

# WORKING PAPER

## *Executive Summary*

JUNE 2006, WP# 2006-12

CENTER FOR  
RETIREMENT  
RESEARCH  
AT BOSTON COLLEGE

## EARNINGS AND WOMEN'S RETIREMENT SECURITY

BY ALICIA H. MUNNELL WITH NATALIA ZHIVAN

As the U.S. population ages, traditional sources of retirement income will likely fall short of what is needed to maintain pre-retirement living standards for many individuals. The issue of retirement security is especially important for women, because even today nearly 30 percent of single women, who represent a majority of households at older ages, are classified as poor or near-poor.

One solution to the retirement security challenge is for women to work more during their lifetimes and to stay in the workforce longer as they age. More work would enable women to build an earnings history of their own, and working longer is a powerful antidote to reductions in other retirement income sources. By and large, those who continue to work until their mid-60s or beyond do not end up poor. The question examined in this study is what determines women's labor force activity at older ages and what determines when they retire.

The study finds that women face different financial incentives and family responsibilities than men, and have different demographic characteristics and labor force experiences than their male counterparts. Three considerations may be important.

First, women face less attractive financial incentives to work than men. In particular, women are likely to be viewed within the family as the secondary earner and face higher marginal tax rates under the personal income tax. The empirical analysis suggests that these higher rates may well discourage employment at later ages. In addition, fewer women than men are able to increase their Social Security benefit by continued work, since even today only 40 percent of women are entitled to benefits based solely on their own earnings record. The analysis suggests that the Social Security incentives may be important. Finally, societal norms make it more acceptable for women not to work, and older women, both married and single, are less likely to be in the labor force if the household has adequate financial resources.

Second, when it comes to retirement, joint decision-making means that wives tend to retire when their husband stops working. Since women are on average three years younger than their husbands, they withdraw from the labor force at an early age. Thus, extending women's careers requires one of two changes — either their husbands start to retire later or women decide that joint retirement may not be the best for them in the long run.

Third, a big difference between men and women is self employment. Self-employed men expect to retire two years later than other men. But self employment has no effect on the *expected* retirement age for either married or single women, probably because a much smaller percentage of older women are self-employed. Another finding that reinforces the importance of the flexibility associated with self employment is that a recent change of jobs reduces the likelihood of retiring earlier than expected. The better that people can match their jobs to their lifestyles the longer they will stay in the workforce. Thus, the major challenge for women may be to find the same flexible employment arrangements that men enjoy at the end of their careers, which enable them to gradually reduce their activity as they age.

---

© 2006, by Alicia H. Munnell. All rights reserved. The research reported herein was performed, in part, pursuant to a grant from the Atlantic Philanthropies and Russell Sage. The findings and conclusions are solely those of the author and do not represent the views of the Institute for Women's Policy Research, Atlantic Philanthropies, AARP, Russell Sage or Boston College.

## CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE

Fulton Hall 550, 140 Commonwealth Avenue, Chestnut Hill, MA 02467-3808  
phone 617.552.1762 fax 617.552.0191 [crr@bc.edu](mailto:crr@bc.edu) [www.bc.edu/crr](http://www.bc.edu/crr)