



**Wider Opportunities for Women**

## **Economic Security for Women Across All Generations**

For the last several years, a major part of WOW's national work has been conducted through its Family Economic Self-Sufficiency Project (FESS). The FESS Project puts tools in the hands of community organizations, public agencies, and policy makers to address the needs of low-income families and low wage workers. Through this project, WOW has helped to reframe the national debate on social policies and programs from one that focuses on poverty to one that focuses on what it takes families to make ends meet. WOW partners with key state organizations to develop and implement this project. Today, WOW has partners in 35 states and the District of Columbia. In turn, these partners form or participate in state-wide coalitions organized around the concept of self-sufficiency. More than 2,000 organizations are part of this network. Activity undertaken on the national and state level through the FESS Project has had a demonstrated impact on issues as diverse as child care policy, economic development, housing, health care, tax reform and job training.

The National Elder Economic Security Initiative™ program represents a logical next step in WOW's intergenerational approach to helping women, and by extension men, be economically secure. According to 2005 U.S. Census data, almost 10% of those aged 65 or older lived below the federal poverty level. Overall, 53% of Americans aged 65 or older live below 200% of poverty. When looking at the data for older women, particularly older women of color, the poverty rate increases from 12.5% for those 65 and older to almost double that for African American and Hispanic women. One-quarter of African American women over age 65 and just less than one-quarter of older Latinas (25% and 22% respectively) fall below the poverty level. As discussed below, since the federal poverty line underestimates actual expenses necessary for even a bare-bones existence; these numbers are likely a grave underestimate.

In the near future, as the "boomer" generation reaches retirement and then old age, the United States will face even greater challenges. There are 75 million "boomers" 42 to 60 years old; the oldest members of this generation will reach 65 in just five years. According to the 2005 Retirement Confidence Survey conducted by the Employee Benefit Research Institute (EBRI), "By 2030, when all baby boomers have retired, retirees will have at least \$45 billion less in retirement income than they need to cover basic living and health care expenses."<sup>1</sup>[1]

The driving force behind the growing cost of retirement is the fact that the "boomers" will spend more time in retirement than any previous generation. According to the Center for Disease Control and Prevention, a 65 year old can now expect to live another 18 years, on average. American seniors are living 50 percent longer than they were in the 1930s, when Social Security set 65 as the benchmark retirement age. A complicating factor for women is that their life expectancies average three years longer than men's, but according to a 2004 survey by the U.S. Census Bureau, the median salary for women is 24% less than that for men.

Moreover, seniors face rising costs of living as they age: rapidly rising health and prescription drug costs; hefty increases in property taxes or rising rents; and markedly accelerating fuel costs, water and sewer charges, automobile insurance, and gasoline. Seniors also face changing life circumstances as they age –

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<sup>1</sup>[1] Employee Benefit Research Institute, <http://www.ebri.org/publications/facts/index.cfm?fa=fastfacts>

circumstances such as illness or other change in their health, need to care for a disabled spouse, loss of a spouse, or in some cases an adult dependent child or a grandchild – that generally lead to higher costs.

At the same time, seniors' incomes and resources typically are stagnant or decline with age. The single biggest income source, Social Security, provided 69% of beneficiaries age 65 or older more than half of their income. For 39% of elderly recipients, Social Security contributes more than 90% of their income, and for nearly one-quarter of recipients, it is their *only* source of income. Due to the major shift from defined benefit to defined contribution plans,<sup>2[2]</sup> pension income – relied on more heavily by middle-income seniors – is now, like asset income, subject to the vagaries of the stock market. Retiree health plan benefits are being restructured and reduced. Many seniors have no savings at all (the poorest 20% have only 2% of income from assets), and growing numbers find themselves in debt. <sup>3[3]</sup>

The National Elder Economic Security Initiative™ (EESI™) program is a multi-year project that offers a conceptual framework and concrete tools to shape public policies and programs to promote the economic well being of older adults, whether or not they have the capacity to be fully self-reliant or are in need of certain public supports to age in place with dignity and autonomy. The EESI™ program combines coalition building, research, education, advocacy and a media strategy at the community, state and national level. Undergirding the EESI is the WOW-GI National Elder Economic Security Standard™ index, a new tool for use by policy makers, older adults, program providers, leaders in the aging advocacy community and the public at large. The National Elder Economic Security Standard™ (Elder Standard™) index was developed in conjunction with WOW's national research partner, the Gerontology Institute at the University of Massachusetts Boston.

The Elder Standard™ index is a measure of income that older adults require to maintain their independence in the community and to meet their daily costs of living, including affordable and appropriate housing and health care. The development and use of the Elder Standard™ index promotes a measure of income that respects the autonomy goals of older adults, rather than a measure of what we all struggle to avoid – abject poverty.

The Elder Standard™ index is calibrated to address the specific costs of one's real life circumstances, rather than today's antiquated measure – the senior poverty level, which is based solely on an average of what an older adult is presumed to spend on food. The Elder Standard™ index offers precise and geographically specific information on an older adult's financial needs based on her particular household size, housing tenure, transportation and, health status as well as food intake. Moreover, the poverty level is computed only nationally and, thus, does not capture the wide range of housing and other cost differentials across the country and within each state.

The information developed through the Elder Standard™ index helps us understand that many older adults who are not poor, as defined by the official poverty level, still do not have enough income to meet their basic needs. The Elder Standard™ index answers the following questions: How much income – or combination of personal income and public programs – is needed by older adults living on fixed incomes to cover today's rising living costs? What is the impact of public programs, such as Medicare, Medicaid, Food Stamps, or housing assistance on an elder's evolving income and health needs? Will it be necessary for able older adults to continue to work for pay, despite being of retirement age and preferring to retire?

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<sup>2[2]</sup> Between 1985 and 2003, the percentage of workers with pension plans with defined-benefit coverage decreased from 80% to 33%, while those with defined-contribution coverage increased from 41% to 51%; between 1997 and 2000, those with cash-balance plans increased from 6% to 23%. Federal Interagency Forum on Aging-Related Statistics, "Older Americans 2004: Key Indicators of Well-Being," Indicator 9, <http://www.agingstats.gov/chartbook2004/economics.html>.

<sup>3[3]</sup> Data are from Federal Interagency Forum on Aging-Related Statistics, "Older Americans 2004: Key Indicators of Well-Being," Indicator 9, <http://www.agingstats.gov/chartbook2004/economics.html>.

Economic security for older adults is central to the most pressing public policy issues that face our country today. While policymakers and the public want to ensure that elder needs are met, there is an increasing concern about the economic effects of the growing cost of Social Security and Medicare – as well as for subsidized housing, increased welfare, and other programs that are necessary to help many seniors remain independent. The need for a reliable and realistic base-measure of a minimum economic security for seniors will be increasingly necessary as these debates intensify and resources become scarcer over the next few years. Such a measure will help policymakers and administrators make informed choices on how to spend limited funds for social programs, how to benchmark the effectiveness of these funds and set a concrete goal or framework in which to develop policies as well as fund programs. Importantly the information contained within the Elder Standard™ index will provide a tool for seniors to plan for their needs and to fulfil their own personal goals as they age.

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