARTICIPATION OF OLDER WOMEN

Working later in life is one way to increase lifetime earnings and make up for gaps in work experience in younger years. The labor force participation of older women (defined here as women 55 years old and older) has grown rapidly in the last two decades and is projected to continue to grow. In 2012, the labor force participation rate for women ages 55 years old and older was 35.1 percent compared with 46.8 percent for men, up from 22.8 percent and 38.4 percent, respectively, in 1992.⁹ In 2012, the labor force participation rate for women ages 65 and older was 14.4 percent compared with 23.6 percent for men, and for women ages 75 and older, it was 5.0 percent compared with 11.3 percent for men.¹⁰ As a greater number of older women enter and remain in the workforce, their earnings constitute a larger part of the American economy and a larger part of family incomes.

EARNINGS OF OLDER WOMEN

Both women and men tend to acquire higher earnings as they get older. Once reaching age 65, however, their earnings tend to fall. Yet the earnings difference between workers who are just starting out in employment (under age 25) and workers who are 55 to 64 years of age is much smaller for women than men; while women and men start out with similar levels of earnings, the increase in earnings between ages 35 and 45 is much more marked for men than for women (Figure 1). In middle age (45-64 years), men's and women's earnings are essentially static. Among

women and men who work full-time, earnings are lower for those ages 65 and older relative to those in prime and middle age groups, and the drop in earnings is greater for women than men (Figure 1).

In 2013, women ages 55 to 64 years had median weekly earnings of \$788. While the earnings for women in this age group are higher than for women in other age groups, they are \$212 less per week than the median weekly earnings of men ages 55 to 64 years, which is \$1,000 per week for a gender earnings ratio of 78.8 percent. At the beginning of their working lives, the earnings of women and men are more similar; yet, even among the youngest workers, women earn less than men. Women younger than 25 years

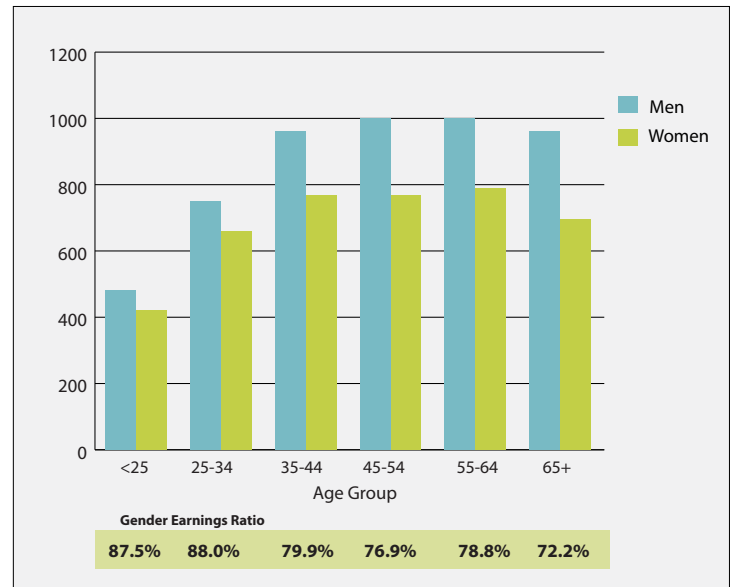


Figure 1. Median Weekly Earnings for Full-Time Work by Age and Gender, 2013

Source: IWPR Analysis of 2013 Current Population Survey ORG, as provided by Center for Economic and Policy Research, CPS ORG Uniform Extracts, Version 1.9 (2014).

earn 87.5 percent of young men's median weekly earnings; and women ages 25 to 34 earn 88 percent of men's median weekly earnings. The earnings gap widens for women older than 35 years who earn less than 80 percent of men's median weekly earnings in each age group. The gap in earnings is largest for women and men ages 65 years and older (Figure 1).[†]

Median weekly earnings for full-time workers ages 55 years and older vary substantially by race and ethnicity. In 2013,



among women, Hispanic women ages 55 years and older had the lowest median weekly earnings at \$600 per week; White women had the highest median weekly earnings at \$808 per week (Figure 2). Women in each of the largest race and ethnic groups (see Figure 2 below) earned less than men of the same race and ethnicity. White men had the highest median weekly earnings (\$1,100). The gender earnings ratio for White women and White men is 74 percent; for Black women and White men, 64 percent; and for Hispanic women and White men 55 percent.¹¹ The gender earnings ratio is narrower when Black and Hispanic women's earnings are compared with men of the same race/ethnicity (95 percent and 89 percent, respectively, with calculations based on Figure 2).

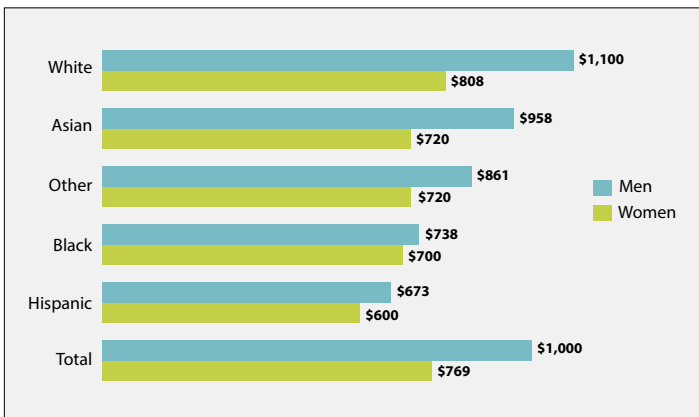


Figure 2. Median Weekly Earnings for Full-Time Workers Ages 55 and Older, by Largest Racial and Ethnic Groups and Gender, 2013

Notes: Racial/ethnic groups are defined as exclusive: White alone, non-Hispanic; Black alone, non-Hispanic; Asian alone, non-Hispanic (includes Pacific Islanders); Hispanic may be of any race; "Other" includes persons of two or more races, American Indians, and anyone else not elsewhere classified.

Source: IWPR Analysis of 2013 Current Population Survey ORG, as provided by Center for Economic and Policy Research, CPS ORG Uniform Extracts, Version 1.9 (2014).

† BLS estimates are based on median weekly earnings of full-time wage and salary workers. Another common approach to measure gender differences in earnings is used by the U.S. Bureau of the Census. The Census Bureau figures are based on median annual earnings of workers who worked full-time and year round, including the self-employed.

THE IMPACT OF FAMILY CARE AND PART-TIME WORK ON WOMEN'S LIFETIME EARNINGS

While the majority of women and men ages 55 years and older work full-time, part-time work by older workers is more common than part-time work among the total working population, and women are more likely than men to work part-time. In 2013, among all workers ages 55 years and older, including both full-time and part-time workers, the earnings ratio of women's to men's median earnings was 69.8 percent.¹² In 2013, 66 percent of women and 78 percent of men ages 55 years and older worked at least 35 hours per week, compared to 75 percent of women and 87.5 percent of men ages 25 to 54 years.¹³ Rates of full-time work vary by race and ethnicity. Among women ages 55 years and older, Black and Asian women are most likely to work full-time (73 and 72 percent respectively), followed by Hispanic women (69 percent), Other women (66 percent) and White women (64 percent).¹⁴

Over a lifetime, the gap in earnings grows substantially larger than at any one point in time. Women born in the late 1940s over their lifetime are estimated to have earned roughly 40 percent of men's lifetime earnings; for women born during the 1960s the gap is smaller, but still average earnings for women are estimated at less than 60 percent of men's.¹⁵ One of the major reasons women tend to have lower earnings over their lifetime is that women are more likely than men to serve as caregivers. Two out of three caregivers of sick, elderly, or disabled family members are women.¹⁶ Approximately 9.7 million adults over 50 years of age care for their parents.¹⁷ Older Black and Hispanic workers are more likely than White workers to report having to care for a spouse, a parent, or other older person.¹⁸ These caregiving duties have a direct impact on the economic stability and security of women. Twenty-one percent of women ages 45 to 74 report having taken time off work in response to care responsibilities in the preceding 5 years.¹⁹ Providing care to older adults has a substantial impact on participation in paid work; according to one study, more than one-third of caregivers providing care to older adults leave the workforce or reduce their work hours and, as caregivers, women are more likely to leave their jobs altogether than reduce the hours they work.²⁰ Among workers, women of all ages are much more

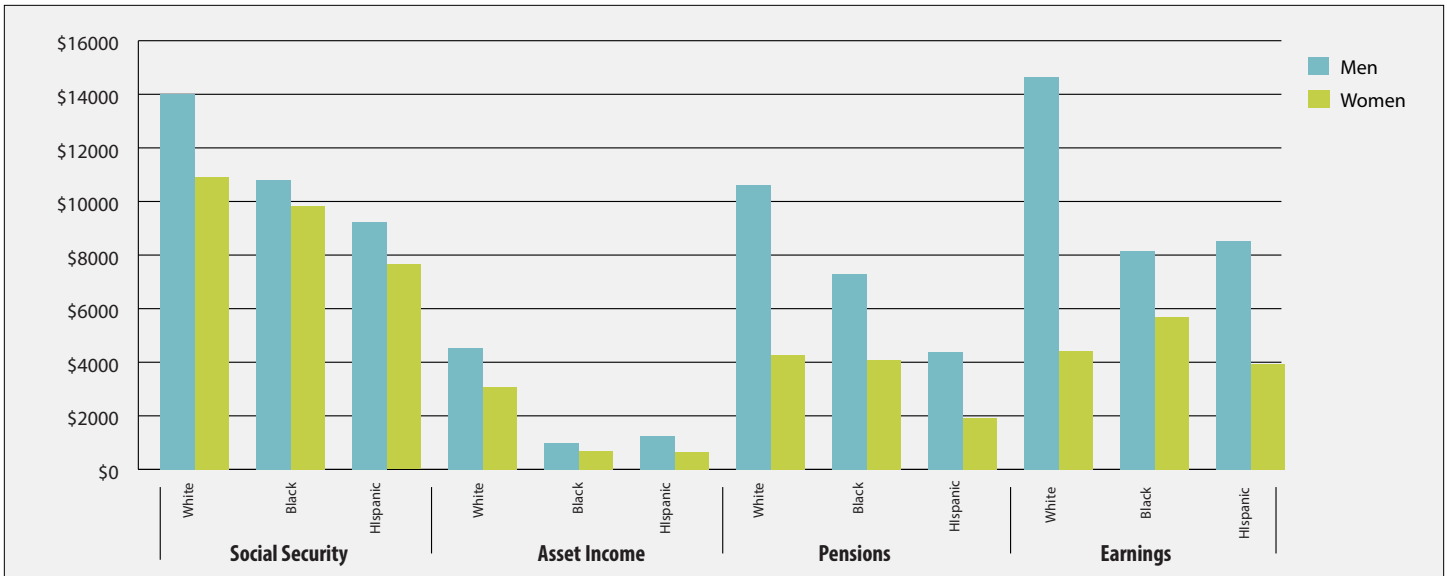


Figure 3. Access to Retirement Income for Women and Men Ages 65 Years and Older, for Largest Race and Ethnic Groups, 2011

Note: Average annual income for each source includes zero values. The population groups “Asian Americans and Hawaiian/Pacific Islanders” and “Other” are excluded from the analysis because of small sample sizes. The circle indicates the amount of retirement income for men, the top of the rectangle retirement income for women.

Source: Fischer and Hayes 2013 based on 2012 Current Population Survey Annual Social and Economic (ASEC) Survey.³⁰ Earnings and income data are for the 2011 calendar year.

likely than men to work part-time in order to meet family or personal obligations.²¹ In total, the impact of caregiving on the individual female caregiver in terms of lost wages and Social Security benefits over her lifetime equals \$274,044 (\$142,693 in lost wages and \$131,351 in lost Social Security benefits), as well as an estimated \$50,000 in lost pension income.²²

GENDER, RACE, AND ETHNIC GAPS IN RETIREMENT INCOME

Over their lifetimes, women receive lower wages than men. This results in women accumulating less retirement savings than men, as well as acquiring fewer income-producing assets for use in retirement. Consequently, women receive less Social Security income than men. In retirement, women have lower incomes from all income sources, including pensions, than men, as demonstrated in Figure 3.²³ Many workers who have not yet reached retirement age anticipate that they will have to work during retirement out of financial necessity, with women (41 percent) more likely to say so than men (29 percent).²⁴ Because women generally outlive men, they often need to have greater

retirement savings in order to achieve economic security. For a woman born in 2010, her projected life expectancy was 81.0 years and for that same year, the projected life expectancy for a man was 76.2 years.²⁵ In the same year, a woman who was age 65 could expect to live another 20.3 years while a man who was age 65 could expect to live just another 17.7 years.²⁶

While the majority of women and men ages 65 years and older (85 and 84 percent, respectively, in 2011) receive Social Security benefits, women receive lower benefits than men.²⁷ In 2012, the average annual Social Security income received by women 65 years and older was \$12,520, compared to \$16,398 for men. In 2012, for unmarried women—including widows—ages 65 years and older, Social Security comprised 50.4 percent of their total income. By contrast, Social Security benefits comprised only 35.9 percent of unmarried elderly men’s income and only 30.2 percent of elderly couples’ income. Women are less likely than men to have income from assets (48 and 56 percent respectively), and they are less likely than men to have income from pensions (29 and 46 percent respectively).²⁸ In 2012, only 22.0 percent of unmarried women ages 65 years

or older were receiving their own private pensions (either as a retired worker or survivor), compared to 27.7 percent of unmarried men. In addition, women generally receive lower pension benefits due to their relatively lower earnings acquired during their work lives.²⁹

In retirement, women of color are particularly vulnerable to economic insecurity. Figure 3 shows the results of earnings discrepancies: Black and Hispanic women have lower income from Social Security, assets, and pensions than do White women, and they rely on Social Security for a larger portion of their income.³¹ In addition to having lower Social Security payments based on lifetime wages that tend to be lower than those of White women and men, Black and Hispanic women are less likely to marry than other women.³² Black women are also more likely to divorce, reducing the likelihood of having been married for 10 years or longer and thus qualifying for spousal Social Security benefits.³³

SUPPORTIVE STRATEGIES

Increasing women workers' awareness of their legal employment rights, reducing the difficulty and confusion regarding the processes for filing discrimination complaints, and increasing funding for agencies charged with enforcing anti-discrimination laws would help mitigate gender-, race-, and age-based gaps in women's pay. Some have advocated caregiver credits under Social Security for time out of the labor force while raising children or caring for adult family members as a way of increasing retirement income for women, and legislation to bring this about has been introduced in Congress. Education is an investment that pays lifelong dividends in terms of achieving economic security. In 2013, 57 percent of women aged 65 and older and 41 percent of women ages 55 to 64 had no post-secondary educational qualifications beyond high school.³⁴ The Institute for Women's Policy Research (IWPR) estimates that a woman ages 65 and older with a Bachelor's degree will earn twice as much as a woman with a high school diploma or less; the benefits come from having both higher hourly rates, and greater likelihood to do paid work.³⁵ Those with college degrees and advanced degrees earn substantially more at ages 65 and beyond,



compared with those with less education.³⁶ Increased education would be helpful in increasing economic security in old age.

Paid family and medical leave and paid sick days also would help working women reconcile their paid and family care work, and also take care of their own health care needs. Currently, only 60 percent of all workers are entitled to unpaid leave pursuant to the Family and Medical Leave Act,³⁷ only 62 percent of women have access to paid sick leave,³⁸ and only 12 percent of workers have access to employer-provided paid family leave.³⁹

Increasing the minimum wage and providing paid leave and paid sick days would enable women to remain in their jobs while caring for themselves or a family member. This would allow them the opportunity to acquire seniority in their job, which results in increased earnings.

Encouraging employers to provide more flexible working hours and to make adjustments to working conditions that would accommodate the needs and preferences of some older workers would also help older women remain employed, thus increasing their economic security. Such adjustments could include a temporary reduction in working hours, gradual retirement policies, as well as flextime and remote work or telework options.



ENDNOTES

- ¹ The Gerontology Institute carries out basic and applied social and economic research on aging and engages in public education on aging policy issues, with an emphasis on four areas: income security, health (including long-term care), productive aging (including transportation), and basic social and demographic research on aging.
- ² WOW, a nongovernmental organization, works nationally and in its home community of the Washington, D.C. metropolitan area to build pathways to economic security and equality of opportunity for women, families and elders. It produces a wide range of policy and economic security-related research.
- ³ Gerontology Institute, University of Massachusetts Boston, "The National Elder Economic Security Standard Index," *Gerontology Institute Publications*, Paper 75 (2012), http://scholarworks.umb.edu/cgi/viewcontent.cgi?article=1074&context=gerontologyinstitute_pubs.
- ⁴ U.S. Department of Housing and Urban Development; U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor; U.S. Department of Agriculture; and U.S. Department of Health and Human Services.
- ⁵ The federal poverty guidelines, by contrast, do not differentiate by region. See U.S. Department of Commerce, Bureau of the Census, "Poverty Thresholds" (2014), <https://www.census.gov/hhes/www/poverty/data/threshld/> (accessed July 22, 2014).
- ⁶ Ibid.
- ⁷ Social Security Administration, Office of Retirement and Disability Policy, *Income of the Population 55 or Older*, 2012 (SSA Publication No. 13-11871) (2014).
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- ¹⁰ Ibid.
- ¹¹ IWPR calculation based on CPS ORG; source as for Figure 2.
- ¹² IWPR calculation based on CPS ORG; source as for Figure 2.
- ¹³ IWPR calculation based on U.S. Department of Labor, Bureau of Labor Statistics, "Table 22. Persons at work in nonagricultural industries by age, sex, race, Hispanic or Latino ethnicity, marital status, and usual full- or part-time status," *Labor Force Statistics from the Current Population Survey* (2014), <http://www.bls.gov/cps/cpsaat22.htm> (accessed May 7, 2014).
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- ¹⁶ Heather Boushey, Ann O'Leary and Sarah Jane Glynn, Center for American Progress, "Our Working Nation in 2013: An Updated Agenda for Work and Family Policies" (2013), p. 51, <http://www.americanprogress.org/issues/labor/report/2013/02/05/51720/our-working-nation-in-2013/> (accessed March 24, 2014).
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- ¹⁸ Sid Groeneman and Elizabeth Pope, AARP, "Staying Ahead of the Curve 2007: The AARP Work and Career Study" (2008), http://assets.aarp.org/rqcenter/econ/work_career_08.pdf (accessed November 30, 2012). Note: Data are not reported separately by race/ethnicity and gender; the survey was conducted of workers ages 45 to 74.
- ¹⁹ AARP, "Staying Ahead of the Curve 2013: The AARP Work and Career Study" (2014), p. 38, http://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2014/Staying-Ahead-of-the-Curve-2013-The-Work-and-Career-Study-AARP-res-gen.pdf (accessed May 5, 2014).
- ²⁰ *MetLife Study of Caregiving Costs to Working Caregivers*, op. cit.



- ²¹ IWPR calculation based on U.S. Department of Labor, Bureau of Labor Statistics, "Table 23. States: persons at work 1 to 34 hours, by sex, race, Hispanic or Latino ethnicity, usual full- or part-time status, and reason for working less than 35 hours, 2012 annual averages," *Geographic Profile of Employment and Unemployment in the States* (2013), <http://www.bls.gov/opub/gp/gpsec2.htm> (accessed May 7, 2014).
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- ²⁷ Jocelyn Fischer and Jeff Hayes, Institute for Women's Policy Research, "The Importance of Social Security in the Incomes of Older Americans: Differences by Gender, Age, Race/Ethnicity, and Marital Status" (2013).
- ²⁸ *Ibid.*
- ²⁹ U.S. Social Security Administration, "Social Security Is Important to Women," www.ssa.gov/pressoffice/factsheets/women-alt.pdf (accessed June 4, 2014).
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- ³¹ *Ibid.*
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- ³⁷ Jacob Klerman, Kelly Daley and Alyssa Pozniak, Abt Associates, *Family and Medical Leave in 2012: Technical Report* (2012), <http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf> (accessed September 27, 2013).
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