

## **The Gender Wage Gap Jeopardizes Women's Retirement Security**

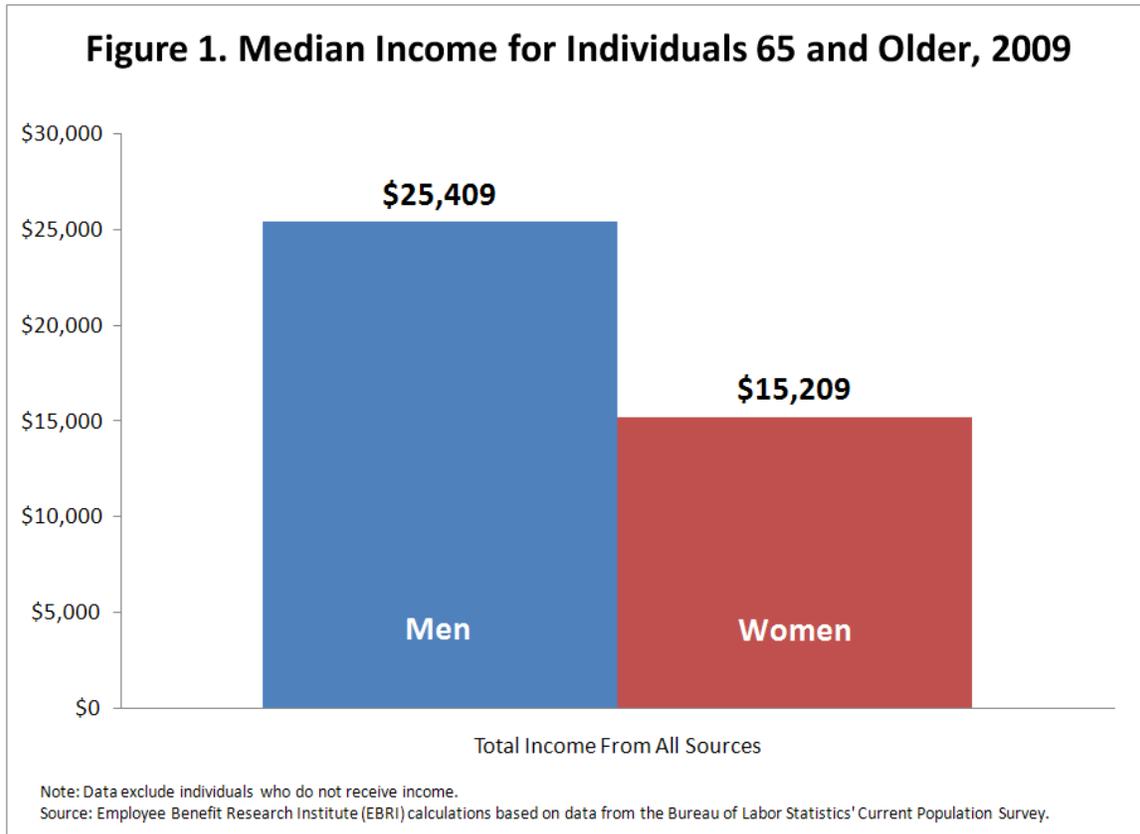
Equal Pay Day highlights an issue of social and economic significance: the gap between the earnings of men and women. In 2009, women working full-time earned 77 cents for every dollar earned by their male counterparts.<sup>1</sup> That disparity has lasting consequences for the economic security of women that persist long after they have exited the labor force.

---

**REPORT BY**  
**THE U.S. CONGRESS JOINT ECONOMIC COMMITTEE CHAIRMAN'S STAFF**  
**Senator Bob Casey, Chairman**

**Lower earnings over the course of their careers jeopardize women’s retirement security.**

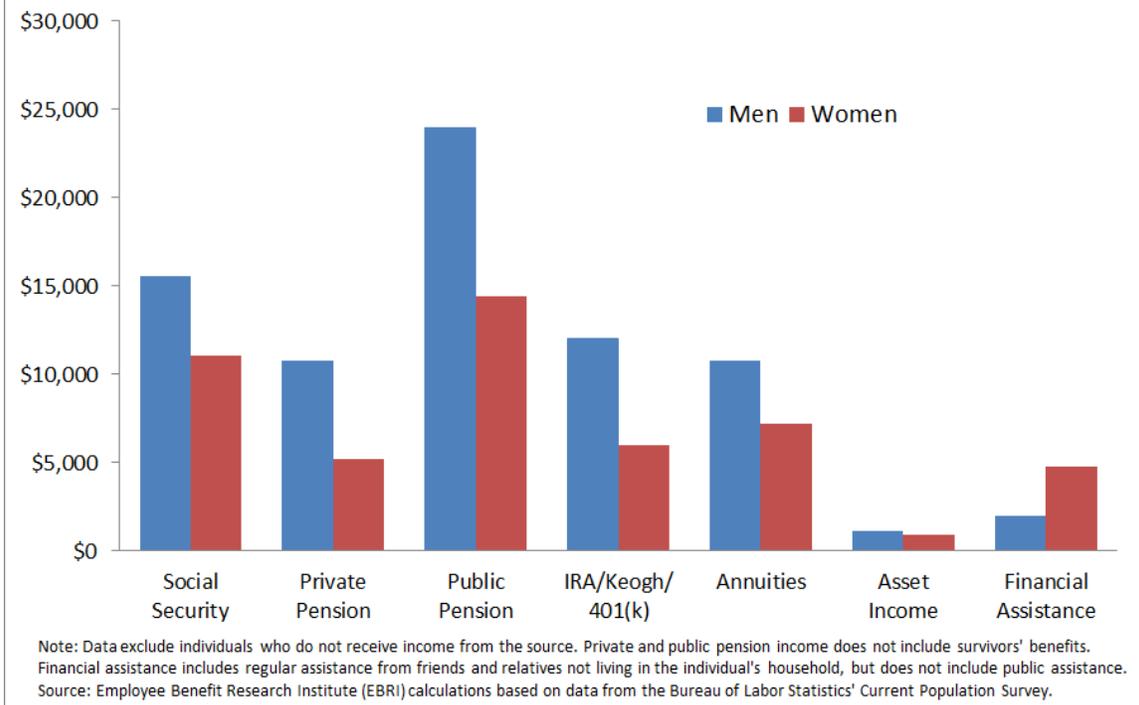
Families depend on women’s earnings for economic security, including during retirement. Data from the Bureau of Labor Statistics’ Current Population Survey reveal that the gender pay gap significantly affects women’s incomes in retirement. Among women age 65 and older, median income from all sources was \$15,209 in 2009—over \$10,000 less than the median income for men 65 and older.<sup>2</sup> (See Figure 1.)



**The gender pay gap affects sources of retirement income directly linked to career earnings.**

Of the multiple sources of income Americans rely on later in life, many are directly linked to a worker’s earnings over his or her career. These include Social Security benefits, based on lifetime earnings, and defined benefit pension distributions that are typically calculated using a formula based on a worker’s tenure and salary during peak-earnings years. The persistent gender pay gap leaves women with less income from these sources than men. For example, older women’s Social Security benefits are 71 percent of older men’s benefits (\$11,057 for women versus \$15,557 for men in 2009). Incomes from public and private pensions based on women’s own work were just 60 percent and 48 percent of men’s pension incomes, respectively.<sup>3</sup> (See Figure 2.) Conversely, older women typically receive larger amounts of income from pensions based on a deceased spouse’s work than men do.<sup>4</sup>

**Figure 2. Median Retirement Income From Selected Sources for Individuals 65 and Older, 2009**



**The gender pay gap limits women’s ability to save for retirement in other ways.**

Lower earnings also affect women’s ability to contribute to other retirement-saving plans, including defined contribution pension plans and individual retirement accounts (IRAs). Although not directly based on a worker’s earnings, smaller take-home pay translates into less disposable income to dedicate to saving for retirement. Among women 65 and older who receive income from these types of saving and investment vehicles, their income was half that of men’s. Women also typically received smaller amounts from annuities and private assets.<sup>5</sup>

**Earnings for older women still in the labor force are a fraction of men’s.**

With typically less income from other sources, many women remain in the labor force to supplement their retirement income. However, those earnings tend to be a fraction of earnings earned by men. In 2009, women 50 and older working full-time earned only 75 percent of their male counterparts’ earnings, leaving a 25 percent gap.<sup>6</sup> Women 65 and older made only 60 percent of the earnings of men 65 or older, leaving a 40 percent gap.<sup>7</sup> Thus, women face both lower retirement income and lower earnings than men when they remain in the labor force to supplement their retirement income.

## Addressing the gender wage gap for workers of all ages is critical for women's retirement security.

Lower earnings over a woman's career can result in smaller private savings to draw upon in retirement, smaller contributions to employer-sponsored retirement plans, smaller Social Security benefits, and smaller paychecks for those women who continue to work later in life. With income that is only a fraction of men's, women 65 and older are more likely to live in poverty and depend on Social Security and financial assistance to make ends meet. Women 65 and older are five times more likely to receive financial assistance than men,<sup>8</sup> and typically draw twice as much income from financial assistance than men.<sup>9</sup> While addressing the gap between men and women's earnings is important for current workers, closing the gap would also bolster women's retirement security.

---

<sup>1</sup> Comparisons for full-time, year-round workers. U.S. Census Bureau. Income, Poverty and Health Insurance Coverage in the United States, 2009. <http://www.census.gov/prod/2010pubs/p60-238.pdf> This is one widely cited estimate of the gender wage gap that assumes workers work 40 hours per week.

<sup>2</sup> JEC Chairman's Staff calculation based on Employee Benefit Research Institute (EBRI) tabulations of Current Population Survey (CPS) data. Data accessed through EBRI Databook on Employee Benefits, Chapter 7: Sources of Income for Persons Aged 55 and Older. Table 7.4. Available at <http://www.ebri.org/publications/books/?fa=databook>.

<sup>3</sup> JEC Chairman's Staff calculations based on EBRI tabulations of CPS data.

<sup>4</sup> This is true for both public and private pensions. EBRI tabulations of CPS data.

<sup>5</sup> JEC Chairman's Staff calculations based on EBRI tabulations of CPS data.

<sup>6</sup> Joint Economic Committee. *Large Gender Pay Gap for Older Workers Threatens Economic Security of Older Women*. December 2010.

<sup>7</sup> JEC Chairman's Staff calculations based on EBRI tabulations of CPS data.

<sup>8</sup> Financial assistance in Figure 2 includes regular financial assistance from friends or relatives not living in the individual's household and does not include public assistance/Supplemental Security Income, in which the median was \$600 for men and \$480 for women in 2009.

<sup>9</sup> JEC Chairman's Staff calculations based on EBRI tabulations of CPS data.