

# Briefing Paper

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## Social Security: Vital to Retirement Security for 35 Million Women and Men

*Jeff Hayes, Heidi Hartmann, and Sunhwa Lee*

This Briefing Paper examines major sources of income for older Americans—earnings, Social Security, pensions and assets—by gender and marital status. It shows that after age 65, Social Security is the most common and the largest source of income for both women and men. More than 85 percent of women and men 65 and older receive income from Social Security. During the retirement years, however, women face greater financial insecurity than men. Women tend to marry men who are older than themselves and they live longer than men. As a result, women are much more likely than men to be widowed and to live alone, making them highly vulnerable to economic insecurity. Having less access to other sources of income, women rely on Social Security even more than men do.

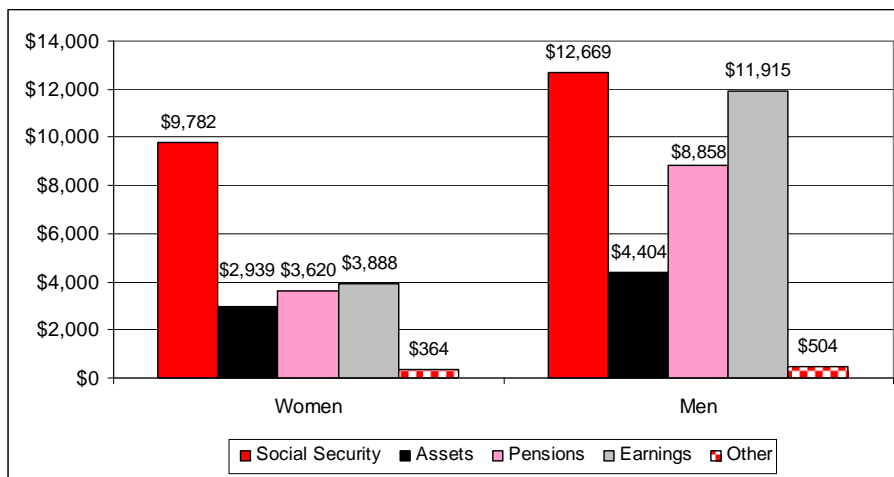
The study is based on data from the 2009 Current Population Survey (CPS) Annual Social and Economic (ASEC) Supplement Survey collected by the Census Bureau.<sup>1</sup> The CPS is a household survey and to be eligible for interview an individual must be at least 15 years of age and not in the Armed Forces. People in institutions, such as long-term care hospitals and nursing homes, are not eligible to be interviewed. The ASEC is the primary source of detailed information on income in the United States, as it gathers annual information on more than 50 sources of income including earnings, Social Security payments, pension income, and other government cash and noncash benefits (e.g., food stamps, health insurance, such assistance). Analyses of earnings and income sources presented here apply to the calendar year 2008.

### Income Sources in Retirement

As most people retire by age 65, both women and men rely heavily on Social Security as the largest source of retirement income. As Figure 1 shows, average annual income from Social Security for all women 65 and older was \$9,782 and \$12,669 for all men in the same age group in 2008.<sup>2</sup> Income from other sources such as assets, pensions, and earnings are also important sources of retirement income, but for women 65 and older average annual income from each of these sources is well below the income from Social Security. Average annual incomes from other sources, especially pensions and earnings, are substantially higher for men than for women, but they still fall short of the average income coming from Social Security. The remaining income source, labeled “other income” includes both private sources, such as alimony, and public sources, such as unemployment insurance and Supplemental Security Income (SSI). On average, these do not provide substantial income to women and men age 65 and older, but SSI is important to the poorest people.

Not everyone, however, receives income from each of these sources in retirement. A substantial majority of women and men over age 65 no longer work, many of them do not have pensions from their previous employment, and a number of them do not have savings. Yet, Social Security provides benefits to more than 85 percent of women and men 65 and older, constituting a nearly universal source of income in old age (see Figure 2). The next most common source of retirement income for people 65 and older comes from assets (interest, dividends, and rent) with about 51 percent of women and 57 percent of men receiving income from these sources. Fewer than one-third of women (30 percent) and half of men (45 percent) receive income from pensions.<sup>3</sup> Only 16 percent of women and 26 percent of men receive income from earnings at ages 65 and older. Six percent of women and men receive income from other sources, such as alimony or public assistance.

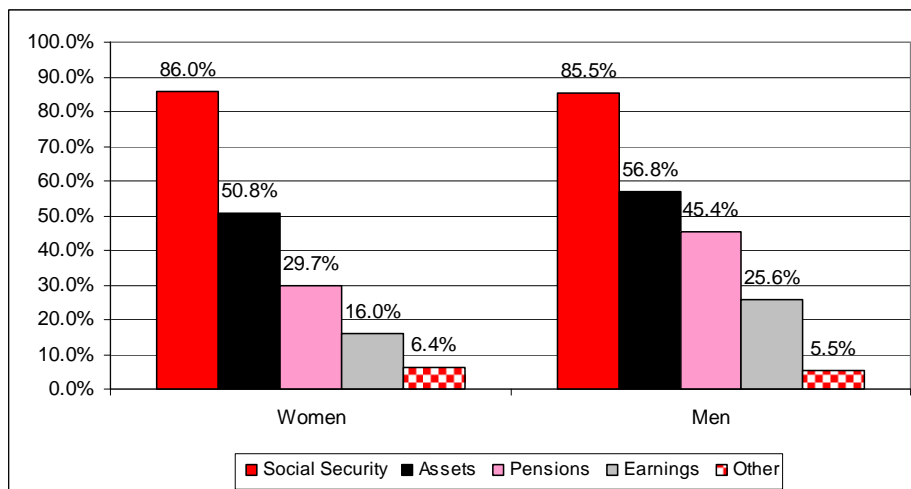
**Figure 1. Average Annual Income from Each Source among Women and Men Age 65 and Older**



Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

Note: Average annual income for each source is calculated including zero values.

**Figure 2. Percent of Women and Men Age 65 and Older Receiving Income from Each Source**



Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

When median annual income is considered only among those who received income from each of these sources, Social Security represents a principal source of retirement income for both women and men (see Table 1).<sup>4</sup> Median earnings for both women and men exceed median Social Security benefits, but these earnings are received by only a small share of people 65 and older and are generally limited to those in the early retirement years. Excluding earnings, Social Security benefits constitute the largest source of income for people 65 and older, with median annual benefits of \$10,757 for women and \$14,400 for men for those who receive Social Security benefits.

**Table 1. Median Annual Income Received from Each Source among Women and Men Aged 65 and Older Who Received Each Source**

Source	Women	Men
<b>Social Security</b>	\$10,757	\$14,400
<b>Assets</b>	\$1,000	\$1,268
<b>Pensions</b>	\$8,400	\$13,200
<b>Earnings</b>	\$14,250	\$25,000
<b>Other</b>	\$4,080	\$4,800
<b>All Income Sources</b>	\$14,429	\$25,344

Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

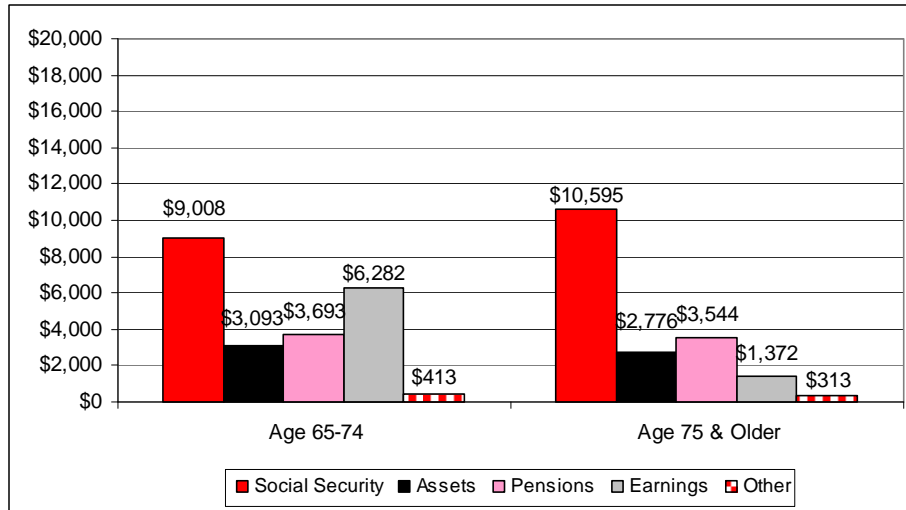
These income sources have shifted in relative importance since 2000.<sup>5</sup> There has been a slight decline in the proportion of women and men aged 65 and older receiving Social Security as one would expect given a policy change to increase the age requirement for full benefit eligibility from 65 to 67 being phased in since January 2000. Fewer people over age 65 reported income from assets in 2008 compared with 2000. Among women, the proportion reporting asset income declined from 60.0 percent in 2000 to 50.8 percent in 2008; for men, the proportion reporting asset income declined from 64.8 percent in 2000 to 56.8 percent in 2008. This could reflect asset losses due to the financial crisis and recession that began in 2007. On the other hand, more women and men aged 65 and older reported earnings in 2008 compared with 2000. Sixteen percent of women in this age group reported earnings in 2008 compared with 12.3 percent in 2000. Among men the proportion with earnings rose to 25.6 percent in 2008 from 22.4 percent in 2000. Again, some of this is expected as the age for receiving full Social Security benefits has increased. Older Americans may also be remaining in the labor force to compensate for reduced asset income or to attempt to increase pension income upon eventual retirement.<sup>6</sup>

## **Increasing Importance of Social Security with Age in Retirement**

Figures 3a and 3b present average income amounts for two groups of retirees among women and men, those younger than 75 and those 75 and older. As shown in these figures, the importance of Social Security further increases with age as average incomes from other sources decline. And Social Security becomes even more vital for women's income security than it does for men's. Table 2 summarizes information about average income from all sources received by women and men aged 65 and older. For both women and men overall, average personal income tends to decrease as they age, along with decreases in other sources of income such as earnings.<sup>7</sup> Among women, average annual personal income declines from \$22,489 for those aged 65-74 to \$18,601 for those 75 and older; among men, it decreases from \$43,910 to \$30,783. Yet, the average

income from Social Security among all elderly women and men increases with age, making up a larger share of their personal income. For example, women aged 65-74 on average receive \$9,008 per year from Social Security, whereas women 75 and older receive \$10,595, on average (see Figure 3a).<sup>8</sup> For this older group of women, Social Security accounts for more than half (57 percent) of their total personal income, compared with 40 percent for women aged 65-74, an increase of 17 percentage points.

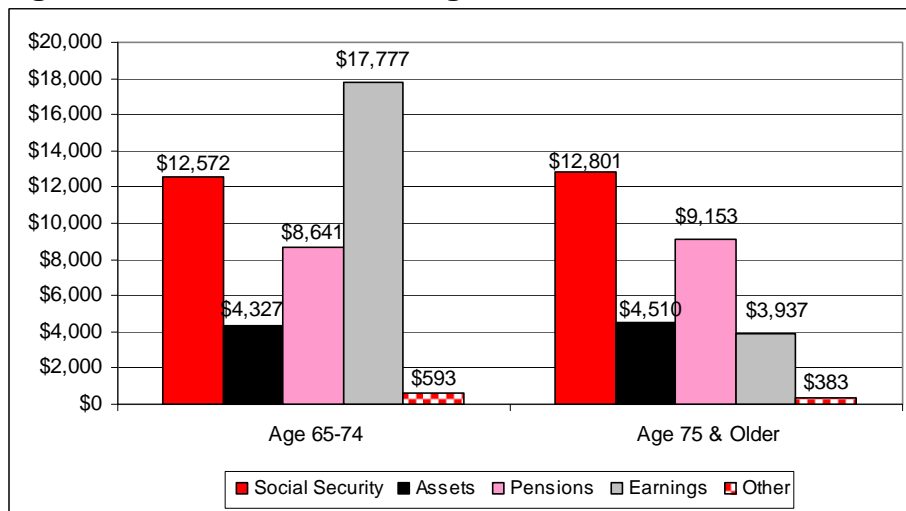
**Figure 3a. Older Women’s Average Annual Income from Each Source by Age**



Source: Authors’ calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

Note: Average annual income for each source is calculated including zero values.

**Figure 3b. Older Men’s Average Annual Income from Each Source by Age**



Source: Authors’ calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

Note: Average annual income for each source is calculated including zero values.

Among men, the increase in average income from Social Security for those 75 and older is smaller than among women, but Social Security increases as a share of income from 29 percent of average income for those aged 65-74 to 42 percent for those 75 and older, while other sources of income, such as earnings, decline in importance.

**Table 2. Average Annual Income by Age for Women and Men Aged 65 and Older**

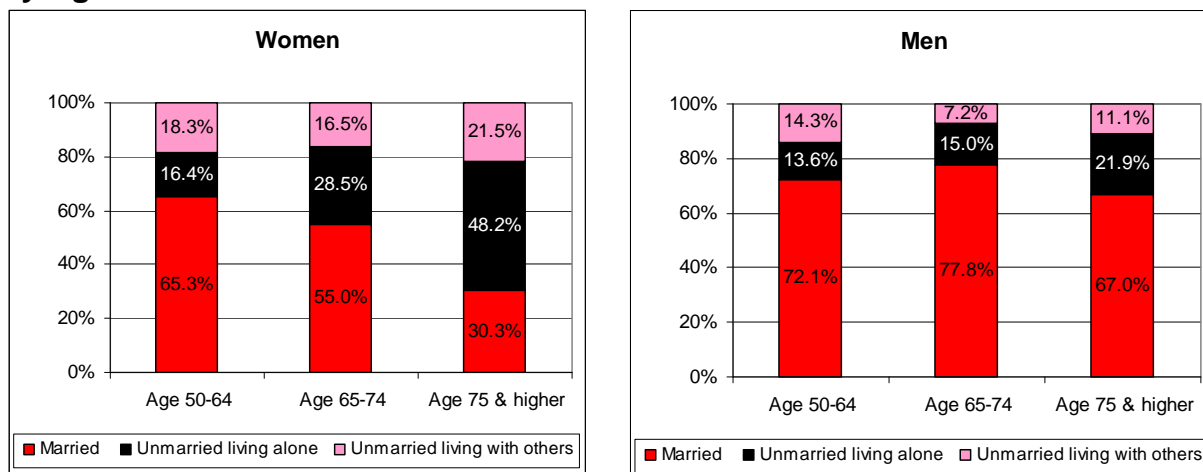
	Women	Men
<b>Aged 65 and Older</b>	\$20,593	\$38,350
<b>Aged 65-74</b>	\$22,489	\$43,910
<b>Aged 75 and Older</b>	\$18,601	\$30,783

Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

## Income Sources by Marital Status/Living Arrangement

Social Security is critical for economic security among older women, and it is even more so for those women who are unmarried and live alone. Women tend to marry men who are older than themselves and live longer than men. As a result, there are marked differences in marital status and living arrangements between women and men as they enter the retirement years and as they age.

**Figure 4. Marital Status and Living Arrangements among Older Women and Men by Age**



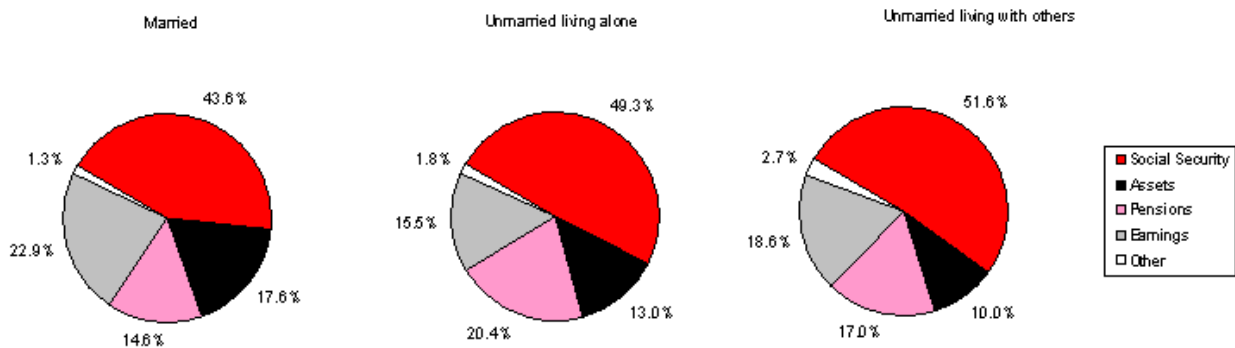
Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey.

As Figure 4 shows, the majority of older men are married: Around three-quarters of men in their 50s through early 70s are married and more than two-thirds of men 75 years and older are married as well. In contrast, while almost two-thirds of women aged 50-64 are married, this proportion falls to just more than half for women aged 65-74, and declines dramatically to less than one-third for women 75 years and older.

At ages 65 and beyond, women are more than twice as likely as men to be unmarried—widowed, divorced, separated, or never married.<sup>9</sup> While some older unmarried people live with others, most commonly relatives, the majority of unmarried people live alone and the proportion living alone increases with age for both women and men. Women especially are increasingly likely to live alone at older ages. In the oldest age group of 75 and older, nearly half (48 percent) of all women are unmarried and living alone, compared with only 22 percent of men. These differences in marital status/living arrangements are closely associated with the economic well-being of older women and men. Older people who live alone are much more likely than others to

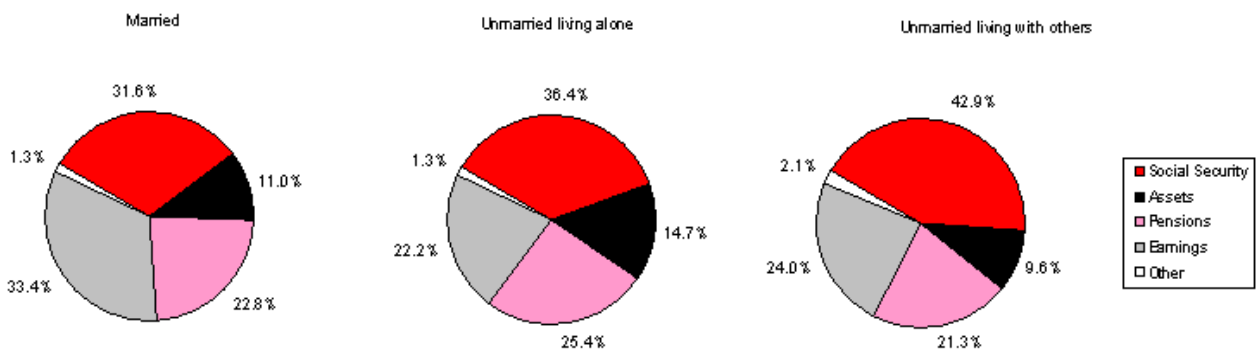
be poor, and older women in particular face a disproportionately greater risk of poverty given their higher rates of being widowed and living alone. Social Security plays a major role in alleviating poverty among this group of financially vulnerable, older women. As Figures 5a and 5b show, average annual income from Social Security accounts for nearly half of the income of women 65 and older who are unmarried and living alone (49 percent). Its share is even greater for unmarried women living with others (52 percent), while its share is slightly smaller for married women (44 percent).

**Figure 5a. Share of Income from Each Source for Women Age 65 and Older by Marital Status**



Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

**Figure 5b. Share of Income from Each Source for Men Age 65 and Older by Marital Status**



Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

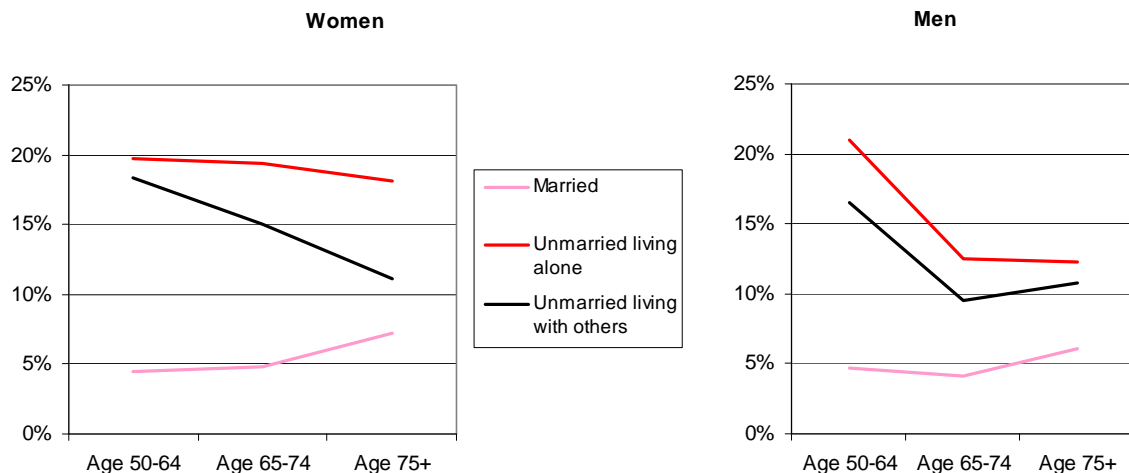
Among men, similarly, Social Security accounts for a larger share of average personal income for the unmarried than the married. Compared with women, however, Social Security for men, while still the largest source of income, constitutes a smaller share of overall personal income (about 32 to 43 percent on average).

## Poverty Rates

Despite its importance, the income received from Social Security is not sufficient to provide complete economic security in old age, especially for women who have few other sources of income. Women face a greater risk of poverty than men during the retirement years. The overall

poverty rate is slightly under 10 percent for women aged 50-64, but increases to 11 percent for women aged 65-74 and to more than 13 percent for those 75 and older. Among men, in contrast, the poverty rate declines slightly from 9 percent for men aged 50-64 to 6 percent for men aged 65-74, but increases to 8 percent for those 75 and older.

**Figure 6. Poverty Rates among Older Women and Men by Age**



Source: Authors' calculations based on 2009 Current Population Survey Annual Social and Economic (ASEC) Supplement Survey. Earnings and income data are for calendar year 2008.

Poverty rates vary greatly for both women and men according to marital status/living arrangement. As Figure 6 shows, married women and men have poverty rates of only 4 to 7 percent, rates that remain stable until age 75 and older, when they increase slightly. In contrast, unmarried women and men exhibit poverty rates that are two to four times greater than the rates among married people.

Unmarried women living alone show the highest poverty rate (approximately 19 percent) of all groups of women at all ages above 50.<sup>10</sup> Unmarried men living alone also show the highest poverty rate among men, with rates that decline with age and range between 21 and 12 percent.

Women and men in most of the living arrangements shown in Figure 6 display lower poverty levels at age 65-74 compared with age 50-64. Part of this decline in poverty results from how the official poverty thresholds—the poverty line where households with less income are considered “in poverty” and households with more income are not—are defined. If the householder (formerly referred to as the head of household) is more than age 65, the poverty threshold is lower than if the householder is younger than age 65. A lower threshold results in fewer households or people counted as living in poverty. Across living arrangements poverty tends to rise between age 65-74 and age 75 or higher. As discussed above, income sources, especially earnings, decline across age groups. Poverty rates for unmarried women do not fit with this pattern and decline across all three age groups. Unmarried women who exhaust their resources may be more likely to move into institutional residences and no longer be included in the population sample used by this data source (the CPS).

Social Security is the most common and the largest source of income for both women and men, and it is a particularly critical source of income for those who are widowed, divorced, separated, or never married in old age. The poverty rate for unmarried women living alone would have been

much higher if they had not received Social Security in retirement. About 69 percent of these women aged 65 and older would have fallen into poverty if they had not received income from Social Security during 2008, compared with a poverty rate of 19 percent with Social Security receipt. Still, a poverty rate of 19 percent among unmarried women living alone suggests that there needs to be greater attention from policy makers to improving the income of women and men in old age.

## Conclusion

As people retire from the workforce and earnings decrease with age, income from Social Security, pensions, and savings becomes crucial for the financial security of older women and men. Of these three sources, Social Security is the most common and the largest source of retirement security for both women and men over age 65. Social Security also grows in importance for retirees as they age, as most other income sources gradually decline. For women aged 75 and older, Social Security benefits provide on average almost 72 percent of their total personal income. For nearly 30 percent of women 75 and older, Social Security is the only source of income.

Social Security's importance for the older population will increase in the future as the U.S. population ages. Currently, about 13 percent of the population is aged 65 or older; by 2050 that population is expected to rise to about 20 percent. In 2000, there were about 11 million women aged 75 and older; by 2050 there are expected to be almost 28 million women in that age group. For men 75 and older, the number is expected to increase from about 6 million to 21 million.<sup>11</sup>

Younger women planning for retirement and for old age need to take into account the strong probability of eventually living alone. Having an independent source of income from pensions or other assets is an important goal. If married, it is important that a wife receives a share of her husband's retirement income in case of either widowhood or divorce. The vulnerability of women in old age underscores the importance of maintaining a Social Security program that provides secure retirement and survivor benefits fully adjusted to keep up with inflation. Enhancements of Social Security are needed that would better protect divorced women, women and men with disabilities, and those who have always worked for low wages at unstable jobs or had low life-time earnings because of caregiving responsibilities. Improving Social Security benefits for these groups would further reduce poverty among them.<sup>12</sup>

Since Social Security is the largest source of income on average for both women and men over age 65, and nearly universal for this age group, its importance in the income packages of retirees cannot be overemphasized. It must be continued as a secure, inflation-proof income source. Because Social Security is the *only* nearly universal source of income for the older population, consideration should be given to increasing the size of Social Security benefits. In addition, since pension coverage reaches only a minority of those aged 65 and older, public policy should focus on ways to enhance pension coverage, such as through greater portability or a universal pension instrument that would be attractive to smaller employers. And because asset income, while more common than pensions, is very small on average, public policies to encourage greater savings may also be in order.



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<sup>1</sup> King, Miriam, Steven Ruggles, Trent Alexander, Donna Leicach, and Matthew Sobek. 2009. Integrated Public Use Microdata Series, Current Population Survey: Version 2.0. <<http://cps.ipums.org/cps/> accessed on September 25, 2009.>

<sup>2</sup> These calculations are means and include zero values when no income is derived from an income source.

<sup>3</sup> The CPS' Annual Social and Economic (ASEC) Supplement Survey provides information on the receipt of general retirement income (other than Social Security) that includes income from company or union pension plans, government pensions, regular payments from IRA or Keogh accounts, and regular payments from annuities or paid insurance policies. For our analysis, veterans' pensions and survivors' pensions are also included as part of general pension income.

<sup>4</sup> These median amounts are calculated only among those who received income from each of the sources; zero values are excluded. If zero values were included, the median amounts from pensions and earnings would equal zero, since fewer than half of women or men aged 65 and older have income from either pensions or earnings.

<sup>5</sup> Figures for 2000 are from Hartmann and Lee (2003) based on March Current Population Surveys for 1999-2001 for calendar years 1998-2000.

<sup>6</sup> Taylor, Paul, Rakesh Kochhar, Rich Morin, Wendy Wang, Daniel Dockterman, and Jennifer Medina. 2009. "America's Changing Workforce: Recession Turns a Graying Office Grayer". Pew Research Center's Social & Demographic Trends Project.

<sup>7</sup> Some decreases in pensions and earnings at older ages may be due to generational differences in varying labor market experiences and wage profiles ("cohort" effects), while some decreases may reflect an "age" effect that occurs more or less uniformly for different generations as they age over the life course.

<sup>8</sup> The increase in Social Security benefits for women at older ages is partly due to a greater proportion of widows (59 percent of women 75 and older versus 24 percent of women aged 65-74) who are likely to receive survivor benefits that equal their spouses' full benefits.

<sup>9</sup> Among people 65 and older who are unmarried, 72 percent of women and 48 percent of men are widows or widowers.

<sup>10</sup> The poverty rate among unmarried people living with others tends to be lower than the rate among unmarried people living alone, partly because poverty rates are calculated using family incomes rather than individual incomes and often other family members have higher incomes that lift the family above poverty.

<sup>11</sup> The data are from National Population Projections, Released 2008 (Based on Census 2000) "Projected Population by Single Year of Age, Sex, Race, and Hispanic Origin for the United States: July 1, 2000 to July 1, 2050" available at [http://www.census.gov/population/www/projections/files/nation/download/NP2008\\_D1.xls](http://www.census.gov/population/www/projections/files/nation/download/NP2008_D1.xls).

<sup>12</sup> Hartmann, Heidi, and Catherine Hill. 2000. *Strengthening Social Security for Women: A Report from the Working Conference on Women and Social Security*. Washington, DC: Institute for Women's Policy Research.

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