

Gender and Social Security Privatization

Women represent 60 percent of all Social Security beneficiaries, including over two-thirds of disabled worker beneficiaries, 99 percent of spouses receiving benefits, 99 percent of nondisabled surviving beneficiaries, and 98 percent of beneficiaries receiving both retirement and spousal benefits.¹ Social Security is the only income source for 25 percent of elderly women who live alone.² For women over the age of 65, half would be living in poverty if not for Social Security benefits.³

Currently there is a major push by the Bush administration to privatize Social Security. Thus it is critical for funders and advocates to understand what Social Security looks like at present, and what a privatized Social Security system would mean for current and future recipients. The following looks at the relationship between Social Security and gender, both in its current state and under proposed privatization plans.

What is Social Security?

Social Security is composed of the following benefit programs: Social Security Disability Insurance, Supplemental Security Income (SSI), Retirement, and survivor benefits.

Social Security Disability Insurance provides monthly payments to people who've worked jobs covered by Social Security and have a disability that precludes them from working for a year or more.

Supplemental Security Income is designed to help aged, blind, and disabled people, who have little or no income with monthly payments. SSI is funded through general tax revenues, not Social Security taxes.

The Social Security Retirement program provides monthly payments to retired people who have worked at least 10 years (or 40 quarters, not necessarily consecutive). The benefit is based on an average of how much a person has earned for the 35 years in which the person has earned the highest.

Survivor benefits are paid to widows and widowers (at full benefits if age 65 or over), disabled widows or widowers (at age 50 and over), unmarried children under 18 (of a deceased parent), dependant parents over age 61, and children (of any age) who were disabled before age 22 and are still disabled.⁴ Gay and lesbian survivors of their partners are not eligible for benefits based on their partner's death.

¹ American Association of Retired Persons, Public Policy Institute. "Social Security and Women: Some Facts"

² U.S. Census Bureau

³ Institute for Women's Policy Research. "Why Privatizing Social Security Would Hurt Women".

⁴ <http://www.ssa.gov>

These programs (with the exception of SSI) are paid for by the Payroll tax, which is a 12.4 % wage tax (half paid for by the employer if employee is not self-employed).

Of all Social Security beneficiaries, half are retirees who receive only Social Security benefits and no other Social Security benefits.

The remaining beneficiaries are:

Retirees who also receive spousal benefits (13%);
 Disabled workers (12%);
 Widows, widowers, and parents (11%);
 Children (8%); and
 Wives and Husbands (6%).⁵

Is Social Security “Gender Neutral”?

Currently, many organizations, such as the AARP, arguing against the privatization of Social Security, call Social Security “gender neutral”. The Social Security Administration itself proclaims, “Social Security is gender neutral – individuals with identical earnings histories are treated the same in terms of benefits.”⁶ Social security does not take parental work into account, as it bases its retirement program solely on wages earned (and therefore amount contributed to Social Security). Because women do the vast majority of child-rearing and household work, their work is not compensated in the Social Security system. When women do work outside of the home, of course, they earn far less than men do. In 2003, women, on average, earned 75.6 cents for every dollar a man earned. African American women were paid even less, earning 65.4 cents, and Latino women earned 54.3 cents.⁷

This type of neutrality (looking solely at earnings without regard to context and inequality) makes Social Security far from “gender neutral”. Below we see a chart of the annual benefits that women receive compared to the annual benefits that men receive.

⁵ Entmacher, Joan, “Not Just Your Mom’s Retirement: Why Privatizing Social Security Threatens Women and Their Families at All Stages of Their Lives”. 2005. pages

⁶ <http://www.socialsecurity.gov/pressoffice/factsheets/women.htm>

⁷ <http://www.infoplease.com/ipa/A0882775.html>

Receipt of Social Security and Median Annual Benefits⁸

Medium Annual Benefits	WOMEN			MEN		
	Age 50-61	Age 62-64	Age 65 +	Age 50-61	Age 62-64	Age 65 +
Married	\$6,680	\$5,620	\$6,150	\$11,410	\$10,950	\$11,350
Unmarried living alone	\$7,600	\$7,900	\$9,430	\$8,540	\$8,790	\$10,440
Unmarried living with others	\$7,520	\$7,350	\$8,660	\$8,780	\$9,000	\$9,660
Total	\$7,150	\$6,230	\$7,750	\$10,330	\$10,450	\$11,040

In every age group over age 49, men receive far more than women do. These figures coincide with poverty rates for male and female senior citizens. In the United States, 12.2 percent of elderly women live in poverty, while 7.5% of elderly men do.⁹ Social Security, therefore, would only be “gender neutral” if we lived in a “gender neutral” society.

What is the privatization of Social Security?

Privatization of Social Security can take many forms, but the main component is that at least some of the funds that currently go to Social Security would be diverted to form private accounts.

The CATO Institute, a right-wing Washington think tank, came up with a plan to divert 6.2 percent of the payroll tax (the employee’s contribution) into a private account, with the option of each individual opting out of the Social Security system entirely. The other 6.2 percent of the payroll tax would be used for two things: 1. Transition costs, or in other words, paying for the transition to private accounts and for current Social Security beneficiaries to retain their benefit levels; and 2. Disability and survivors’ benefits. When the transition costs are no longer needed, the employer’s 6.2 percent would be dwindled down so that it only covers the disability and survivors’ benefits.¹⁰ For a point by point rebuttal of the Cato Institute’s plan for the privatization of Social Security, see

⁸ Lee, Sunwha, and Shaw, Lois. “Gender and Economic Security in Retirement”

⁹ National Women’s Law Center, “Women and Social Security Reform: What’s at Stake” May 10, 2002.

¹⁰ <http://www.socialsecurity.org/catoplan/>

the Institute for Women's Policy Research's "Why Privatizing Social Security Would Hurt Women".

On May 2, 2001, President Bush created the "President's Commission to Strengthen Social Security", to come up with a plan to privatize Social Security. The Commission outlined three options, which many believe are based on the CATO Institute's plan for Social Security privatization. One plan would divert 2 percentage points of the payroll taxes into individual accounts while reducing benefits by 3.5 percent. Another plan would divert up to \$1000 (or 4 percent, whichever is lower) into individual accounts while also reducing Social Security Benefits. A third plan increases the payroll tax by 1 percent, but diverts 2.5 percent into individual accounts, while reducing Social Security benefits and increasing the retirement age.¹¹ Many, including the AFL-CIO, called the Commission plans the destruction of Social Security. The main idea behind these proposals is that Social Security should be an individual retirement program, rather than a social safety net. Currently Social Security provides \$400,000 worth of life insurance and \$200,000 worth of disability insurance to the average wage earner and family.¹²

Virtually all the proponents of privatization cite an impending Social Security funding crisis, or say that there already exists a crisis. This is just not the case. A report from the Social Security trustees says that Social Security can continue to pay 100 percent of benefits through 2042, while the General Accounting Office puts the year at 2052.¹³ These estimates also rebut the idea that baby boomers will overwhelm Social Security, since most baby boomers will not be collecting Social Security in 2042.

There is general agreement among organizations on the left that the privatization of Social Security will be detrimental to women. Most organizations, while critiquing privatization, do not also critique the current form of Social Security, because this seems to be solely a fight-back campaign, and not a reform campaign.

Why privatization will hurt women.

- Although women receive, on average, far less than men receive in Social Security benefits, they rely on these benefits more heavily, which would be cut in all privatization proposals.
- For men, Social Security is primarily a retirement system. 80 percent of male beneficiaries of Social Security are retired workers. For women, though, only 33 percent of beneficiaries receive solely retirement benefits. In fact, 95 percent of beneficiaries who receive benefits because they are a relative of a retired worker or a deceased or disabled person are women.

¹¹ American Federation of Government Employees, "Social Security Privatization".

¹² "Women and Social Security Reform: What's at Stake" National Women's Law Center.

¹³ "Save Social Security", The Progressive. Jan, 2005.

- Women live longer than men, which means that they receive Social Security benefits for a longer period of time. Also, with private accounts, it is possible to run out of funds as a person ages. One cannot outlive Social Security.
- Private accounts fluctuate dependant on the market. Many will retire when the market is down, and so their retirement will be worth much less. With Social Security, one knows exactly what benefits he or she will receive.
- Social Security is better for low-wage workers than it is for high-wage workers. On average, low-wage workers receive 53 percent of their average earnings in Social Security benefits, while the maximum wage earners for Social Security (currently at \$90,000) receive 24 percent of their average wages. Because women are disproportionately low-wage workers, the current form of Social Security benefits women.
- Disability and Survivor benefits would be jeopardized in privatization plans.¹⁴

How privatization affects others.

The Century Foundation produced a report entitled “Twelve Reasons Why Privatizing Social Security is a Bad Idea”, which included the following reasons not mentioned above for privatization’s ill effects.

- The creation of private accounts would exacerbate Social Security’s financial problems.
- The creation of private accounts could hurt economic growth.
- Privatization has not worked successfully elsewhere
- Individuals, on average, do not know how to invest successfully.
- The tax money that went into private accounts would end up in Wall Street’s hands.
- There would need to be a new bureaucracy to deal with private accounts.
- Youth would be worse off under privatization.
- African Americans and Latinos would be worse off under privatization.¹⁵

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¹⁴ “Women and Social Security Reform: What’s at Stake” National Women’s Law Center.

¹⁵ Anrig, Greg and Wasow, Bernard. “Twelve Reasons Why Privatizing Social Security Is a Bad Idea”. The Century Foundation.