

# WORKING PAPER

## *Executive Summary*

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# EMPLOYMENT, SOCIAL SECURITY, AND FUTURE RETIREMENT OUTCOMES FOR SINGLE MOTHERS

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Employment rates for single mothers with dependent children have risen steadily in recent years, due in part to welfare reform and expansions in the Earned Income Tax Credit. This paper examines this recent increase and analyzes the implications for future retirement security. Using the most recent longitudinal data available, the authors model employment, hours of work, and wages for women raising children outside of marriage. They then incorporate the equations into DYNASIM3, a dynamic microsimulation model developed by the Urban Institute, to predict employment, earnings, and retirement outcomes through 2050. The results show that between 1996 and 2000, employment rates for single mothers increased by between 2 percent and 11 percent, while real wage rates increased by between 5 percent and 16 percent, controlling for demographic and human capital factors. During the same period, employment rates for men and other women declined or held steady, while real wages among nonblack workers grew only half as fast for men and other women as for single mothers.

However, these gains will translate into only modest improvements in future retirement outcomes. For women born between 1984 and 1988 who spend at least 10 years raising children outside of marriage, the labor market gains of the late 1990s will increase real lifetime earnings by only 5 percent and will raise Social Security benefits by only 4 percent. The improvements are small in part because many women who raise children outside of marriage experience relatively brief spells of single motherhood. Relative to their lifetime employment and earnings, the gains they experience while single mothers are fairly modest. The projections indicate that factors other than recent labor market gains will contribute to substantial improvements in future retirement outcomes for women who were long-term single mothers earlier in their lives. Between 2020 and 2050, according to the model, mean individual income will increase by 85 percent in real terms for women who spend at least 10 years as single mothers of dependent children, while increasing by only 48 percent for mothers who were always married while caring for dependent children. These gains are driven primarily by increases in educational attainment among single mothers and strong growth in real wages for all workers that the Social Security trustees project over the next 50 years.

Despite these gains, however, many women who raised children outside of marriage will continue to fare poorly in retirement. Because many of them earned relatively low wages, many will remain economically vulnerable well into the future. For example, the model projects that women born in the early 1980s who never attend college and had their first child before they were married will be more than four times as likely as continuously married mothers to live in poverty or near poverty at ages 67 to 72.

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