Gender Retirement Gaps in the United States

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Gender disparities partly reflect employment choices

- Increased labor force participation of women over the past several decades and the gender wage gap has narrowed, but stagnated recently
- Women still have
  - lower labor force attachment
  - lower wages
  - occupational segregation
- Results in women with less access and less generous pensions than men.
- Attachment to labor market is best way to maximize benefits of tax preferred retirement savings in United States

Gender disparities partly reflect employment choices

- Further challenge is women's longer life expectancy relative to men

- Have the labor force gains that have occurred spilled over in a meaningful way to retirement preparation?

- Goal: examine the progress of pensions for women, as compared to men, over the past 30 years

Avenues to Save for Retirement Institutional details for U.S.

- Individuals access through employer provided plans and individual retirement accounts (IRAs)
  - Latter requires individual action to set up
  - Individuals can be auto enrolled in the former
- Limits to contributions in tax preferred retirement savings
  - Tax benefits smaller for IRAs
- Defined benefit (DB) plans are less prominent but still significant resource for those in and approaching retirement
- Households can save outside of preferred accounts to fund their consumption in retirement
- Payroll taxes fund public pension program

Institutional details for U.S. Privately-owned assets

- Pensions are one of the few assets on a household's balance sheet that cannot be co-owned in the United States

- Employer-based plans:
  - Historically defined benefit plans (DB) were offered
    - About half of workers had one in 1980s, less than 20% now
  - Shift towards to defined contribution (DC) plans starting in 1980s and 1990s due to legislation

Social Security (public pension) Institutional details for U.S.

- DB structure with cost-of-living adjustment

- Based on highest 35 years of earnings (including zeros)

- Must have 40 quarters of contributions (i.e. payroll taxes)

- Progressive formula (much higher replacement rates for low earners)

- Dependent spouse benefit equal to half of primary earner amount

- Survival benefit equal to primary earner amount

(Some nuance to these statements but this is the general set-up)

Data

- Survey of Consumer Finances (SCF) sponsored by Federal Reserve Board, 1989-2022

- Cross-sectional, household survey in United States that occurs every 3 years
  - Oversamples wealthy households to ensure coverage of the entire wealth distribution
  - Direct measurement of a comprehensive, household-level balance sheet

- Focus on men and women between ages 45 and 64, split into two age groups
  - Important to not only examine who is currently working
- Call combination of DB and DC, "Private Retirement"

Two main estimations to supplement SCF survey data

- First: Defined benefit estimation
  - Estimate 'retirees' present discounted value (PDV) of benefits directly
  - Estimate accumulated assets of 'workers' as residual from aggregate household DB assets.
    - Use wage, years in plan, and discount factor to allocate residual

- Mortality estimates are based on cohort, sex and household income rank

Two main estimations to supplement SCF survey data

- Second: Social Security wealth (SSW) estimation
  - Expected future benefits net expected contributions
  - Need earnings histories (updated methodology from Jacobs et al, 2021)
  - SSW is present value of expected future benefits net expected contributions

Aggregate trends

- Participation in defined benefit pension (DB) plans has declined slightly for both men and women

- Asset values for DB plans have continued to grow
  - Due to aging, the plans continue to increase asset holdings to pay out current promises.

- Participation in DC plans has grown only modestly for both men and women.

- Asset holdings in DC plans has grown tremendously

Finding 1: Steady DC participation
Finding 2: Declining DB plans, particularly for men

Female Participation

Male Participation

Legend (Female): HDB 45-54 · HDC 45-54 · HDB 55-64 · HDC 55-64

Legend (Male): Series2 · Series3 · Series1 · Series4
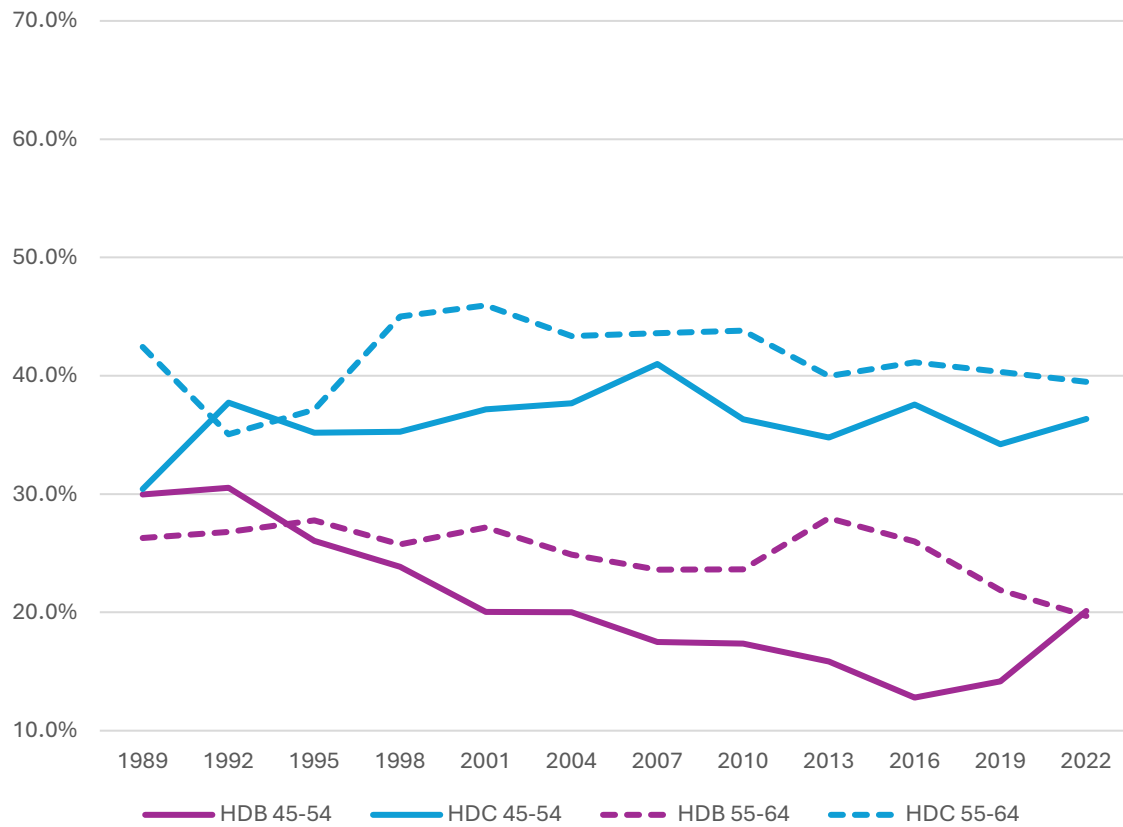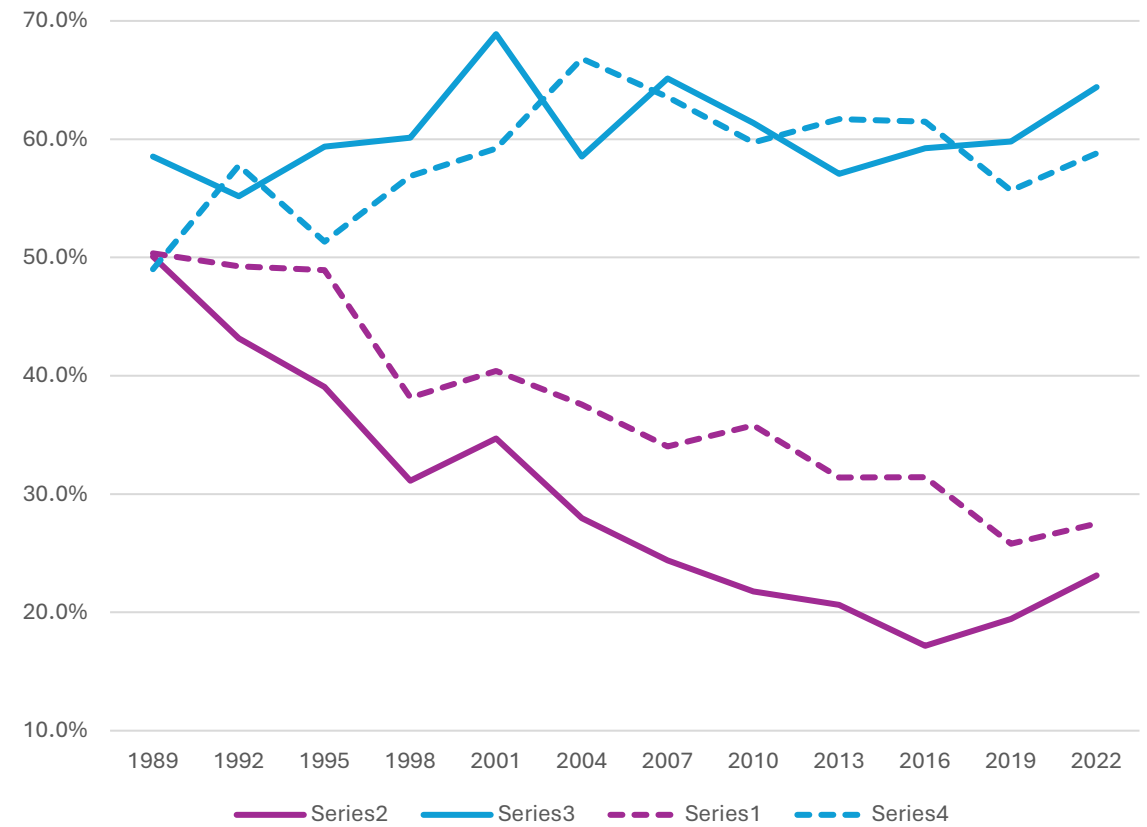
Finding 3: Women's private retirement wealth has increased, men's a bit more stagnant
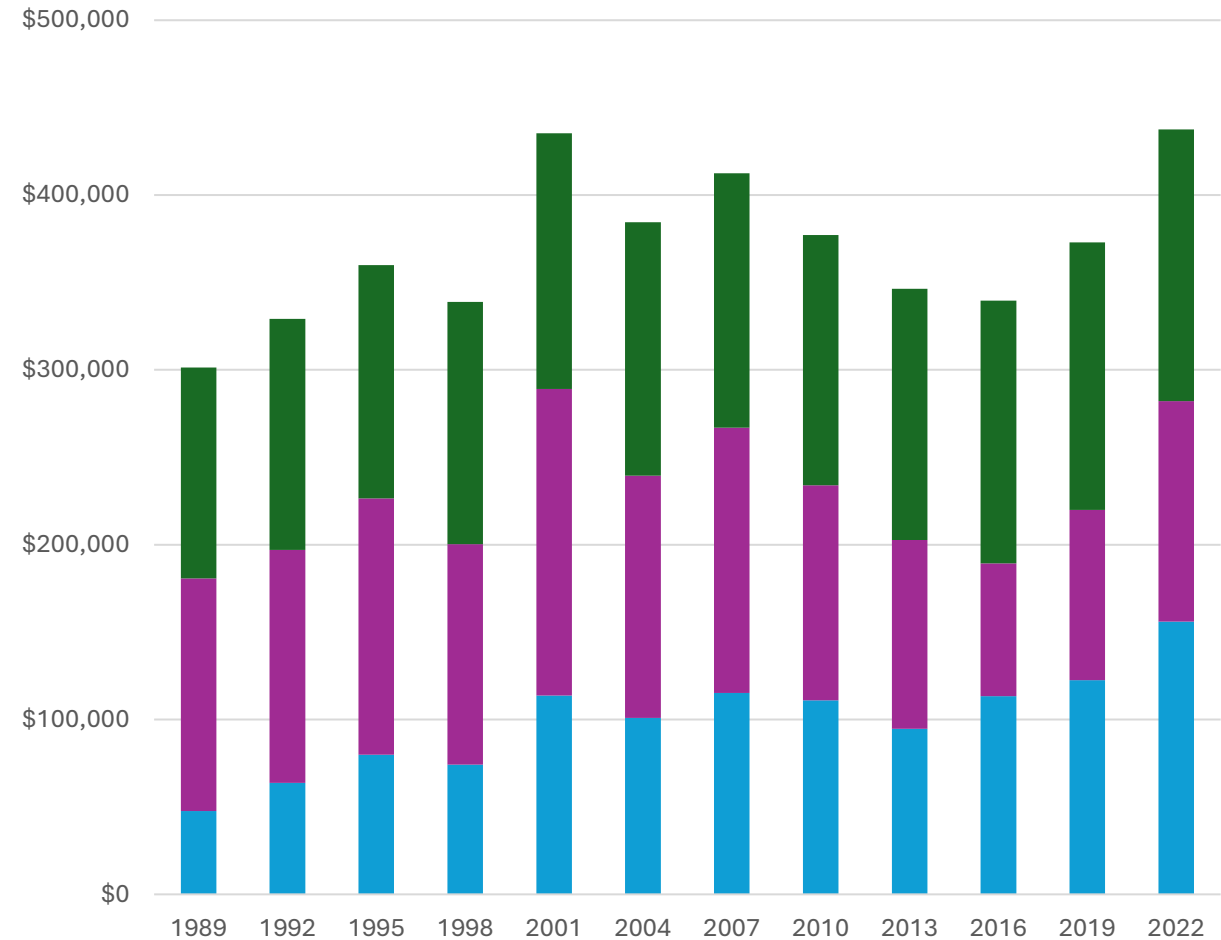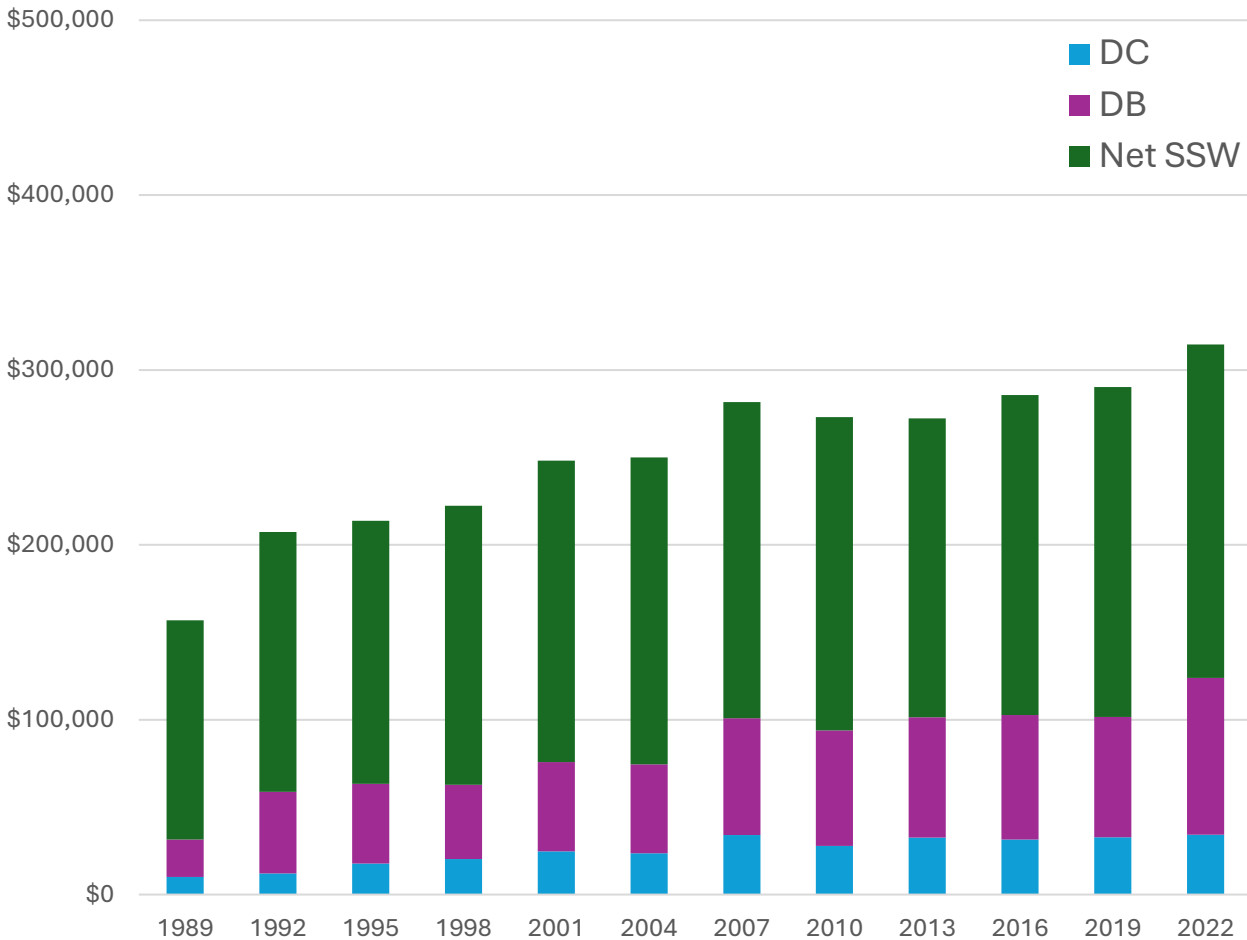

Women ages 45-54 / Men ages 45-54

Legend: DC (blue), DB (magenta)
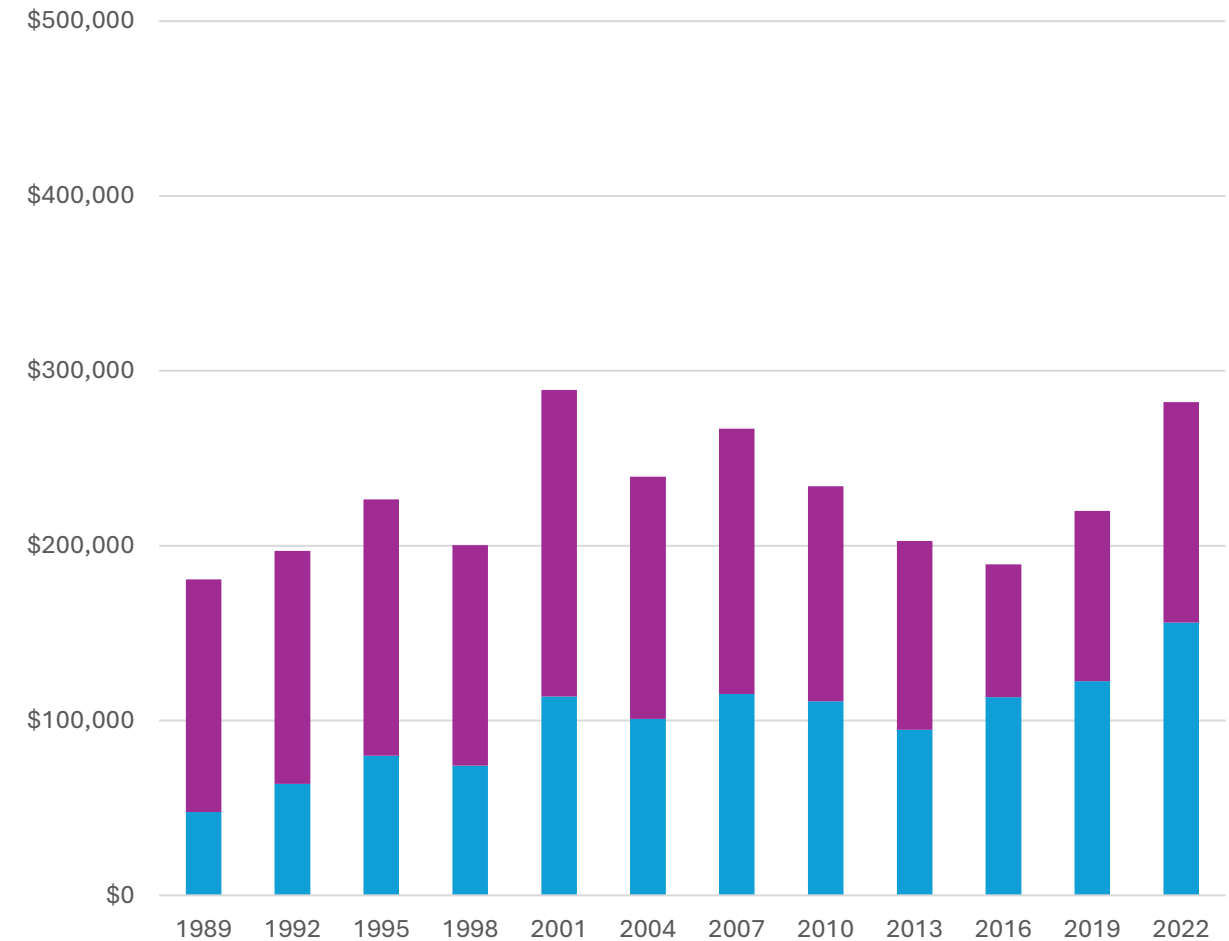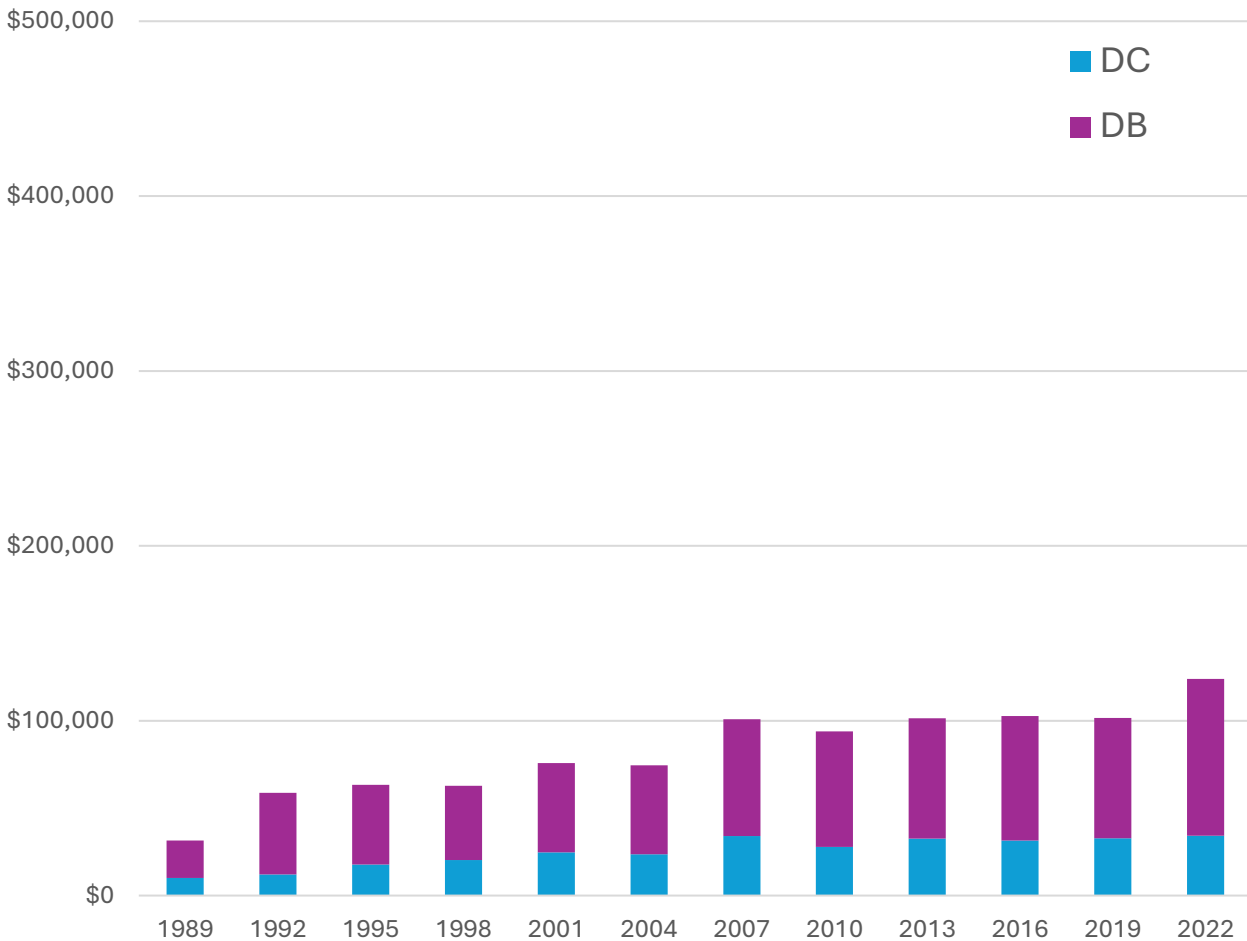
Finding 4: Social Security dominates private retirement holdings for women (due to spouse/survivor benefits)
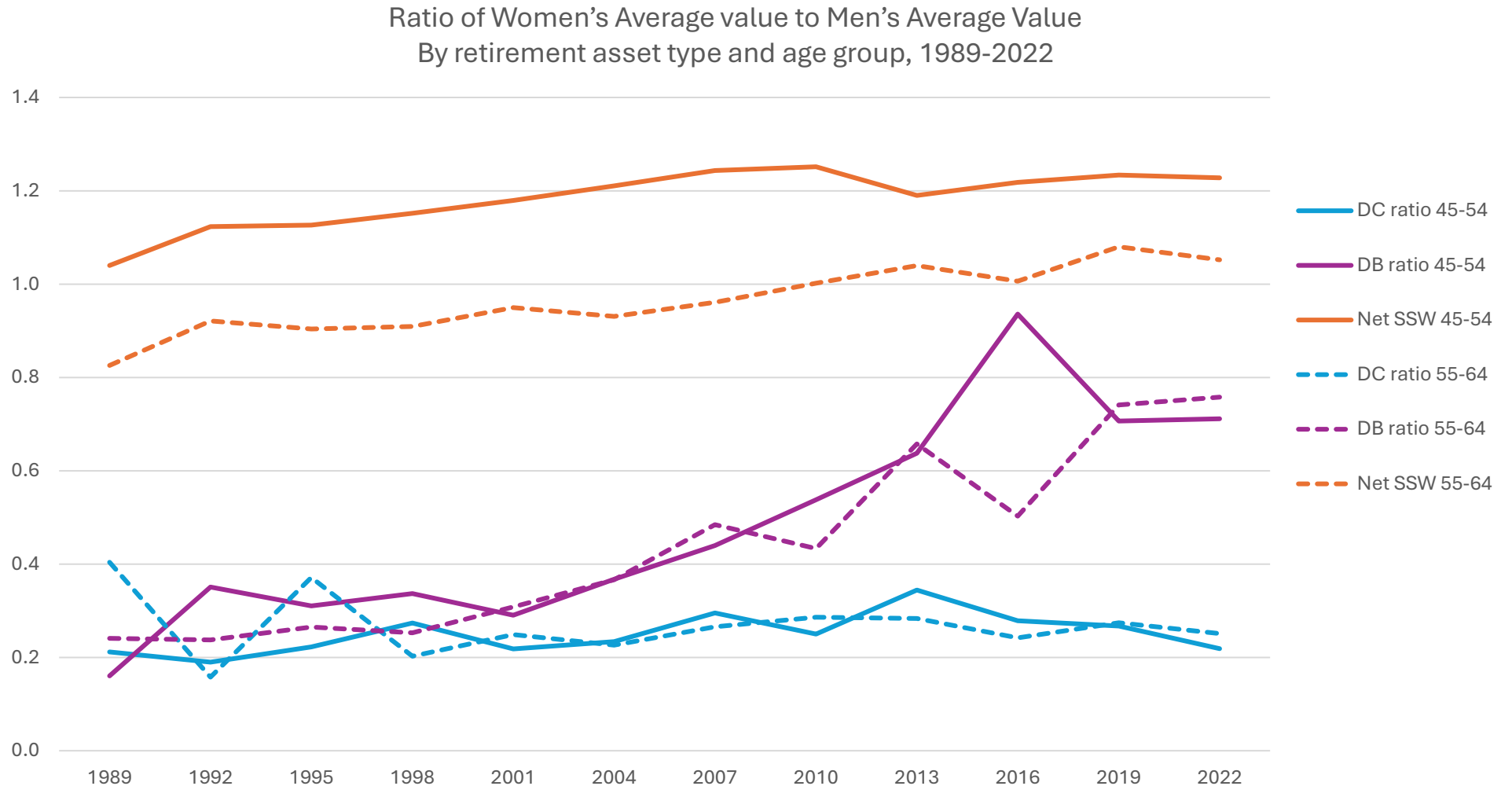

Women ages 45-54

Legend: ■ DC ■ DB ■ Net SSW

Men ages 45-54

Finding 5: Steady DB wealth narrowing since 1989
Finding 6: Current SS advantage for women
Finding 7: Little DC convergence

Ratio of Women's Average value to Men's Average Value
By retirement asset type and age group, 1989-2022

Put the pieces together
Finding 8: Gender gap narrowed significantly between 2001 and mid-2010s

Total Retirement Ratio of Women's Average to Men's Average

Legend:
- 45-54 (solid line)
- 55-64 (dashed line)
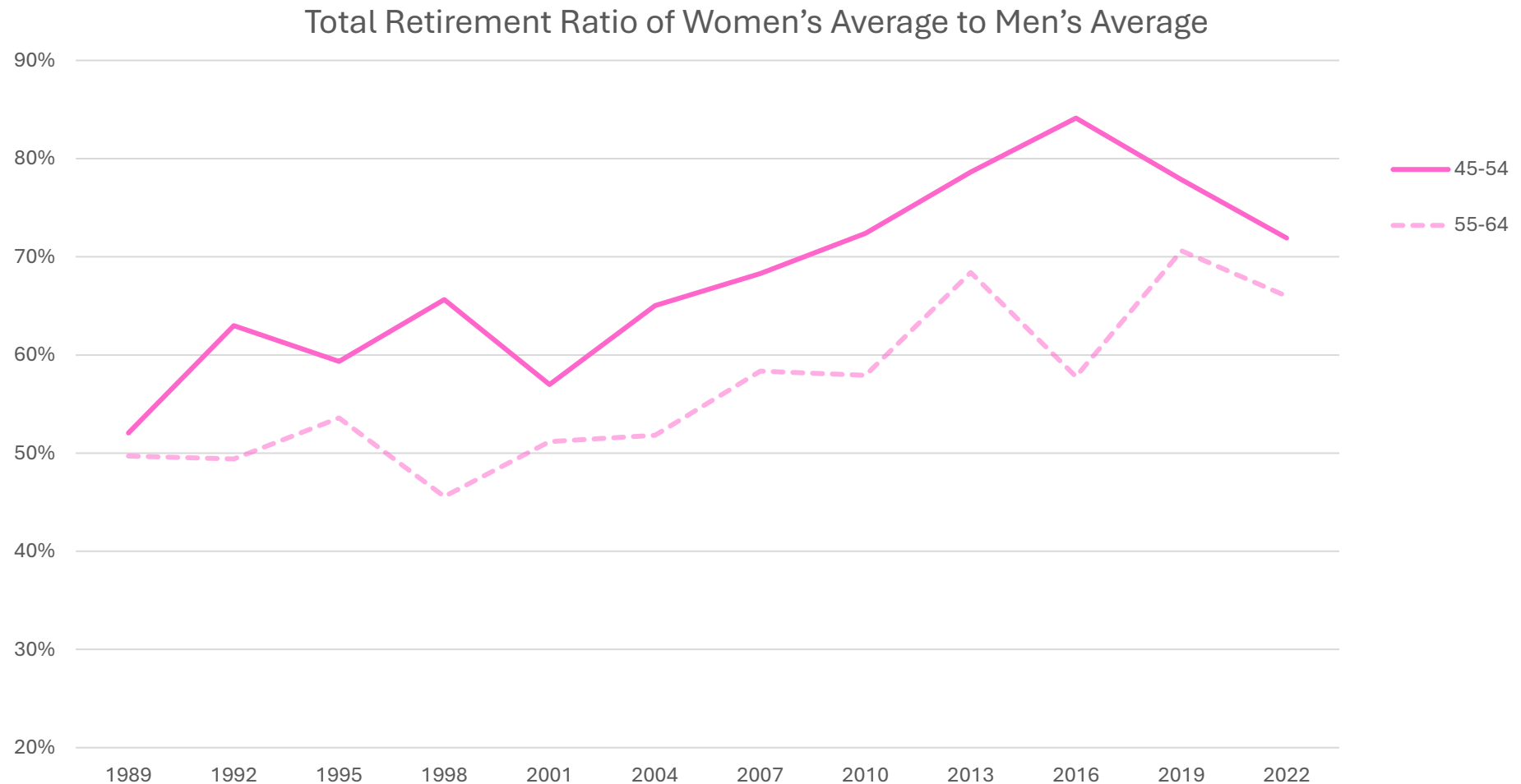
"Overview" not enough

- These are averages, good for trends but possibly not when we are thinking about retirement preparation. Depends on motivation

- Two extensions:
  (1) Ratio of medians (combine DB and DC)
    - Many have *no* private wealth.
  (2) Rank comparisons
    - Compare rank of female to rank of male
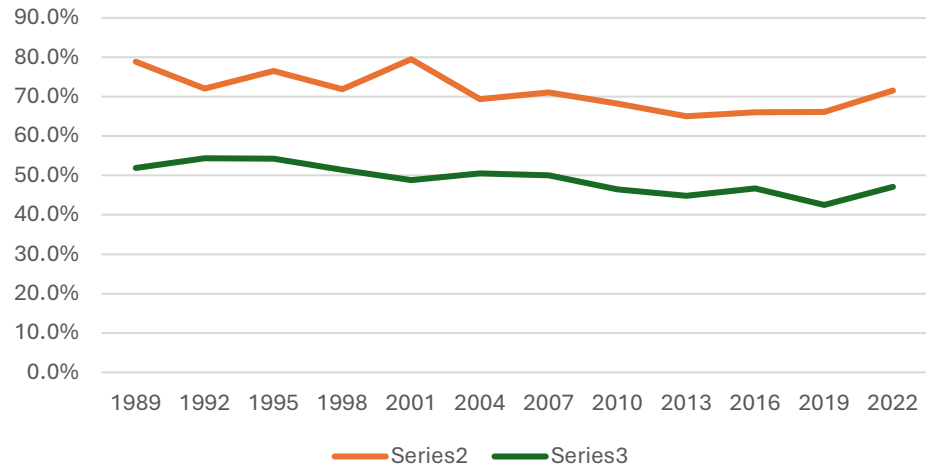   - At given female rank, what is the gender gap?

Ratio of Medians: similar result, but ratio level is higher
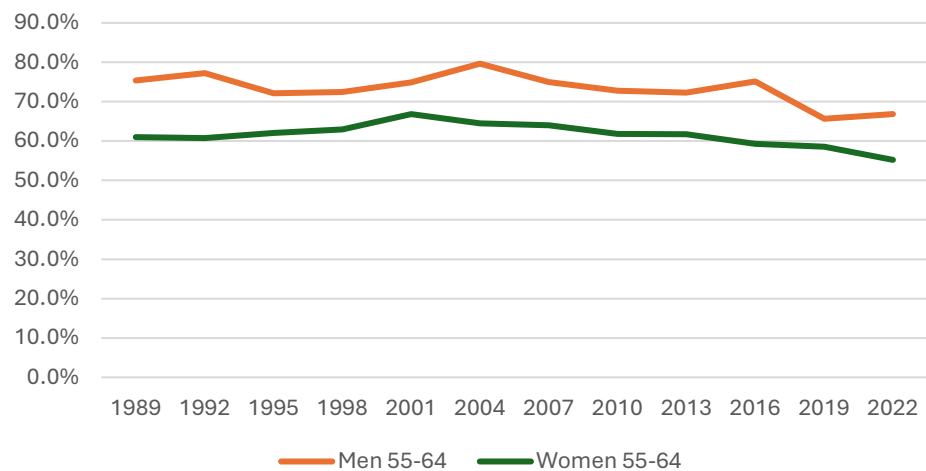Too many zeros to do private pension
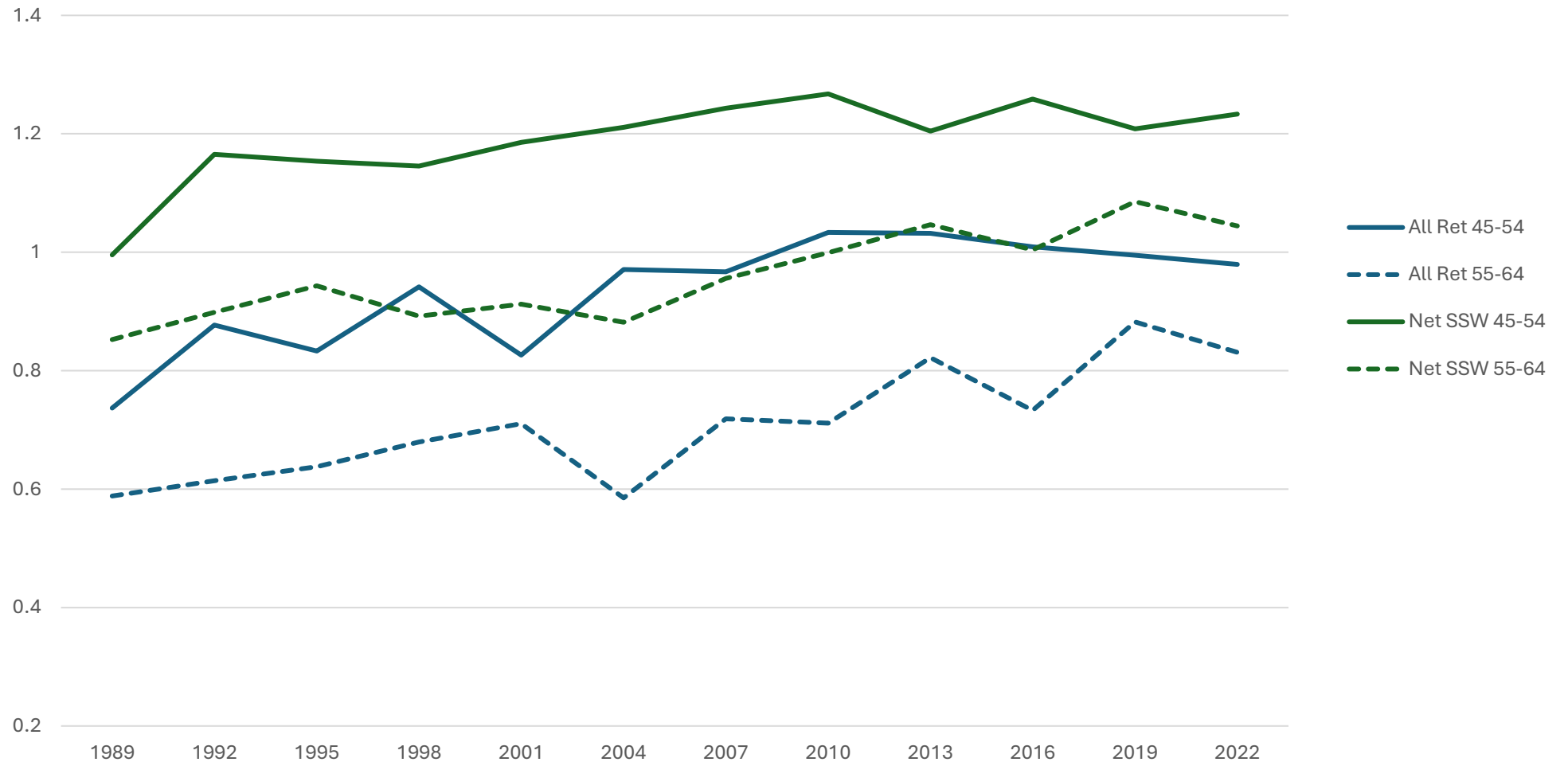
Using Ratio of Conditional medians
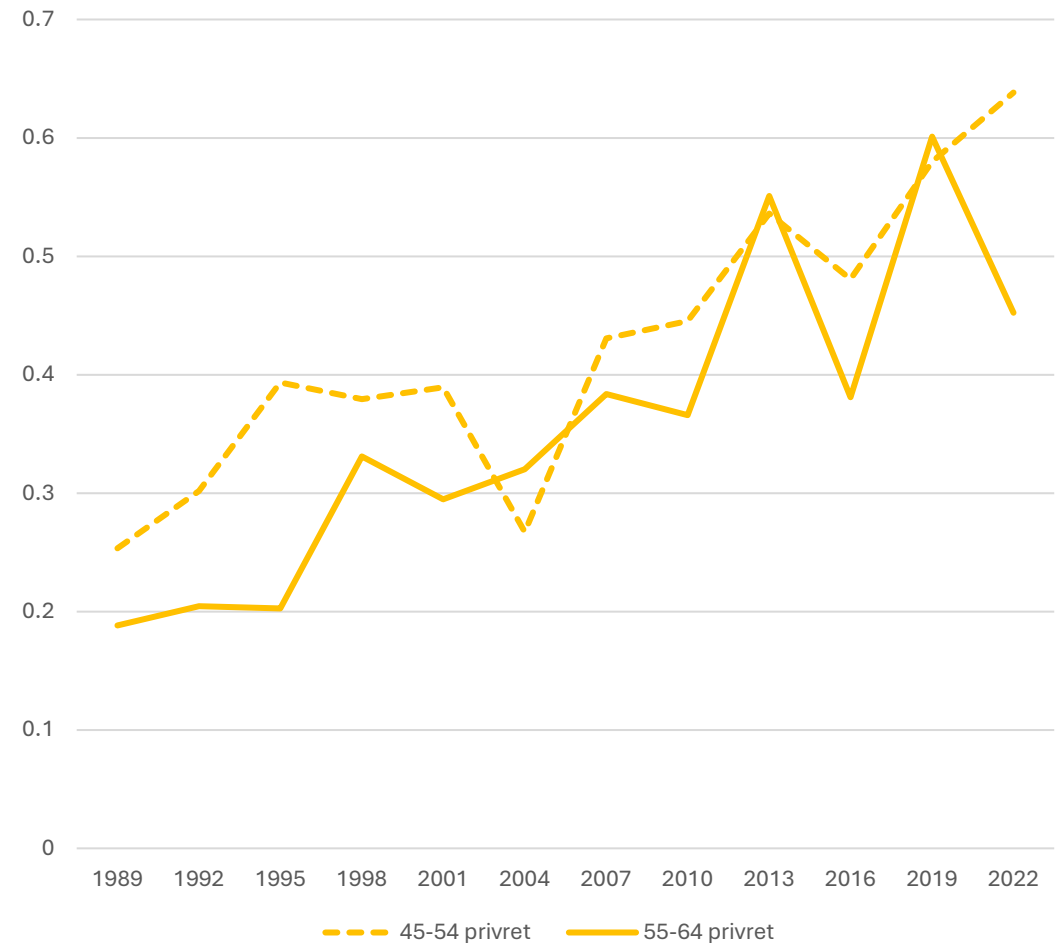# Similar to conclusions using means

HPrivRet 45-54

Series2 — Series3

HPrivRet

Men 55-64 — Women 55-64

**Ratio of Conditional Medians
Private Retirement Assets**

45-54 privret — 55-64 privret

Rank comparisons

- Compare distributions across gender at given age over time
- First, compare rankings of people without regard for dollars, "rank-rank"
  - Q: Where would a woman at percentile x of their wealth distribution be in the distribution of men?

- Second, estimate the percent gender gap at a given percentile of female distribution, "rank-percent gender gap", with zero being no gender gap
  - Q: how big is the gender gap for a woman at percentile x of their wealth distribution compared to a man at percentile x?

- Rank-rank comparisons used by Bayer and Charles (2017) to look at the evolution of the male black-white wage gap and Sabelhaus and Volz (2022) to look at retirement preparation across *cohorts*
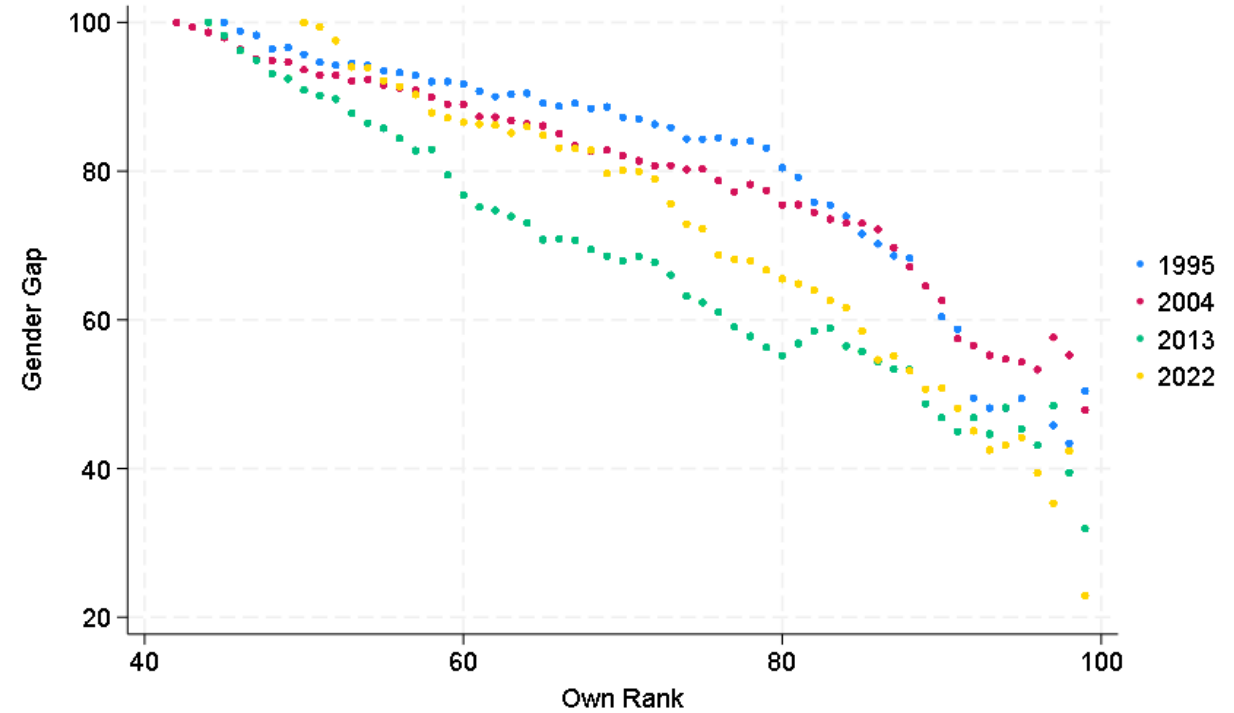
Finding 9: Gains across the distribution since mid-1990s, but private pension assets are not universal
Private pension wealth: ages 55-64
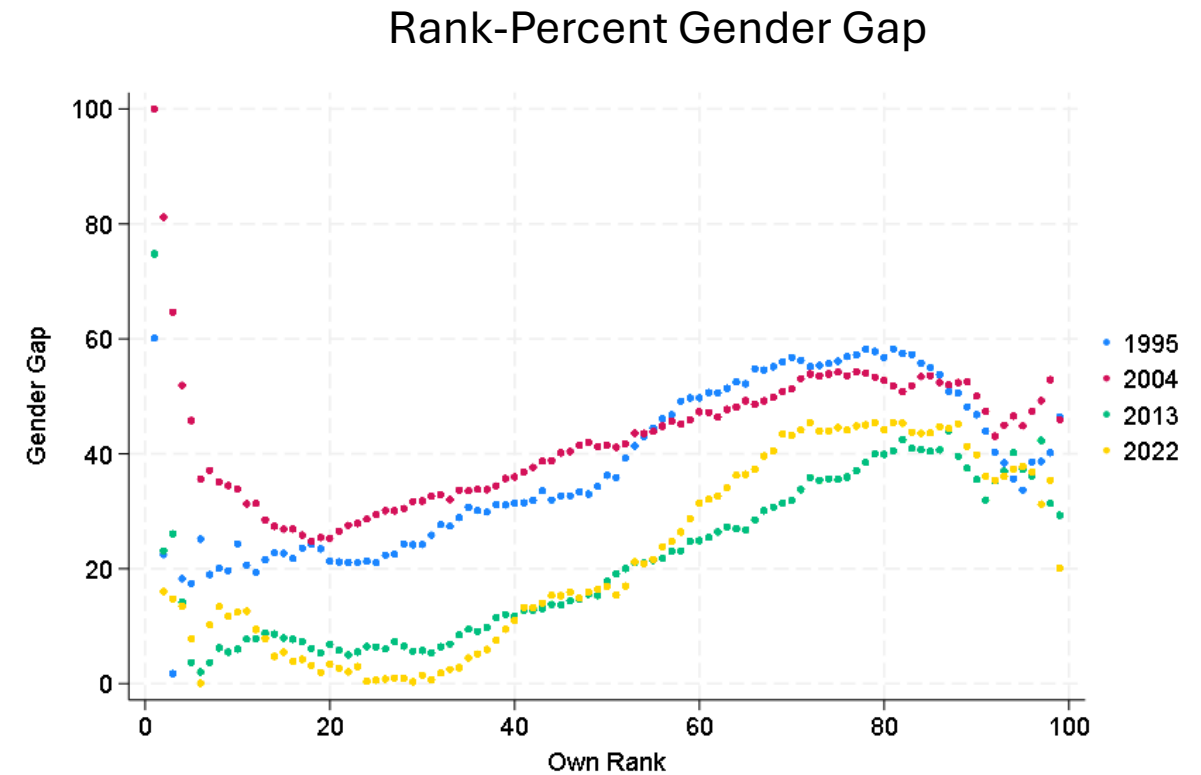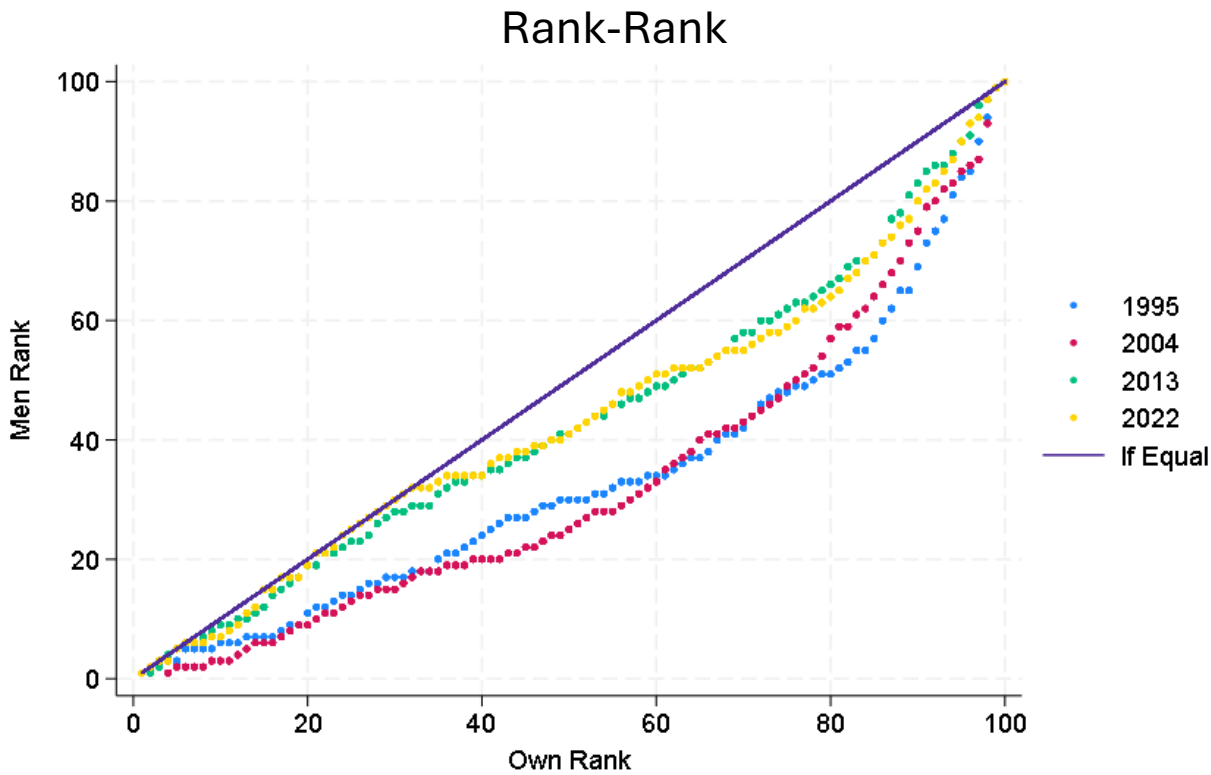

Rank-Rank
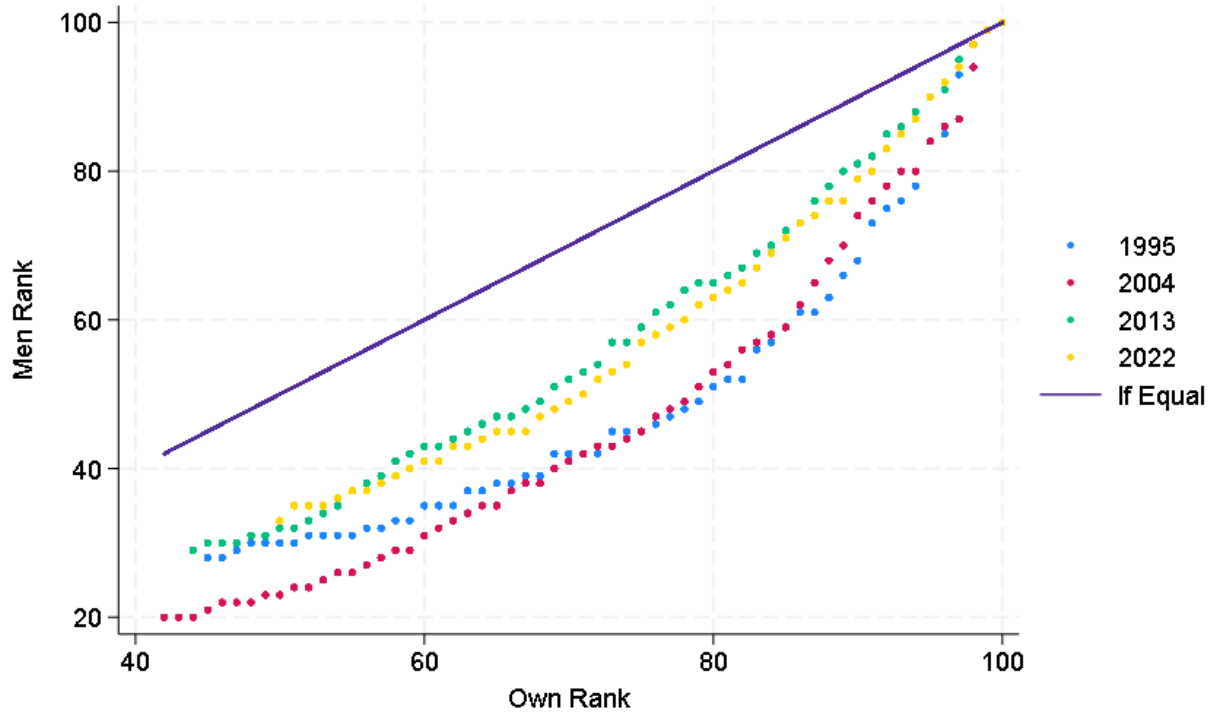
Rank-Percent Gender Gap

Finding 10: More consistent gains by women over time in retirement resources. Stagnating?
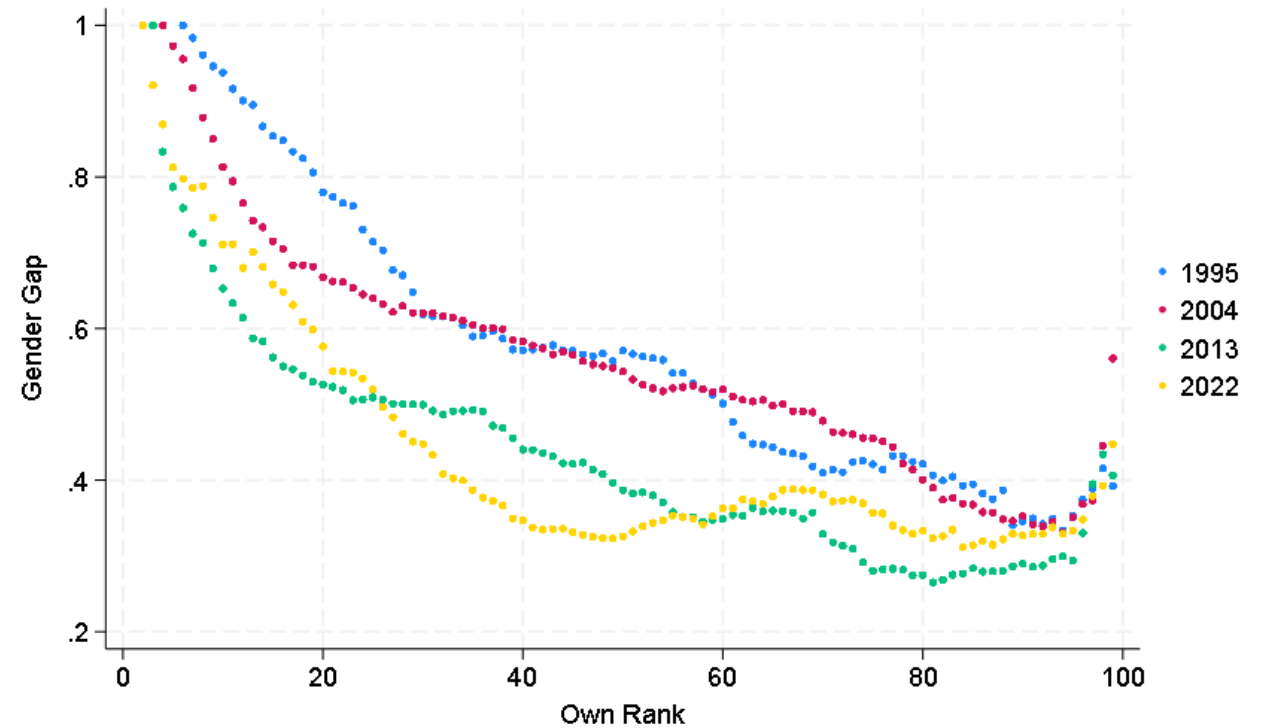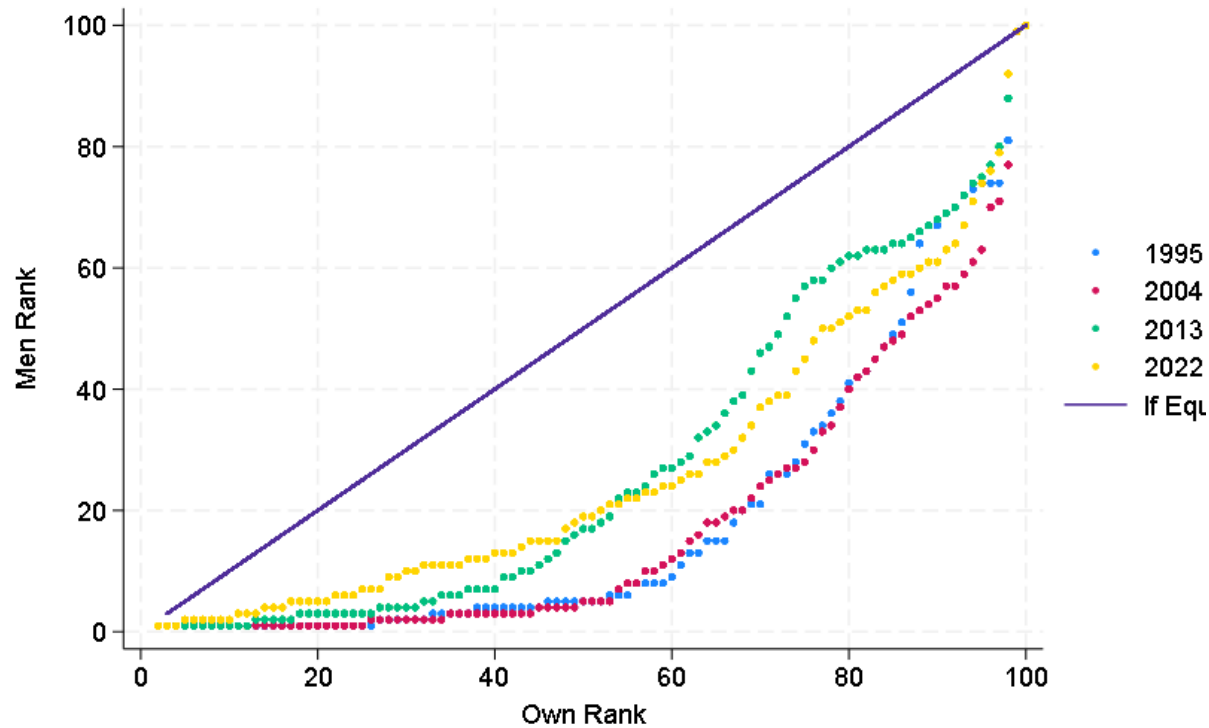## All retirement (includes Social Security): ages 55-64

Tie it back to [lifetime] wage gap
Finding 11: Private pension gap larger, more progress on wages
Finding 12: Wage progress has helped narrow overall retirement gap, thanks to Social Security

Rest of balance sheet

- Among unmarried women, some convergence in SSW and financial assets

- Among married women, % of assets in own name has risen – more direct ownership over marital assets. Excluding Social Security, about three-quarters is shared with spouse, down from about 85% in the mid-1990s

- Among assets that can be assigned ownership, married women have made strides across all categories: retirement, financial accounts, SSW, and businesses (with businesses more volatile)

Thank you!

Questions/comments to:

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