

# Commentary

BUFFIN PARTNERS INC.

ECONOMIC INVESTMENT AND ACTUARIAL RESEARCH

## Social and Economic Security: Fairness for Women

Women have made significant progress over the last two generations in overcoming the effects of discrimination in areas that affect their economic security. But much remains to be done to achieve fairness, not only in terms of countering the remaining vestiges of discrimination, but also in recognizing specific gender-related issues that require affirmative action because of the specific roles and lifestyles of women that either they choose or that are designated for them as norms for society; these roles include motherhood, child care and family responsibilities. The life circumstances and work histories of men and women are generally different in important respects. Women live longer than men on average and are often living alone in old age. Women are less likely than men to have health insurance or employer-provided pension coverage. In old age, women are less likely to have a family member to care for them and are much more likely to need long-term care in an institutional setting. Discrimination continues to be found in employment conditions; a Federal Appeals Court in San Francisco recently ruled that the largest sex-discrimination case in American history could proceed against a major retail company as a class-action lawsuit; the lawsuit had been brought on behalf of present and past female employees of the retailer with respect to bias in pay and promotion policies towards men; an estimated two million women would potentially be covered under the class-action lawsuit.

In December 2006, the Women's Institute for a Secure Retirement (WISER) held a symposium in Washington with a theme of Securing Women's Retirement Future. A number of key facts were presented at the symposium that help to focus on the particular issues that need to be

addressed in achieving fairness for women in social and economic security. For more than 40% of those older women who live alone, Social Security provides virtually all of the financial support and resources that they have available; this group is more than four times likely to be poor as are married couples. Women provide the majority of the caregiving for others; during the time they are caregiving, they are often not saving for retirement, and unpaid caregiving reduces both their Social Security and their pension protection. According to the National Council for Research on Women, changes in tax policy over the last several decades have benefited the wealthy, and shortchanged low and middle income wage groups, where women predominate. The after-tax income in the last three decades has more than doubled for the top 1% of the population, increased by only 15% for those in the middle income range and grown by only 5% for the lowest fifth of the population; this has been a major impediment to women's efforts to acquire financial assets.

The Society of Actuaries recently published a report on The Impact of Retirement Risk on Women. The key findings and issues in that report serve to highlight facts that present challenges in terms of retirement issues that require attention for women. The median earnings level of women working full-time was found to be 76% of the corresponding earnings of men; the median number of years worked prior to retirement was 32 for women compared to 44 for men. At age 65, average life expectancy was reported as 17 years for men and 20 years for women; 30% of women at age 65 may expect to reach age 90 compared to 20% for men. In old age, women are more likely than men to be widowed, divorced

or never married and, for individuals age 85 and over, the difference is substantial: 85.9% for women and 44.9% for men. As corporations and other plan sponsors move away from the traditional type of defined benefit pension to defined contribution arrangements, these changes in the structure of pension plans have the effect of shifting the impact of mortality and investment risks onto individuals, creating a financial and social burden for many persons, particularly women. A lack of inflation indexing of benefits in private pension plans puts women at greater risk from the effects of inflation, particularly at the older ages.

As policymakers evaluate various options to reform the Social Security system to address its projected financial problems, it is essential to keep in mind that Social Security represents an extremely important source of retirement income for women. Changes to retirement age, the basic benefit formula, or the computation period for benefits (currently 35 years) or the introduction of individual accounts, may significantly affect women. Any proposals to modify or reform Social Security will require that women's issues be researched and analyzed with the utmost care and due diligence to ensure that women do not become even more disadvantaged in the name of achieving long-term solvency and sustainability of the system.

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