



# ISSUE BRIEF

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## Social Security Privatization and Women

OWL is once again defending Social Security—and the women who depend on it—from privatization. This issue brief, taken from OWL's 2002 Mother's Day Report, *Social Security Privatization: A False Promise for Women*, summarizes OWL's position on privatization and our argument for strengthening the social insurance nature of this vitally important program.

### ***Social Security Is an Essential and Successful Social Insurance Program***

- The Social Security system is an embodiment of the long-standing American principle of social insurance, providing nearly universal coverage for workers and their families through a pooling of resources, benefits, and risk.
- One-third of the program's beneficiaries are not retirees but include children, widows, and people with disabilities. Social Security offers an unmatched set of insurance protections for workers and their families, providing protection against poverty in the event of death, disability, or old age.
- Women comprise the majority of Social Security beneficiaries, representing 58 percent of all Social Security recipients at age 65 and 71 percent of all recipients by age 85.
- Accounting for more than 70 percent of older adults living in poverty, women are more vulnerable in retirement. During this time they most need the stability of a guaranteed source of income—their Social Security check. Without it, 52 percent of white women, 65 percent of African American women, and 61 percent of Latinas over age 65 would be poor.

### ***Women's Economic Reality Is Different from Men's***

- For women, poverty in old age is often rooted in the realities that shaped their lives early on: the reality of the wage gap, the reality of caregiving, and the reality of flexible jobs that offer few benefits, especially pensions.
- More than 40 years after the Equal Pay Act was passed, women still earn only 76 percent of what men earn. You can't save what you don't earn.
- Caregiving directly affects women's retirement security, as they often take more flexible, lower-wage jobs with few benefits or stop working altogether in order to provide unpaid caregiving services. In fact, women spend, on average, 12 years out of the work force for family caregiving over the course of their lives.
- Older women are less likely than older men to receive pension income (28 percent to 43 percent). When they do receive pensions, the benefit is only about half the benefit men receive.
- Women live an average of six years longer than men. Women's longer lifespans make them more vulnerable to the impact of inflation and to the risk that they will outlive their money.

### ***Social Security Should Be Strengthened, Not Privatized***

- Social Security is a “pay-as-you-go” system. Current workers not only see the societal and family benefits supporting our nation’s vulnerable seniors, but also know that they are covered by the same set of social insurance protections.
- Changing demographics mean that the system will eventually have to use trust fund dollars to cover out-going benefits. This situation was predicted and addressed by Congress in 1983, when it adjusted the system to build up the trust fund for the retirement of the baby boomers.
- The trust fund consists of U.S. Treasury bonds, considered the safest investment vehicle available to individual or institutional investors worldwide.
- Experts *do* have suggestions for addressing a potential financing shortfall. There are many proposals that preserve the integrity of Social Security while shoring it up for the future. These stand in stark contrast to private accounts, which would speed insolvency and destroy the social insurance compact that is Social Security.

### ***Social Security Privatization Is a False Promise for Women***

- Privatization plans would divert Social Security payroll taxes into individually owned private accounts, shifting the system from shared risk and collective gain among workers to private accounts that would leave workers to sink or swim on their own.
- Although privatizers work hard to convince skeptics that their proposals have been developed with women’s needs in mind, privatization won’t work for women because:
  - ◆ Private accounts destroy the social insurance nature of Social Security
  - ◆ Private accounts don’t offer Social Security’s insurance against unexpected events
  - ◆ Private accounts don’t come with an inflation-adjusted guarantee
  - ◆ Private accounts ask women to bear more financial risk
  - ◆ Private accounts offer less reward than promised
  - ◆ Private accounts are tied to stock market volatility
  - ◆ Private accounts cost more to administer
  - ◆ Private accounts speed up Social Security insolvency
  - ◆ Private accounts may drive benefit cuts
  - ◆ Private accounts claim to provide “high rates of return,” but can’t compare to Social Security’s unmatched set of protections

By and large, Social Security is the only source of retirement income that a majority of women can truly count on. As America ages, it will become an increasingly significant program, offering steady, reliable support to all older women. Meanwhile, privatization schemes are laced with false promises and false guarantees that only mimic the very real promises and guarantees the current Social Security program has delivered on, on time, for 67 years. Privatization is nothing but a gamble for less, and women deserve better than that.

Please visit OWL’s Web site for more information about our efforts to protect and strengthen Social Security.