



Wider Opportunities for Women

THE STATE OF WOMEN AND THEIR FAMILIES' LIFELONG ECONOMIC SECURITY

Since Wider Opportunities for Women (WOW) was founded in 1964, WOW has sought to identify innovative approaches to promoting economic opportunities for women and girls. In the early years, WOW fostered women's employment resource centers across the country; later WOW was a leader in the promotion of non-traditional jobs for women. In the 90's WOW launched the Family Economic Self-Sufficiency Project (FESS) to provide tools to low income working families and in 2005, WOW launched the Elder Economic Security Initiative to address how elders could be economically secure as they age in place. Today, WOW is seeking intergenerational strategies to move women and their families toward lifelong economic security. As part of this effort, WOW has commissioned a white paper to explore the cumulative effects of advantage and disadvantage on the economic security of women and their families throughout their lifetime. The findings of the white paper provide the foundation for a 21st century policy agenda for economic security for women. The following is a summary¹ of the white paper written by Martha Holstein, Ph.D. on behalf of WOW.

The Theory of Cumulative Advantage/Disadvantage

The "differential opportunities available to young adults turn into vastly different outcomes when they are old" (King, 2006, p. 58). Sociologists call this the *theory of cumulative advantage/disadvantage* (Crystal & Shea, 1990; O'Rand, 1996; Dannefer, 2003) – a theory repeatedly borne out in empirical studies of economic status at different stages of the life cycle.

"Those with good education, good family connections, good jobs and fringe benefits, and good health" are most likely to retire with adequate resources to see them through old age in relative comfort (Harrington Meyer, 2005).

Contingent events (loss of a spouse or illness) are experienced differently depending upon one's economic condition just before the event. These factors help explain why one-third of non-married women, who make up 62% of households over the age of 85, are poor or near poor (Munnell, 2004).

Elder Economic Security

Despite decades-long efforts to ensure decent standards-of-living for U.S. elders, the U.S. Census data reported that in 2006 *over one-third* (33%) of those 65 or older were considered "poor" or "near poor" according to federal standards, living on less than \$19,600 per year.

Over 9% of elders lived below the federal poverty line, which means that they had an annual income of less than \$9,800. Wider Opportunities for Women (WOW) believes the situation is far grimmer. Based on data from 1964, the federal poverty line is woefully outdated and unlikely to be revised anytime soon. In response, WOW introduced the *Elder Economic*

¹ The white paper was authored by Martha Holstein, Ph.D. and edited by the WOW staff. The summary found in these pages has been extracted from the full white paper and edited by Bonnie McEwan of Make Waves Not Noise, Inc., Tanya George, and the WOW staff.

*Security Standard™ Index*² in 2007 to provide a realistic measure to assess income adequacy for our country's senior citizens.

The Differentials of Gender and Race

The poverty rate among the approximately 20% of women 50 and over, who are unmarried and live alone, is "four times greater than among married women."

Women are poor largely as a consequence of "the domestic division of labor and women's position in the labor market" (Gonyea & Hooyman, 2005, p. 3). Low lifetime earnings – in large measure as the result of caregiving – jeopardize older women's income security (Munnell, 2004).

Their unpaid work in the home—particularly child and elder care – is not supported either ideologically or practically in the US. In the absence of this unpaid labor, the costs to the state would exceed \$350 billion a year (Gibson & Houser, 2007; AARP Public Policy Institute).

Thus, given that career opportunities and Social Security benefits are still based on a traditional family structure—a working spouse and a stay-at-home wife—women's caregiving obligations leave a trail that contributes to economic hardship in old age.

The majority of older people are not affluent. Of those who fall below the federal poverty level, over 70% are women, in particular women of color and women over 85 who are living alone (Gonyea & Hooyman, 2005).

Privatization of Risk

Reoccurring attempts to privatize Social Security and the Medicare Modernization Act as well as the significant decline in defined benefits plans reflect the perspective that each person should prepare for his/her own old age. Yet, *in the absence of a relatively equal starting place*, this approach will further exacerbate race, class, and gender inequities that make it very difficult to transcend initial disadvantages.

Even after a 15-year growth in stock prices, retirement income adequacy for the average household did not improve. African-Americans and Hispanics experienced the greatest loss in wealth from 1983 to 1998. The retirement income shortfall will grow to as much as \$57 billion by 2030. During the decade ending in 2030, the aggregate retiree income shortfall could exceed \$500 billion (EBRI, 2003).

Occupational and labor force participation, family histories, health status changes, and marital status all influence later life outcomes—both positively and negatively (Crystal, 2006). "High levels of late life inequality. . .depend in large part on *societal [not individual] choices*."

Collective Commitment

The perspective labeled cumulative advantage-disadvantage "does not deny the importance of individual action, but it demonstrates the power of structural realities within which human agency must operate" (Dannefer, 2003, p. 328).

Some individuals and families will be much worse off as a result of an individualized rather than a collective commitment to economic security and health care. It is these *collective commitments* (Social Security, Medicare, pensions, e.g.) that have reduced poverty among older people, one of the great achievements of the past half-century.

² The GI-WOW Elder Economic Security Standard™ Index was developed by the Gerontology Institute of the University of Massachusetts/ Boston in conjunction with WOW.

Absent a collective commitment, families are left to struggle on their own. Adult children must provide care and financial support to elders at a time when they are raising their own children and are also expected to save for their own retirements. This is not realistic.

Kingson, Hirshorn, and Cornman (1986) assert that the state ought not stand-by while families impoverish themselves to meet their obligations to one another. The assumption that market forces will, as the result of careful investment and savings, result in a fair distribution of resources to all generations is both *unproven and risky*.

To argue for *generational solidarity* is to support policies that help families help one another without impeding their opportunities for making choices about their own lives or impoverishing themselves. "Aging is," after all "a lifelong phenomenon;" what happens to us in old age depends, in large part, "on decisions made about life at all ages during the life course" (Schultz & Binstock, 2006).

Family Economic Security

Today, single, low earning women, will need to save 25% of their income, beginning the day they start working, to assure retirement security (EBRI, 2004). This is seldom possible.

It is unlikely that families will be able to save at the rate necessary to accumulate the wealth needed for retirement security (EBRI, 2004). The cause is not profligacy; family expenses are climbing as the result of higher mortgages, health insurance, child care expenses, and educational costs, all of which rise while real incomes are stagnant.

Even with earnings of \$12 per hour (significantly above the federal minimum wage) family wages on average covered only 72% of basic living costs (WOW, 2004).

The cost for a family with a single wage earner to support an infant and a preschooler ranges from \$27,660 per year, or \$13.10 per hour, in New Orleans, to \$59,544 yearly, or \$28.19 per hour, in Boston. On average, the federal minimum wage covers just 34% of a family's basic costs (WOW, 2004).

In 1999, only 10-15% of eligible families received child care assistance, and about 12% got housing aid. In 2000, only 60% of those eligible for food stamps received them.

Less than 50% of the working population has pensions and these are most often plans in which income fluctuates depending on external forces beyond the retiree's control. Women are least likely to have pensions.

In 1996, in response to the welfare reform's devolution of power and resources on issues related to low-income families from the federal to the state and local levels, WOW launched the Family Economic Self-Sufficiency (FESS) Project. A cornerstone of the FESS Project is the development of the state-specific *Self-Sufficiency Standard*³, a tool similar to the *Elder Economic Security Standard Index* that calculates how much income working families need to meet their basic expenses of housing, child care, food, health care, transportation, and taxes, depending on where they live and the composition of their families. Today, the FESS Project is operating in 35 states and the District of Columbia where collaborating with local partners, WOW has been able to define what it means to be "self-sufficient", who needs help, and, at the same time, emphasize the importance of good jobs and, where necessary, public supports to help families balance their employment, family responsibilities and budgets.

³ The Family Self-Sufficiency Standard was developed by Dr. Diana Pearce when she was employed at WOW as director of the Women and Poverty Project.

Social Security and Medicare

According to the most recent data, *Social Security is the only source of income for three out of ten retired elders*. Average annual Social Security income provides an elder homeowner with *only 81%* of the income required to achieve economic security. If an elder rents, the average annual Social Security income will *provide only 63%* of the income required to achieve economic security. Both white women and women of color have to stretch their Social Security income even farther than men. In 2007, the average annual Social Security income received by women 65 years and older was \$10,432, compared to \$13,755 for men.

Recent estimates suggest that Medicare covers only 40% of old age health care costs (Harrington Meyer, 2005). Elders who are near poor can be catapulted into poverty as the result of medical crises. Out-of pocket health care costs as a percentage of income (approximately 13% of household income) "have increased substantially since 1997;" these costs are higher than that for younger age groups (Neuman, 2007, p.1).

Recent efforts to further privatize Medicare through Medicare Advantage plans are costing 13% more than fee-for-service plans (Harrington Meyers, 2005). Much of this 13% does not reach patients in the form of better care but rather covers the marketing and other administrative costs of private plans. "Subsidizing private health insurance creates inequities" (Street, 2007).

Lifetime Trajectory

If one used the FESS Project to plot a lifetime trajectory for families unable to make ends meet, these same families plus others who experience a downward spiral as the result of untoward events – would no doubt be reflected in the *Elder Economic Security Standard Index*. For older women, the "structural conditions and normative expectations that have promoted and maintained their economic dependence converge, resulting in economic uncertainty, near-poverty, or poverty" (Arendell & Estes, 1991, p. 208).

Jan Baars (2006), a Dutch philosopher and social theorist, reminds us that, "individual behavior is in many ways influenced, restricted or pre-programmed by societal structures and agencies." Just because people are abstractly free to make choices, doesn't mean that the empirical possibility to choose is also present.

Theoretically, every individual is free to make decisions about his or her own life. That idea fails to recognize the difficulties faced in old age by those who were unable to "compete effectively during the relatively few years in which capital must be earned and partially invested for the future" (Baars, 2006, 31).

There are now increasing pressures to "transfer more and more of the risks associated with aging—the threat of poverty, the need for long-term care, and the likelihood of severe illness—to individuals and families" (Putney, Bengston, & Wakeman, 2007, 123). The more responsibilities that families assume for their elders, the less likely they will be able to save what is needed for their own old age.

The Intergenerational Solution

The foundation for social welfare policies and for Medicare and Social Security is strong participation by government to assure that risks are spread broadly among the old and young, the healthy and the ill, the poor and the affluent.

Incontrovertibly, despite downward trends, poverty rates among America's older population are still the highest among the rich nations (Smeeding & Sullivan, 1998, cited in Myles & Quadagno, 1999).

WOW believes that privatizing income and health security in retirement would benefit the already advantaged who have significant resources to invest, have knowledge about and experience in financial markets, and the ability to weather fluctuations in equities. Privatization will do very little for the most vulnerable who do not have very much to put into private accounts, who have no history of investing, and who, when they do invest, do so cautiously (Hardy, 2007).

To argue for generational interdependence suggests that social policy ought to focus more generally on *family policy* with special attention to vulnerable populations of all ages.

In a recent paper for the United Nations, Thomas Schindlmayr (2005) observed that "there is a degree of moral obligation across generations in every society...the contract supposes that each generation takes care of others at differing stages of the life cycle, and is upheld in various forms across societies." While we might immediately see the impact of deforestation or poisoning the environment, less visible but equally important are the social dimensions of this commitment to future generations.

WOW's economic security measures – the *Family Economic Self-Sufficiency Standard* and the *Elder Economic Security Standard Index*, guide our policy and program development at the national, state, and local level. The measures inform policy in the areas of work and income supports, education and training, child care and caregiving, workforce development, long-term care, and wage and benefit determinations. WOW has also begun to incorporate the concept of economic security into discussions regarding part-time work, health care affordability, and retirement savings such as Social Security and pensions. WOW believes that using these measures of economic security to develop social policy will ensure the design of intergenerational strategies that help women and families achieve income and health security throughout their lifetimes – and prevent one generation from suffering because of its obligation to care for another.

Wider Opportunities for Women (WOW) leads two national networks promoting economic security within the United States: the Family Economic Self-Sufficiency Project (FESS) focusing on the needs of low-income working families and the Elder Economic Security Initiative™ program, addressing what income seniors require to age in place. WOW works in 35 states, the District of Columbia, and at the federal level to promote programs and policies that accurately measure the income and assistance needs of families and the elderly. For more information, please visit www.wowonline.org.

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