



Written Testimony of

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Ways & Means
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**Hearing on
Challenges Facing the Next Commissioner of Social Security
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Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee, thank you for the opportunity to submit testimony on the challenges facing Social Security.

On behalf of the approximately 160,000 members and supporters of the American Association of University Women (AAUW), I am pleased to share AAUW's perspective on the challenges facing the next Commissioner of Social Security. AAUW strongly supports "strengthening retirement benefits and programs, including pension improvements and protecting Social Security from privatization."¹

Since its founding in 1881, AAUW has been breaking through barriers for women and girls. AAUW believes that Social Security is of particular importance to the economic security of women. The Social Security system is more than just a retirement program: It is one of the most successful anti-poverty programs in our nation's history, providing benefits to many children, disabled workers, surviving spouses, and retirees. It is particularly important for women, who are more likely to suffer financial insecurity in their later years.

Despite its many benefits, Social Security is not perfect. Gender pay inequities reverberate in women's lower than average benefit levels, and women's benefits are also affected by their time away from the workforce and longer lifespans. AAUW believes that these issues and combatting efforts to cut Social Security benefits will be the central challenges facing the next Social Security Commissioner.

The Gender Pay Gap

Women who work full time earn 77 cents on average for every dollar men earn.² This gap is found throughout the economy. Even when controlling for factors known to affect earnings such as education and training, parenthood, and hours worked, AAUW has found that college-educated women still earn 7 percent less than men one year out of college and 12 percent less than men 10 years out of college, even when they have the same major and occupation as their male counterparts.³ The pay gap means women only less than men for almost all of their career.

Women earn less than men when working in the same position and are more likely to work in job fields that pay less.⁴ Although more women work now than ever before and in a multitude of different industries and occupations, they are still concentrated in certain fields. Women working in traditionally female industries make 20 to 30 percent less than women in nontraditional fields, which also are more likely to offer retirement benefits.⁵ In fact, 60 percent of women still work in low-wage positions— including clerical, sales, and service jobs – that often do not offer pension plans.⁶ Without Social Security, single women who work in low-wage positions would have to save 25 percent of their earnings starting from their first day of work in order to adequately provide for retirement.⁷

Compared to men, women have fewer resources to draw upon in their later years. Forty-eight percent of all non-married (divorced, widowed, or never married) women age 65 and older get 90 percent or more of their income from Social Security.⁸ In 2010, unmarried women received 49 percent of their total income from Social Security while non-married men only received 37 percent of their total income from Social Security.⁹ In 2008, 23 percent of women older than 65 relied on Social Security for all of their income.¹⁰

This disparity not only affects women's retirement, but it also hurts their family's economic security if they become disabled or die. The gender pay gap hurts individual women, their families, and our nation. AAUW urges the next Commissioner to bring public attention to the gender pay gap.

Time Out of the Workforce

Women still bear a disproportionate burden of caregiving responsibilities, which can take them out of the paid workforce to care for children and aging parents.¹¹ In 2006, women averaged 27 years in the workforce compared to almost 40 years for men. While the current Social Security benefit formula compensates women for lower lifetime earnings by providing a higher return of income for lower-income workers, it cannot make up for the substantial amount of time women are out of the workforce on average or the fact that women are also unlikely to be making pension or retirement savings investments during their displacement.¹² AAUW supports efforts to publicize and address this dilemma and urges the next Commissioner to devote resources to equalizing these benefits.

Women's Longer Lifespans

Women face a different time frame than men when sufficiently planning for retirement. Their longevity makes Social Security's lifetime, cost-of-living-adjusted benefits even more important to them. In 2009, a woman who was 65 years old could expect to live to age 85.3, while a 65-year-old man could expect to live to age 82.6.¹³ Because women live longer, they depend on Social Security's lifetime benefits for more years than do men; because of the insufficiencies of many private pension plans, women are also more likely to need survivors' benefits. Older women especially benefit from Social Security, since many depend upon it as their primary source of retirement income.¹⁴ More than half of older women would fall into poverty without Social Security benefits.¹⁵

Attempts to Cut Social Security Benefits

Although Social Security needs reform, the system is not broken. The most recent Social

Security trustees' report shows that the system can pay all scheduled benefits through 2033.¹⁶ AAUW supports reform that updates the program while guaranteeing solvency, such as lifting the payroll tax cap. Currently, someone who makes \$113,700 a year pays the same amount into Social Security as a billionaire, as all income above that amount is exempt from the payroll tax.¹⁷ AAUW supports legislation that would subject all income over \$250,000 to the Social Security payroll tax, putting the wealthiest Americans on equal footing with everyone else. The Chief Actuary of the Social Security Administration has projected that applying the payroll tax to income above \$250,000 will extend the full solvency of Social Security for the next 75 years,¹⁸ protecting the benefits of millions of Americans.

Additionally, AAUW supports measures to increase women's ability to participate in alternate forms of retirement programs. This includes counting the time women take off as part of the Family Medical Leave Act towards vesting, promoting the availability of 401(k) and other defined contribution plans for part-time workers, and encouraging more women to work in higher-wage, nontraditional jobs. AAUW strongly supports initiatives that seek to close the persistent and sizable wage gaps between men and women, and minorities as well, to further reduce the inequity in retirement security.

AAUW strongly opposes changes that would reduce Social Security benefits, such as introducing a "chained" consumer price index or privatizing Social Security. The chained CPI would revise the methodology for calculating the cost-of-living adjustments for Social Security and veterans benefits. AAUW believes the chained CPI would particularly hurt older women and should not be an option.

Further, AAUW strongly opposes privatizing Social Security, which would be especially bad for women. A system of private accounts instead of Social Security would risk lifetime retirement income. Beneficiaries would have to rely on the uncertainties of their investments in place of Social Security benefits, so women could actually outlive their benefits. The existing Social Security program provides guaranteed lifetime benefits to retirees, spouses, and widows. There should be no uncertainty attached to the benefits of our most vulnerable citizens.

Conclusions

Social Security is a national commitment through which we care for one another across generations. It is one of the most successful anti-poverty programs in our nation's history. Yes, it faces challenges, but we can meet them together. By protecting benefits and raising the payroll tax cap, America can meet the trials posed by demographic and economic changes. AAUW believes it is vital to women's economic security to provide for the long-term solvency of Social Security and to maintain its current guaranteed benefits. We must keep our promise to one another.

Thank you for the opportunity to submit testimony. We are pleased to be working with you on this critical issue.

¹ AAUW. (2011). *Biennial Action Priorities*. Retrieved April 22, 2013, from www.aauw.org/resource/principles-and-priorities/

² U.S. Census Bureau. (September 2010). *Income, Poverty, and Health Insurance Coverage in the United States*:

2009. Retrieved January 14, 2011, from www.census.gov/prod/2010pubs/p60-238.pdf. AAUW favors using the Census data because they report median *annual* earnings in addition to *weekly* earnings. Annual earnings of full-time wage and salary workers is a standard measure of pay differentials. Economists also calculate the wage gap using median “usual weekly earnings” of full-time wage and salary workers. Weekly figures do not include bonuses and overtime pay. Because men are more likely than women to receive bonuses and work overtime, the gender wage gap in annual earnings is slightly wider than when measured using usual weekly earnings. Differences can also be measured on an hourly basis. Among workers paid on an hourly basis, women age 16 and older typically earn, on average, about 84 percent of men’s earnings. Because only part of the workforce is paid on an hourly basis, it is not usually considered a good representation of the full workforce.

³ American Association of University Women. (October 2012). *Graduating to a Pay Gap*. Retrieved May 3, 2013, from www.aauw.org/files/2013/02/graduating-to-a-pay-gap-the-earnings-of-women-and-men-one-year-after-college-graduation.pdf

⁴ AAUW. (March 2013). *The Simple Truth about the Gender Pay Gap*. Retrieved April 22, 2013, from www.aauw.org/research/the-simple-truth-about-the-gender-pay-gap/

⁵ Wider Opportunities for Women. (2009). *Work 4 Women: Exploring High-Wage Nontraditional Career Options*. Retrieved January 14, 2011, from www.wowonline.org/pdf/womennontradsheet2005.pdf.

⁶ Fairness Initiative on Low-Wage Work. *Fact Sheet*. Retrieved January 14, 2011, from www.lowwagework.org/factsheets/.

⁷ Wider Opportunities for Women. (2009). *The State of Women and Their Families’ Lifelong Economic Security*. Retrieved January 14, 2011, from www.wowonline.org/pdf/IntergenerationalFactsheet.pdf

⁸ Social Security Administration. (January 2012). *Social Security is Important to Women*. Retrieved December 19, 2012, from www.ssa.gov/pressoffice/factsheets/women.htm.

⁹ Ibid

¹⁰ Institute for Women’s Policy Research. (2003). *Gender and Economic Security in Retirement*. Retrieved January 14, 2011, from www.iwpr.org/pdf/D456.pdf.

¹¹ MetLife Mature Market Institute and the National Alliance for Caregiving. (July 2006). *The MetLife Caregiving Cost Study: Productivity Losses to U.S. Business*. Retrieved January 14, 2011, from www.caregiving.org/data/Caregiver%20Cost%20Study.pdf.

¹² Economic Policy Institute. (May 2005). *Social Security: Frequently Asked Questions*. Retrieved January 14, 2011, from epi.3cdn.net/4f894bf3eccc6822dec_a5m6brb5d.pdf.

¹³ Centers for Disease Control. (2012). *Health, United States 2011: Table 22*. Retrieved December 19, 2012, from www.cdc.gov/nchs/data/hus/hus11.pdf#fig33

U.S. Census Bureau. (January 2011). *The 2011 Statistical Abstract: Life Expectancy by Sex, Age, and Race: 2007*, Table 103. Retrieved January 14, 2011, from www.census.gov/compendia/statab/2011/tables/11s0103.pdf.

¹⁴ U.S. Congress Joint Economic Committee. (October 2010). *Social Security Provides Economic Security to Women*. Retrieved January 14, 2011, from http://jec.senate.gov/public/?a=Files.Serve&File_id=d0036901-2da3-4387-b77f-d33affe6f7f.

¹⁵ Ibid

¹⁶ Social Security and Medicare Boards of Trustees. (2012). *A Summary of the 2012 Annual Report: Social Security and Medicare Boards of Trustees*. Retrieved December 19, 2012, from www.ssa.gov/oact/TRSUM/index.html

¹⁷ Social Security Administration. (February 6, 2013). *Social Security and Medicare Tax Rates; Maximum Taxable Earnings*. Retrieved April 23, 2013, from http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/240/~social-security-and-medicare-tax-rates%3B-maximum-taxable-earnings

¹⁸ Social Security Administration, Office of Chief Actuary. (September 7, 2011). *Letter to Senator Sanders*. Retrieved December 19, 2012, from www.ssa.gov/oact/solvency/BSanders_20110907.pdf