

Committee on Ways and Means

Women, Low-Wage Workers and Social Security

Social Security provides vital income for women and low-wage workers. About three out of four single elderly women rely on Social Security for at least half of their income, compared with about two out of three single elderly men. Almost half of seniors who have income in the lowest one-fifth of all seniors rely on Social Security for their entire income.

Social Security provides special protections particularly important to women and low-wage earners.

- Women depend on Social Security's spouse/survivor benefits and inflation protection more than men.
- Social Security's benefit formula is designed to provide relatively more generous benefits to low-wage workers, since they are less likely to have an employer pension or savings for retirement income.
- We need to keep these protections in place, strengthen Social Security's finances and improve the program by allowing all workers to build a retirement nest egg through personal accounts.

If we fail to strengthen Social Security, benefits would ultimately be cut 1/4 to 1/3 and many women would fall into poverty. Ignoring Social Security's financial challenges would double the poverty rate among seniors ages 64 to 78 at the time the trust funds are exhausted, and women would constitute 62 percent of those thrown into poverty.

Raising payroll taxes would hurt the vast majority of American families, especially low-wage workers.

Social Security is the largest federal tax burden for 80 percent of American families.

Individual accounts do not "privatize" Social Security. Under any plan, the Social Security Administration would continue to send out benefit checks and serve Americans, just as it does today. Plans with individual accounts help avoid the need for drastic benefit cuts or tax increases that would hurt all workers.

Strengthening Social Security with individual accounts helps women and low-wage workers.

- Social Security was designed with a typical 1930's family in mind—a working husband and a stay-at-home wife. However, women are now more likely to work outside the home, and marriage/divorce trends have changed since that era. Plans with individual accounts would reward women for their work and ensure they receive an equal share of the couple's contributions to the personal account regardless of how long the marriage lasts. In addition, many plans include enhanced benefits for spouses and widow(er)s.
- Individual accounts also add a new benefit that Social Security doesn't provide—a retirement nest egg that workers may leave to their family.
- Many low-income individuals would otherwise have little or no opportunity to build such a nest egg. For example, only 15 percent of families with income of \$10,000-\$24,999 in 2001 had a worker participating in an employer pension plan, compared with about 42 percent of families on average. Only about 13 percent of families with income of \$10,000-\$24,999 in 2001 had an Individual Retirement Account (IRA) or Keogh, compared with 31 percent of families on average.

Women and low-wage workers have everything to gain from investment.

- Some argue women and low-wage workers would invest too conservatively and their accounts would not grow sufficiently to provide an adequate benefit. However, aggressive or risky investment is not needed to receive better benefits through personal accounts than from Social Security. A Congressional Research Service study shows that average benefits from an account invested in a mix of bonds and stocks over a full career would generally exceed what could be paid with Social Security taxes alone.
- Furthermore, many plans with individual accounts offer relatively larger account contributions and improved minimum benefits for low-wage workers, or even guarantee all individuals full benefits promised under current law regardless of the personal account's investment performance. Plans also include provisions for investor education and offer sound, diversified investment choices.