

## Strengthening Income and Work Supports

Poverty is largely a women's issue. Over 14 million women - one in eight - live in poverty. Single mothers, women of color, and elderly women are especially vulnerable. More than one in three single mothers, more than one in five African American and Latina women, and one in five elderly women living alone are poor. Several factors contribute to the high rate of poverty among women, including unequal opportunities in education and employment, the high numbers of women who work in jobs that do not provide adequate wages and benefits, the time many women devote to unpaid family caregiving, domestic violence and other barriers to employment, insufficient child support, and the recent erosion of many other supports for poor women and their families.

\* **Make Work Pay.** The Earned Income Tax Credit (EITC) is an important supplement to the earnings of low-income workers, especially those with children. The EITC is fully refundable, so tax filers with little or no federal income tax liability can receive the credit as a refund or as an increase in their paychecks throughout the year. Families with two or more children can receive an EITC of up to \$4,824 for tax year 2008. But the EITC generally does not increase for families with more than two children, who have higher rates of poverty than smaller families. And some low-income workers can still face significant "marriage penalties" - reductions in their EITC benefits - if they marry. Congress should improve the EITC for families with children by increasing the credit for families with three or more children and raising the point at which the EITC phases out for married couples.

The EITC also is available for low-income workers between the ages of 25 and 64 with no qualifying children. But for these workers, the benefits are too small to have a significant impact. In tax year 2008, the maximum EITC for childless workers is just \$438, and workers earning just \$12,880 are ineligible. Congress should improve the EITC for childless workers by doubling the credit rate, applying it to a higher level of earnings, and increasing the point at which the credit phases out. Congress also should make the EITC for childless workers available to workers until they reach the full Social Security retirement age, which is now age 66 and rising. This would assist low-wage workers who have to keep working to make ends meet until they qualify for full Social Security benefits.

### Providing a Secure Retirement

Women have greatly increased their participation in the paid labor force in recent decades, and retired women of the future will have earned higher retirement income on their own work records than current retired women. But, women still have substantially lower lifetime earnings than men: the annual wage gap between women and men is persistent, and the gap in lifetime earnings is even larger, because women are more likely to take time out of the labor force for family caregiving. Lower lifetime earnings mean lower retirement income and smaller savings. At the same time, women live longer than men, face higher health care costs, and spend more years alone in retirement, posing additional financial challenges. In addition, divorce can have especially negative effects on women's economic well-being, leaving divorced women financially worse off in retirement than married couples or divorced men.

\* **Protect and Strengthen Social Security.** Social Security is the mainstay of women's retirement income, providing secure lifetime benefits that keep pace with inflation to retired workers, spouses, surviving spouses, and former spouses. For many single women 65 and older, Social Security is virtually their only source of income. Currently, Social Security provides 90% or more of the retirement income for nearly half of all single women 65 and older. Fortunately, Social Security can continue to play a vital role in the economic security of future generations. It faces a manageable long-term shortfall, not a crisis. The reserves in the Social Security Trust Fund can pay 100% of promised benefits for the next three to four decades, and 75 to 79% of promised benefits after that. Congress

should protect and strengthen Social Security and its finances by rejecting proposals to divert Social Security revenues into private accounts and raising additional revenues, for example, by applying the Social Security tax to higher wages or dedicating revenues from a progressive tax to Social Security.

\* **Improve Social Security benefits.** Even with Social Security, about one in five single elderly women is poor. Two adjustments to Social Security benefits could significantly reduce poverty among elderly women. For workers with low lifetime earnings, including those who have reduced time in the paid labor force because of family caregiving, Congress should increase the benefits available under the "alternative minimum benefit formula." To reduce poverty among widows, the largest group of the elderly poor, Congress also should improve benefits for widowed spouses. Under current law, a surviving spouse is eligible for a Social Security benefit equal to 50 to 67% of the combined benefits received by the couple; the proportion depends on the relative earnings of the spouses. But, according to the Census Bureau's poverty thresholds, a single elderly person needs 79% of the income of a two-person household to maintain the same standard of living. Congress should raise the survivor benefit to 75% of the couple's combined benefits, and target increases to those with lower earnings by capping the amount a person could receive under this alternative formula (for example, at the benefit level of a Social Security maximum earner). This approach also would increase equity between one- and two-earner couples.

\* **Expand Access to Employer-Based Retirement Plans.** Women are less likely than men to have an employer-based retirement plan, and when they do, their pension benefits and account balances are smaller. Congress should improve access to employment-based retirement plans by requiring employers to allow more part-time workers to participate and reducing vesting requirements for employer-provided pensions.

\* **Extend Protections of Traditional Defined-Benefit Plans to Defined-Contribution Plans.** The replacement of traditional defined-benefit pension plans by defined-contribution plans, such as 401(k)s, poses particular challenges for women. The 1984 Retirement Equity Act, which applies to traditional defined-benefit pensions, gives a spouse the right to a survivor annuity from the other spouse's pension unless the spouse waives the right. This has improved retirement security for many women; in the decade after the REA was enacted, the number of married men who selected a survivor annuity for their spouses increased by 18%. But, the shift from defined-benefit to defined-contribution plans means that guaranteed pension benefits for surviving spouses are disappearing because this right does not apply to defined-contribution plans or Individual Retirement Accounts. Congress should extend the current spousal pension right for defined-benefit plans to defined-contribution plans and require spousal consent before individuals can withdraw, borrow against, or roll over into an IRA the accumulation in a defined-contribution plan.

\* **End Gender Discrimination in the Pricing of Annuities.** Women who want to convert their savings into a stream of income for life to ensure they don't outlive their savings face a private marketplace in which annuities are priced on the basis of gender. Congress should prohibit gender discrimination in the pricing of annuities and expand access to low-cost, comprehensive, and secure annuity products.

\* **Make the Saver's Credit Refundable.** The tax system generously subsidizes retirement savings by the wealthy, who do not need tax subsidies to save for retirement, but provides few tax benefits to those who struggle to save. The Saver's Credit provides some tax assistance to low- and moderate-income individuals; it can be worth up to 50% of a maximum \$2,000 contribution to a 401(k), IRA, or similar retirement plan. However, the credit is not refundable, so it is not available to tax filers with no federal income tax liability. Congress should make the Saver's Credit refundable.