

Changing Lifetime Earnings of Women: Implications for Economic Security

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Extended Abstract:

Results that benchmark the remarkable economic progress made by women come mostly from readily available annual cross-sectional public use earnings data of men and women. The primary reason for the lack of analysis of lifetime earnings is limited data availability. Most researchers either do not have access to records of lifetime earnings or have to rely on projections of lifetime earnings. With the stronger attachment of women to the labor market and their longer job tenures, trends in lifetime earnings are an important barometer of labor market progress. Also, differences in earnings of individuals at a point in time may be transitory particularly for a sizeable number of women who have interrupted worklives. Lifetime earnings provide a more complete picture of economic well-being than earnings at a point in time. Thus, knowing about differences in lifetime earnings between women and men or between various subgroups of women can better inform us about their retirement preparedness and overall economic security.

The primary research task in this paper is to use lifetime earnings to study the economic security of women workers. We examine lifetime earnings for women workers aged 46 to 61 in 1983 and 1999, assuming that workers will have concluded at least one-half of their work histories prior to age 46. We analyze a unique dataset on lifetime earnings in which we separate workers into continuous and intermittent to evaluate the distinct gains made by workers with dissimilar attachment to the labor force. We use the Social Security Administration's Continuous Work History Sample (CWHS) for 1983 and 1999. CWHS is a major source of Social Security program statistics and workforce data. We use the 1-percent sample of Social Security Numbers for which taxable earnings including self-employment earnings subject to Social Security coverage were reported. Only limited demographic information is available, namely race, age, and sex.

We compare growth in cross-sectional annual earnings with lifetime earnings of women workers and study trends in male-female lifetime earnings ratios to chart the economic progress made by women. We examine to what extent inequality measures are affected when we move from annual earnings to lifetime earnings. It is widely accepted that the measurement of inequality should be based on a longer horizon than a single year because annual earnings are subject to differences in human capital investments and transitory variations. We also examine more closely the issue of who really are the women workers with low lifetime earnings---are these women who are steady low-wage workers or are they women who have several years of interruptions in their worklives? The answer could have important implications for Social Security reform with respect to private accounts. Also, it would help in formulating minimum benefit protections, which typically have targeted workers who have substantial labor force attachment but low-wage employment.

Preliminary findings show that both continuous and intermittent workers made great progress in lifetime earnings between 1983 and 1999. During that period, the earnings growth of the 46-52 year olds was larger than the earnings growth of the 53-61 year olds. This reflects the increased human capital of the former group who are the younger cohorts of women born in 1947-1953. Continuous younger workers gained steadily with respect to men's lifetime earnings. In 1999, the younger continuous workers' median earnings were 75 percent of comparable men's lifetime earnings. Also, earnings inequality among women is found to be smaller using lifetime earnings than that measured with annual earnings.

The use of lifetime earnings in this paper informs us about the broad patterns of variations in women's lifetime earnings and produces another helpful statistic on women's progress in the labor market. Women's own earnings can expect to take on greater significance in future retiree cohorts. Butrica, Iams and Smith(2003) project that we can expect to see relatively more never married women and women not eligible for auxiliary benefits in the future than ever before.

References

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