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Social Security Reform: The Impact on Women

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SYMPOSIUM 1999
Women, Equity and Federal Tax Policy: Open
Questions

Forum on Women and Social Security:
What Would Equity Look Like?

Panel V:
Social Security Reform:
The Impact on Women

*Professor Eileen Caulfield Schwab**

PROF. SCHWAB: We heard a number of statistics in the last presentation. I would like to throw out a few more. Elderly women who are living in poverty are more likely to have never been married or have been divorced.¹ Currently, approximately 40 percent of retired women are drawing benefits on their own earnings.² The current average monthly benefit paid to a woman is \$621.00.³ The average monthly benefit paid to a man is \$810.00.⁴ Now, there are a lot of reasons for the discrepancy, the principal being women historically were not in the workforce full-time, and, if they were, earned less.⁵

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¹ See Gail S. Shaffer, *Testimony of Business Women's Group at W & M Oversight Hearing on Pensions*, TAX NOTES TODAY, Mar. 11, 1998 available in LEXIS, Fedtax Library, TNT file.

² See Rosa L. DeLauro, *Rep. DeLauro's Written Statement for W&M Hearing on Social Security*, TAX NOTES TODAY, Nov. 20, 1988 available in LEXIS, Fedtax Library, TNT file.

³ See generally, SOCIAL SEC. BULL., ANNUAL STATISTICAL SUPPLEMENT tbls.5.A1, 5.A3, 5.A7 & 5.A10 (1998) (listing the number and average monthly benefit, by age, sex, race and type of benefit).

⁴ See *id.*

⁵ See *Testimony of Women's Research Group at W&M Hearing on Social Security*, TAX NOTES TODAY, Jan. 22, 1999 available in LEXIS, Fedtax Library, TNT file

In the 1960s, 40 percent of women between 25 and 34 were in the workforce. Currently, 75 percent of women between 25 and 34 are in the workforce.⁶ One would think that we would see more women collecting benefits on their own earnings in the future, but really cannot predict that because women's employment patterns are quite different from men. First, of the women who are between 25 and 34 now, one out of four of them works part-time.⁷ One out of ten men who are in the same age group works part-time.⁸ And while 75 percent is a healthy number of women in the workforce, 93 percent of men between 25 and 34 work.⁹

Benefits are currently figured on a 35-year basis.¹⁰ You take your earnings for 35 years. If you have a year in which you have no earnings, it is counted as a zero year.¹¹ More women have zero years because they have dropped out of the workforce to have children and have taken the time off for child bearing before getting back into the workforce. The median number for women with zero earnings turning 62 in 1993 was 15 years;¹² for men it was four.¹³

[hereinafter *Testimony of Women's Research Group*]. In written testimony submitted to a Ways and Means Committee hearing on social security, Heidi Hartmann, President and Director of the Institute for Women's Policy Research, stated "women are less likely to work full-time . . . [and] earn only 74 percent of what men earn." *Id.*

⁶ See WOMEN'S BUREAU, U.S. DEP'T OF LABOR, FACTS ON WORKING WOMEN tbl.1 (1999). In 1998, 76.3 percent of women between the ages of 25 and 34 participated in the labor force. *Id.*

⁷ See BUREAU OF LABOR STATISTICS, U.S. DEP'T OF LABOR, REPORT NO. 928, HIGHLIGHTS OF WOMEN'S EARNINGS IN 1998 2 (1999) [hereinafter LABOR STATISTICS. REP. NO. 928]. In 1998, 25.8 percent of all female workers worked part-time. *Id.*

⁸ In 1998, 10.7 percent of all men in the workforce worked part-time. *Id.*

⁹ See *id.*

¹⁰ See Ellen Rosenthal, *Women Said to Lose Out on Pensions and Social Security*, TAX NOTES TODAY, May 23, 1990 available in LEXIS, Fedtax Library, TNT file. Social Security benefits are calculated based on income earned over the last 35 years. *Id.*

¹¹ See generally *id.* For women, the "zero" years are those in which they leave the workforce to either raise their children or take care of other dependents. *Id.*

¹² But see DeLauro, *supra* note 2 (stating that women "take an average of 11.5 years out of their careers to care for their families").

¹³ See generally *Economist Mueller's Testimony at W&M Social Security Panel Hearing*, TAX NOTES TODAY, Mar. 4, 1999 available in LEXIS, Fedtax Library, TNT file (containing statements of John Mueller). According to John Mueller, "the

One of the proposals to save Social Security is to extend the configuration basis to 38 years. However, Social Security forecasts fewer than 30 percent of women retiring in 2020 will have 38 years of covered earnings.¹⁴ Extending the configuration actually is very anti-women, because women still are more likely than men to work part-time, drop out of the workforce, and raise children. In addition, half the women working full-time and almost all the women working part-time are working for employers who do not have retirement programs.¹⁵ That is because there is a higher concentration of women in low-wage, service, non-union and small firm employment.¹⁶ Working women are also hurt because most pension plans require you to work five years to vest. The average length of time a woman over 25 works for a single employer is 4.8 years whereas for men it is 6.6 years.¹⁷ The future of Social Security is still not great for women, although we have seen a resurgence in the number of women who are in the workforce.

We heard today about the privatization alternative. There is a strong feeling among some people, perhaps on this very panel, that privatization will help working women get more benefits because it will allow women to invest money ordinarily earmarked for Social Security taxes, and get a much better return than they would from the money they pay into Social Security.¹⁸ Dr. Steuerle discussed a statistic that I found particularly interesting — involving a high wage-

average man can expect about 1 in 5 zero-earnings years." *Id.*

¹⁴ See 1994-1996 ADVISORY COUNCIL ON SOC. SECURITY REP. 1 (1997) [hereinafter ADVISORY COUNCIL REP.].

¹⁵ See Rosenthal, *supra* note 10 (stating how women are more likely to be in situations where pensions are unavailable, such as part-time employment). See also Neal *Bill Would Enhance Private Pension, Retirement Savings Systems*, TAX NOTES TODAY, Apr. 7, 1999 available in LEXIS, Fedtax Library, TNT file (containing statement of Richard E. Neal). "Fifty-two percent of working women do not have pension coverage, and 75 percent of women who work part-time lack coverage." *Id.*

¹⁶ See generally *Testimony of Women's Research Group*, *supra* note 5 (noting how women continue to be over-represented in the lowest wage jobs).

¹⁷ See Harris Collingwood, *Making Your Career Pay*, WORKING WOMAN, Sept. 1, 1996, at 28.

¹⁸ See generally Jane Bryant Quinn, *What's in Store for Social Security . . . and You*, GOOD HOUSEKEEPING, Jan. 1999, at 72 (discussing the privatization of Social Security).