

Briefing Paper



IWPR Publication #D455

April 2003

Social Security: The Largest Source of Income for Both Women and Men in Retirement

By 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 during retirement, Social Security is the most common and the largest source of income for both women and men. Approximately 90 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 live longer than men. As a result, women are much more likely than men to be widowed and 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 1999-2001 March Current Population Survey (CPS), collected by the Census Bureau. The March CPS 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, etc.). We combine data from three years in order to secure sufficient numbers of observations for different categories of older women and men. Analyses of earnings and income sources apply to the calendar years 1998, 1999, and 2000.¹

Income Sources in Retirement

As most people retire by age 65, both women and men rely heavily on Social Security as the largest single source of retirement income. As Figure 1 shows, average annual income from Social Security for all women 65 and older was \$7,490 and for all men in the same age group was \$9,720 during the period 1998-2000.² 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. For men, average annual incomes from other sources, especially those from pensions and earnings, are substantially higher than those for women, but they still fall short of the average income coming from Social Security.

Not everyone, however, receives income from each of these sources in retirement. A 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 even have savings. Yet, Social Security provides benefits to almost 90 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 60 percent of women and 65 percent of men receiving income from these sources. Fewer than one-third of women (30 percent) and half of men (47 percent) receive income from pensions.³ Only 12 percent of women and 22 percent of men receive income from earnings at ages 65 and older.

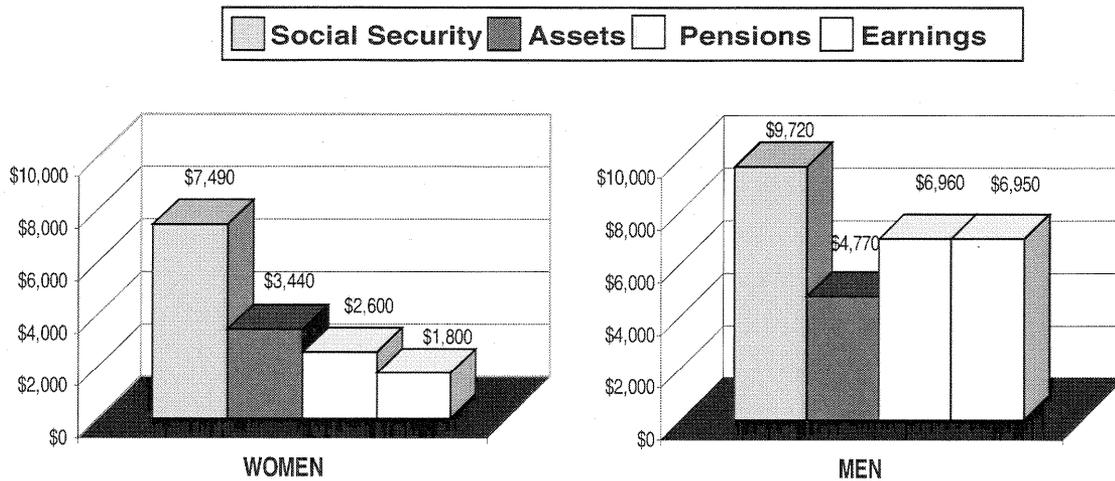
Even when median annual income is considered only among those who received income from each of these sources, Social Security represents the largest, principal source of retirement income for both women and men except earnings (see Table 1).⁴ Median earn-

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

	Women	Men
Social Security	\$7,750	\$11,040
Assets	\$1,330	\$1,650
Pensions	\$5,600	\$10,340
Earnings	\$8,450	\$14,780

Source: Authors' calculations based on the March Current Population Surveys, 1999-2001. (Data are for calendar years 1998-2000.)

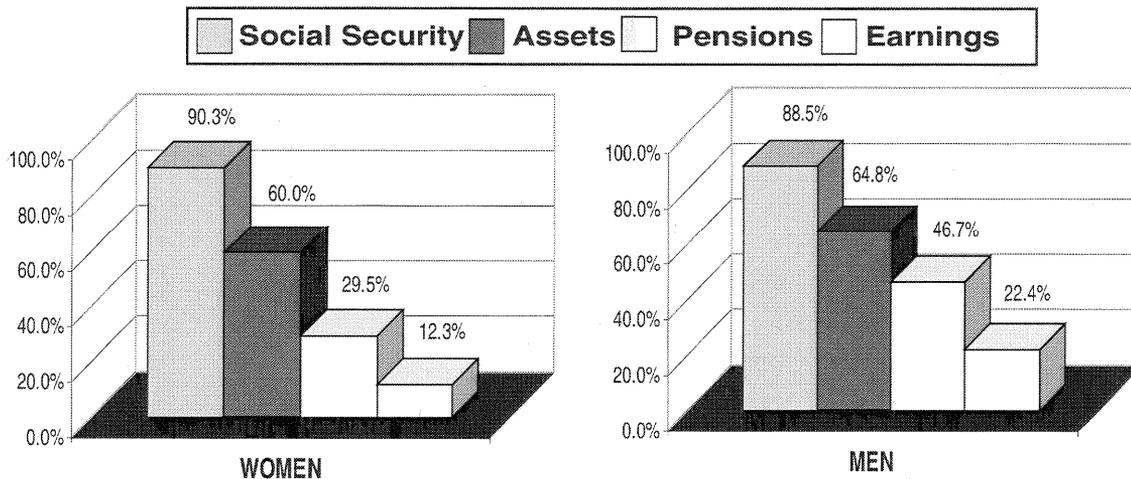
Figure 1. Average Annual Income from Each Source among Women and Men 65 and Older



Source: Authors' calculations based on the March Current Population Surveys, 1999-2001. (Earnings and income data are for calendar years 1998-2000 in 2000 constant dollars.)

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

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



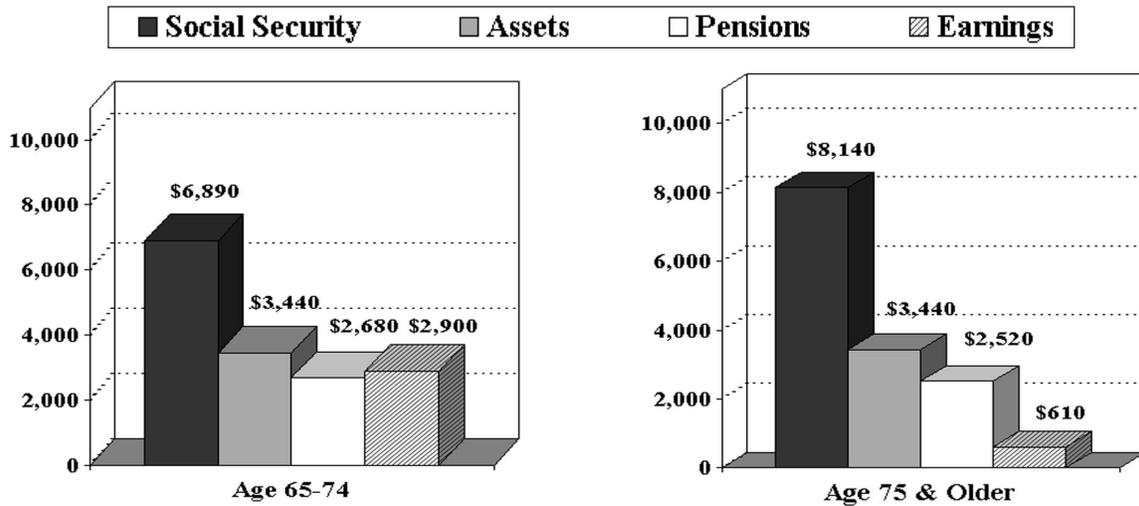
Source: Authors' calculations based on the March Current Population Surveys, 1999-2001. (Data are for calendar years 1998-2000)

ings for both women and men exceed median Social Security benefits, but these earnings are received only by a small number of people 65 and older. Excluding earnings, Social Security benefits constitute the largest source of income for people 65 and older, with median annual benefits of \$7,750 for women and \$11,040 for men.

Increasing Importance of Social Security with Age in Retirement

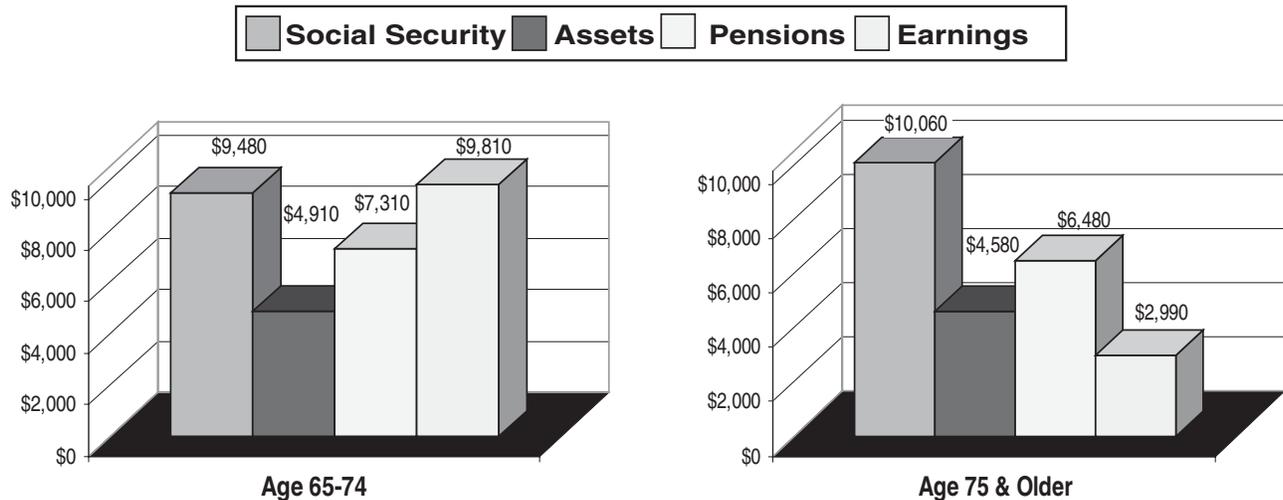
Figures 3a and 3b present average income amounts for two groups of retirees among women and men, those younger than 75 and those 75 and older. As shown in these figures, the importance of Social

Figure 3-a. Older Women's Average Annual Income from Each Source by Age



Source: Authors' calculations based on the March Current Population Surveys, 1999-2001. (Earnings and income data are for calendar years 1998-2000 in 2000 constant dollars.)
 Note: Average annual income for each source is calculated including zero values.

Figure 3-b. Older Men's Average Annual Income from Each Source by Age

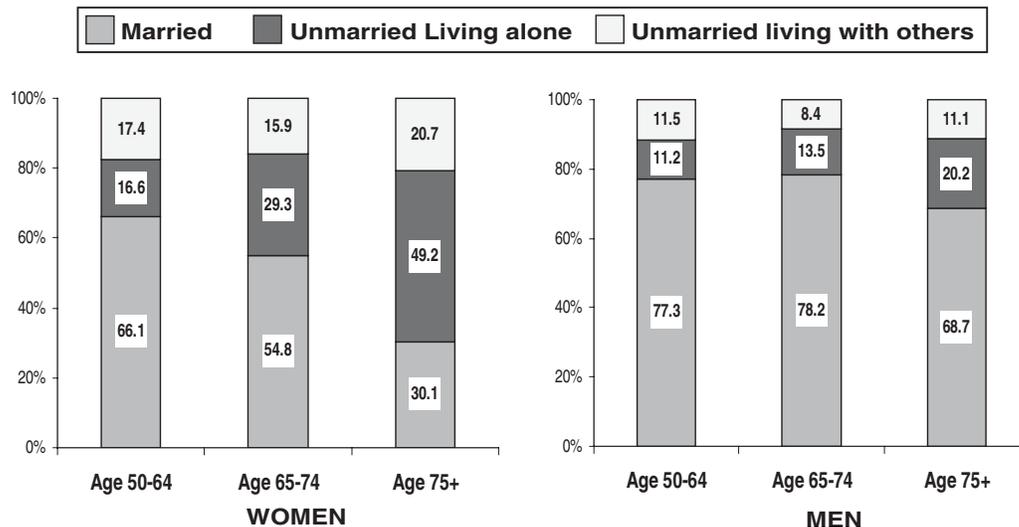


Source: Authors' calculations based on the March Current Population Surveys, 1999-2001. (Earnings and income data are for calendar years 1998-2000 in 2000 constant dollars.)
 Note: Average annual income for each source is calculated including zero values.

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. For both women and men overall, average total personal income tends to decrease as they age, along with decreases in other sources of income like pensions and earnings.⁵ Among women, average annual personal income declines from \$16,290 for those aged 65-74 to \$15,010 for those 75 and older; among men, it decreases from \$32,040 to \$24,550,

respectively. 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 \$6,890 per year from Social Security, whereas women 75 and older receive more than \$8,000 on average (see Figure 3a).⁶ For this older group of women, Social Security accounts for more than half (54 percent) of their total personal income, compared with 42 percent for women aged 65-74.

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



Source: Authors' calculations based on the March Current Population Surveys, 1999-2001.

Among men, the increase in average income from Social Security for those 75 and older is smaller than among women, but average annual incomes from other sources, particularly pensions and earnings, decline more substantially with age. For example, men aged 65-74 have an average annual income of \$9,810 from earnings, but only \$2,990 for those aged 75 and older.⁷ As a result, the share of average income coming from Social Security increases, from 30 percent for those aged 65-74 to 41 percent for those 75 and older.

Income Sources by Marital Status/ Living Arrangement

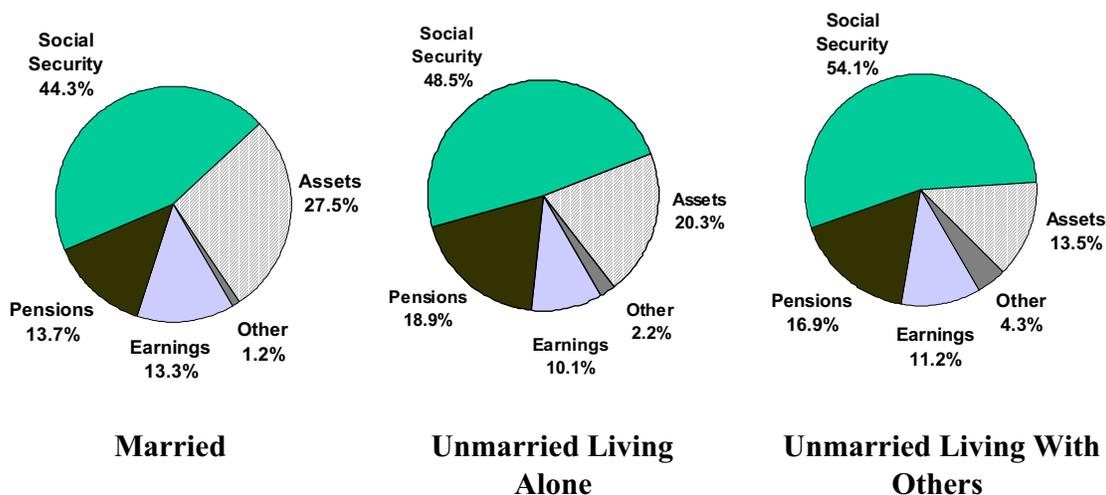
Social Security is critical for economic security among older women, and it is even more so for those women who are unmarried and live alone. Women tend to marry men who are older than themselves and live longer than men. As a result, there are marked differences in marital status and living arrangement between women and men as they enter into the retirement years. As Figure 4 shows, the majority of older men are married: over three-quarters of men in their 50s through early 70s are married and over two-thirds of men 75 years and older are married as well. In contrast, while two-thirds of women aged 50-64 are married, this proportion falls to just over 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.⁸ While some older unmarried people live with others, most commonly relatives, the majority of unmarried people live alone. Women especially are increasingly likely to live alone at older ages. In the oldest age group of 75 and older, nearly half of all women are unmarried and living alone, compared with only 20 percent of men.

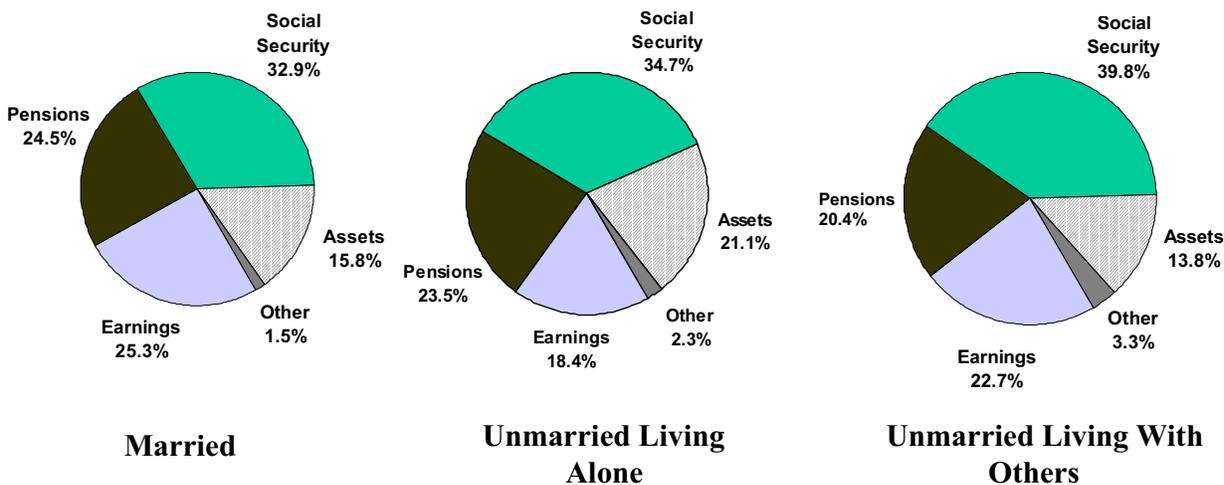
These differences in marital status/living arrangement are closely associated with the economic well-being of older women and men. Older people who live alone are much more likely than others to be poor, and older women in particular face a disproportionately greater risk of poverty given their higher rates of being widowed and living alone. Social Security plays a major role in alleviating poverty among this group of older women who are financially vulnerable. 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 (54 percent), while its share is slightly smaller for married women (44 percent). 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 33 to 40 percent on average).

Figure 5-a. Sources of Income for Women 65 and Older by Marital Status



Source: Authors' calculations based on the March Current Population Surveys, 1999-2001. (Earnings and income data are for calendar years 1998-2000 in 2000 constant dollars.)
 Note: Percentages are calculated based on average annual incomes for each source including zero values.

Figure 5-b. Sources of Income for Men 65 and Older by Marital Status



Source: Authors' calculations based on the March Current Population Surveys, 1999-2001. (Earnings and income data are for calendar years 1998-2000 in 2000 constant dollars.)
 Note: Percentages are calculated based on average annual incomes for each source including zero values.

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 slight-

ly under 10 percent for women aged 50-64, but increases to 11 percent for women aged 65-74 and up to 14 percent for those 75 and older. Among men, in contrast, the poverty rate is fairly stable at 7 percent for different age groups.

Poverty rates vary greatly for both women and men according to marital status/living arrangement. As Figure 6 shows, married women and men have pover-

ty rates of only 4 to 6 percent, rates that remain stable until age 75 and older, when they increase slightly. In contrast, unmarried women and unmarried 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 20 percent) of all groups at all ages above 50.⁹ Unmarried men living alone also show the highest poverty rate among men aged 50 and older, with rates ranging between 14 and 19 percent.

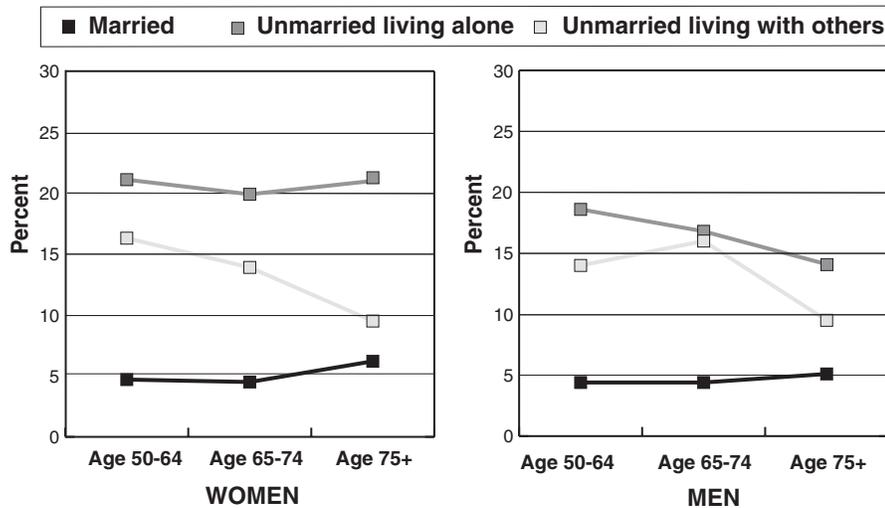
Social Security is the most common and the largest source of income for both women and men, and it is a particularly critical source of income for those who are widowed, divorced, separated, or never married in old age. The poverty rate for unmarried women living alone would have been much higher if they had not received Social Security in retirement. About 68 percent of these women aged 65 and older would have fallen into poverty if they had not received income from Social Security during 1998-2000, compared with a poverty rate of 20 percent with Social Security receipt. Still, a poverty rate of 20 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 become 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 other income sources gradually decline. For women aged 75 and older, Social Security benefits provide on average almost 55 percent of their total personal income. For nearly one-quarter of women 75 and older, Social Security is the only source of income.

Social Security's importance for the older pop-

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



Source: Authors' calculations based on the March Current Population Surveys, 1999-2001.

ulation 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 10 million women aged 75 and older; by 2050 there are expected to be more than 26 million women in that age group. For men 75 and older, the number is expected to increase from about 6 million to 19 million.¹⁰

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. Diverting part of Social Security taxes to private accounts will make the present system less secure and reduce opportunities for improvements in the system (Hartmann and Hill 2000; Rix and Williamson 1998; Shaw, Zuckerman, and Hartmann 1998).

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. 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 since asset income, while more common than pensions, is very small on average, public policies to encourage greater savings may also be in order.

Endnotes

- ¹ Income and earnings data for calendar years 1998 and 1999 are converted to 2000 dollars using the Consumer Price Index.
- ² These calculations are means and include zero values when no income is derived from an income source. All other income sources than those shown in Figure 1 contribute on average only \$340 to a woman's and \$500 to a man's total annual personal income.
- ³ The March CPS 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.
- ⁴ 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.
- ⁵ 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.
- ⁶ The increase in Social Security benefits for women at older ages is partly due to a greater proportion of widows (61 percent of women 75 and older versus 31 percent of women aged 65-74) who are likely to receive survivor benefits that equal their spouses' full benefits.
- ⁷ For men 65-74 years of age, their average earnings are slightly higher than average benefits from Social Security, even though fewer than one-third of men in this age group have income from earnings. Their average earnings are relatively high because of a few people who have extremely high earnings, while earnings for most retirees tend to be rather small (if they work at all). For example, about three-quarters of men in this age group have either no earnings or annual earnings of less than \$10,000, whereas about one percent have annual earnings ranging from \$155,000 to over \$500,000. Excluding the men with the top one percent of earnings brings down the average earnings for all men aged 65-74 into \$7,630.
- ⁸ Among people 65 and older who are unmarried, nearly 80 percent of women and 56 percent of men are widows or widowers.
- ⁹ 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.
- ¹⁰ The data are from "Older Population of the United States: Male and Female Population Estimates/Projections and Sex Ratio 1990-2050" compiled by the Administration on Aging using Census Bureau estimates and projections. available at <http://www.aoa.gov/stats/F-M-Ratio-1990-2050.html>.

References

Hartmann, Heidi and Catherine Hill with Lisa Witter. 2000. *Strengthening Social Security for Women*. Washington, DC: Institute for Women's Policy Research and the National Council of Women's Organizations' Task Force on Women and Social Security.

Rix, Sara and John B. Williamson. 1998. *Social Security Reform: How Might Women Fare?* Issue Brief No. 31. Washington, DC: Public Policy Institute, AARP.

Shaw, Lois, Diana Zuckerman, and Heidi Hartmann. 1998. *The Impact of Social Security Reform on Women*. Washington, DC: Institute for

*This Briefing Paper was written by Heidi Hartmann and Sunhwa Lee, based on research undertaken for the report **Gender and Economic Security in Retirement** by Sunhwa Lee and Lois Shaw. The research was funded by the Retirement Research Foundation, the Open Society Institute, and the AARP.*

JOIN THE INSTITUTE FOR WOMEN'S POLICY RESEARCH

Help Make a Difference in the Lives of Women and their Families

Member Benefits

(vary according to membership level)

- ◆ All Major Reports
- ◆ Quarterly Newsletter
- ◆ Research News Reporter (RNR)
- ◆ Biennial Conference Discounts
- ◆ Publication Discounts
- ◆ IWPR Information Network
- ◆ Fact Sheets
- ◆ Research-in-Briefs

+ \$200 for non-profits with an operating budget under \$500,000.

++ \$500 for corporations with revenues under \$1 million.

Membership Levels

- ◆ Graduate Student: \$35
- ◆ Friend: \$60
- ◆ Sustainer: \$175
- ◆ Partner: \$250
- ◆ Affiliate: \$350+
- ◆ Corporate Affiliate: \$1,000++

Eleanor Roosevelt Policy Council

(Members receive all membership benefits and invitations to special IWPR events.)

- ◆ Community Council: \$500-\$999
- ◆ Institute Council: \$1,000-\$2,499
- ◆ Leadership Council: \$2,500-\$4,999
- ◆ President's Council: \$5000 and up

The Institute for Women's Policy Research (IWPR) is a scientific research organization dedicated to informing and stimulating debate on public policy issues of critical importance to women and their families. IWPR focuses on issues of poverty and welfare, employment and earnings, work and family issues, the economic and social aspects of health care and safety, and women's civic and political participation.

The Institute works with policymakers, scholars, and public interest groups to design, execute, and disseminate research and to build a network of individuals and organizations that conduct and use women-oriented policy research. IWPR, an independent, nonprofit organization, also works in affiliation with the graduate programs in public policy and women's studies at The George Washington University.

IWPR's work is supported by foundation grants, government grants and contracts, donations from individuals, and contributions from organizations and corporations. IWPR is a 501(c)(3) tax exempt organization.