

Older and Younger Women and Their Opinions about Social Security Reform and Private Accounts

The purpose of the study was to obtain and compare the opinions of older and younger women in regard to possible changes in Social Security and the use of private accounts. Interviews were conducted with 10 older women and 5 younger women. The themes that emerged from the interviews showed that the older women were satisfied with their current benefits from Social Security and they did not want changes. In contrast, the younger women were more open to the possibility of changes to Social Security. However, the younger women differed on how Social Security should be changed and their preferences for the use of private accounts.

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Introduction

Social Security is a source of economic security for many retired Americans, and it is especially important for the economic well-being of older women (Burke & McCouch, 1999). Women live longer than men but they have less income. Women are more likely than men to outlive their financial assets during retirement. Hence, Social Security is more important for women than for men (Auburn, 1992; Perkins, 1992, 1995).

According to Even and Macpherson (2004), the income that women receive from Social Security and private pensions is much less than that of men, and women are twice as likely to live in poverty. The situation of older single women (including separated, divorced or widowed women) is worse, because their poverty rate is about five times that of married women (Anonymous, 1999). The primary reasons that income for older women is much less than for men are: women have accumulated fewer years of work experience, they have lower earnings than men, and women are less likely to be covered by a pension plan than men (Even & Macpherson, 2004). The situation is complicated by the possibility of changes in Social Security. Is privatization of retirement accounts an answer to the problems faced by Social Security? What effect would privatization have on women? Should women support the privatization of Social Security? Several questions need to be considered.

The use of private accounts is being given serious consideration. After the release of two proposals calling for the privatization of Social Security in the 1990's by the Advisory Council on Social Security, more studies have been done on this topic (Arber, 2004; Burke & McCouch, 1999; Estes, 2004; Munnell, 1999; Williamson, 1997). To examine the question of Social Security using individual accounts, Harris, Sabelhaus, and Simpson (2005) combined three systems: a budget model, a stochastic macro-demographic model, and an example worker micro-model into one model and concluded that individual accounts would increase the overall level of income. Furthermore, they believed that the overall variability of outcomes measured by benefit replacement rates can be increased more by the introduction of a simple individual account than that measured by benefit level.

However, many of the previous studies have focused on the privatization itself or the effect of the privatization. Little research, if any, has focused on the opinions of older and younger people in regard to the privatization of Social Security. This leads to two research questions which were investigated in this study. First, what opinions do older and younger women have about possible changes in Social Security and the use of private accounts? How do the opinions differ based on the women's background and current status? To answer the questions, a qualitative study was designed. The purpose of this study was to interview women of different ages about their opinions on the privatization of Social Security and to compare the opinions of older and younger women in regard to possible changes in Social Security and the use of private accounts. The study will be useful for researchers and will benefit policy makers as they deliberate on reforming Social Security.

Literature Review

The use of private accounts in Social Security has been the focus of many studies (Barusch, 2000; Burke & McCouch, 1999; DeViney & Solomon, 1995; Edward, 2002; Estes, 2004; Harris, & O’Harra, 2003; Levine, Mitchell, & Phillips, 2000; Munnell, 1999; Fultz & Steinhilber, 2004; Smith, Toder, & Iams, 2004; Williamson, 1997; Williamson, 2001; Yabiku, 2000). In particular, some of the studies have focused on the effect of age on Social Security and private accounts (Biggs, 2004; Choudhury & Leonesio, 1997).

Using the Modeling and Income in the Near Term (MINT) data system, Butrica and Iams (2000) conducted research to examine the economic well-being of divorced women. They analyzed the economic well-being based on characteristics such as education, race and ethnicity. They concluded that divorced women who had less than a 10-year marriage were the most vulnerable. Haveman, Holden, Wilson and Wolfe (2003) examined the relationships between age, economic situation, and Social Security. They claimed that the probability for retired individuals to be poor or nearly-poor is strongly associated with their retirement age and their acceptance of early retired benefits.

Analyzing data from the National Longitudinal Survey of Mature Women (NLSMW), Choudhury and Leonesio (1997) examined the effects of life-cycle on the poverty of older women. They concluded that economic status prior to later life determines whether women will be in poverty or not. Moreover, the long-term economic status throughout most of the woman’s adult life will determine what financial resources will be available for their old age.

Most researchers have included marital status when studying women and Social Security benefits. Using a sample of retired men and women from the Social Security Administration’s Master Beneficiary Record, DeViney and Solomon (1995) tested theoretical explanations for gender differences in retirement income and concluded that women who were divorced or widowed received less retirement income than women who were currently and continuously married to the same man. Levine, Mitchell, and Phillips (2000) showed that the benefits of most widows were based on their spouse’s work history instead of on their own.

Family size is another factor that affects Social Security benefits. Yabiku (2000) tested the relationship between Social Security and marital status, children and family size, and family history. He concluded that single or divorced women had a higher possibility of getting a pension benefit. He also claimed that single, separated, divorced, or widowed status would have a negative effect on women. In addition, it was concluded that an individual’s chance of attaining greater financial well-being will be realized by being part of a married couple.

Zimmer and Kwong (2003) examined the association between family size and Social Security and financial support. They found that family size or number of children was a significant factor in determining the amount of support. However, the effect was not as large as anticipated.

Work status has a significant impact on Social Security. Harris and O’Harra (2003) tested the impact of marital status and labor force participation on women’s Social Security benefits. They concluded that marital status and labor force participation are very important factors which will affect the Social Security benefit for future cohorts of women. Willson and Hardy (2002) examined women’s financial security, especially minority women’s income security by analyzing women’s family, marital status and employment. They found that marriage gives women economic security. In addition, their employment history reduces the “speed of decay” of their income security as they grow older.

Income and economic growth are often used to study Social Security. With evidence from four countries, Williamson (2001) examined the privatization of Latin America’s public pension system. He found some evidence that privatization had a positive effect on economics, such as more investment capital and the development of financial institutions. However, he also found that high-wage male workers receive more benefit from privatization than low-wage and female workers.

Siegenthaler (1996) studied security information on poverty among older women in six industrialized countries (France, Germany, The Netherlands, Sweden, Switzerland, and the United States). By comparing the systems, he concluded that different old-age security systems were more or less effective in preventing poverty among older single women.

McGarry and Schoeni (2000) found that income growth, especially increases in Social Security benefits, accounted for almost 50% of independent living increases so that it became the most important determinant of living arrangements. In addition, they found that race and changes in age, education, and immigrant status also had some effect on the changes in living arrangements. However, compared to the effect of income growth, the effect of these factors to the changes in living arrangements was much less significant.

In a study of Social Security reform in Chile, Edwards (2002) found that education had some relationship with pension benefits. More specifically, women who had less than a secondary education will gain in the amount of their Social Security benefit while women with higher education will lose as a result of the Social Security reform.

In summary, researchers have shown that factors such as marital status, education, and work history are related to older women's economic well-being. Because many older women receive most or all of their income from Social Security, they are vulnerable to changes in Social Security benefits. Their views on the subject should be of interest to policy makers and researchers as well as to consumer educators and financial advisors.

Methodology

A qualitative study was designed to obtain and compare the opinions of older and younger women in regard to possible changes in Social Security and the use of private accounts. The study was based on in-depth interviews with older and younger women. In phenomenological research, the investigator identifies the "essence" of human experiences concerning a phenomenon, as described by participants in a study. When no new ideas are obtained from the interviews, the researcher believes that saturation has occurred.

To obtain the opinions of older women, residents of a low income retirement housing facility were invited to participate. All residents lived independently in their own apartments. The researcher was invited to a meeting of the residents at the facility. The researcher was asked to explain the study and to invite residents to participate. After the meeting, one-on-one interviews took place with the residents in a meeting room at the retirement facility.

All of the older participants were asked whether they had daughters or daughters-in-law and whether those younger women would like to participate in an interview. If a positive answer was given by an older woman, the daughter or daughter-in-law was called to confirm their interest. About half of the younger women interviewed for the study were daughters or daughters-in-law of the older women. In addition, other younger women were invited to participate. They were selected using a snowball technique.

Each interview began by explaining the purpose of the study and that the information provided by the participants would be confidential. The researcher helped the older women to write down their answers to any questions and then spoke with each participant in detail. Then the researcher reviewed all of the responses and extracted the major themes from the information.

Two sets of questions were used. One set was for older women and the other set was for the younger women. Although the questions were almost the same, slight modifications (as shown below) were made to gather information about the use of private accounts. The surveys include questions on the participants' demographic information.

Older Women's Questionnaire

Tell me about yourself and your family.

If you worked, how long did you work and how long have you lived here?

Do you receive Social Security retirement benefits and on whom is it based (your work history or your spouse's work history)?

How satisfied are you with your Social Security benefit?

How would you feel if they made changes to the Social Security program?

Would you recommend any changes to Social Security for younger workers?

How do your children feel about possible changes to Social Security?

Younger Women's Questionnaire

Tell me about yourself. Do you work?

Are you paying into Social Security? When do you think you will retire?

How would you feel if they made changes to the Social Security program?

How do you think Social Security should be changed?

Would you be in favor of (a) reducing benefits; (b) raising taxes; (c) increasing the retirement age?

Do you know anything about privatization of Social Security?

Do you think privatization of Social Security will increase/decrease your taxes?

Do you think privatization of Social Security will raise/reduce the age of your eligibility for its benefits?

Will you plan to put some funds into a private account?

In summary, do you think privatization of Social Security is a good/bad idea?

Sample

A total of 15 women were interviewed for this study. The characteristics of the older women and the younger women are shown in Tables 1 and 2, and in more detail in Appendices A and B, respectively. The average age of the older women was 82.5 years old. All of them had worked and some were currently working part time. On average, they had worked for 43.4 years. All had a high school education. About 70% of them worked full time before retirement and 30% of them were currently working part time or doing some volunteer work. All of the older women had children, most of them had grandchildren, and some of them had great grandchildren. Most of them had family members living nearby. Eight were widowed, one was divorced, and one was living with her spouse.

Five younger women were interviewed. The average age was almost 45 years old. All of them were full time employees and had Social Security tax withheld from their pay. On average, the number of years worked was nearly 26 years. Four were married and one was divorced. Three had children. One had a masters' degree, two had BS degrees, one was currently studying for a BS, and one had a high school education. Their average expected retirement age was 62.8 years old. Three of the five wanted to take early retirement and the youngest participant wanted to retire at age 50. However, one wanted to work as long as her health permitted.

Although the sample of older and younger women was not large, it is consistent with previous qualitative studies. In general, qualitative research is exploratory in nature and involves smaller samples compared to survey research (Miles & Huberman, 1984).

Emergent Themes

Older Women

Several themes emerged from the interviews with the older women. All of the older women received Social Security retirement benefits. More than half of them received benefits based on their spouse. They were satisfied with their current Social Security benefits. They did not want changes to the current Social Security benefits. They had little knowledge about their children's opinion of Social Security.

Table 1
Characteristics of Older Women

Variable	Older Women (N = 10)	
	Mean (SD)	N, %
Age,	82.5 (4.38)	
Years lived in Friendship House	10.45 (7.83)	
Having family living nearby		8 (80%)
Children		
With Children		10 (100%)
Average number of children	2.7 (0.67)	
Grand/great grand children		6 (60%)
Marital Status		
Married		1 (10%)
Divorced		1 (10%)
Widowed		8 (80%)
Never married		
Education		
Grade school		
High school		10 (100%)
College		
Master		
Doctor		
Employment (before/after retirement)		10 (100%)
Work		
Work status		
Full time		7 (70%)
Part time		1 (10%)
Self employed		1 (10%)
Never worked		
N/A		1 (10%)
Years Worked, mean (SD)	43.4 (19.47)	
Still working		3 (30%)
Social Security (SS) and changes of SS		
Receive (paying to) SS benefits		10 (100%)
On whom SS is based		
Own		4 (40%)
Spouse		5 (50%)
Both		1 (10%)
Satisfy with SS benefit		
Very satisfied/ satisfied		6 (70%)
Satisfied but notch baby		3 (20%)
Not care		1 (10%)
Any changes to SS		
No change		7 (70%)
Not care		1 (10%)
Depend on what change		2 (20%)
Children's opinion to SS change		
No idea of their opinion		7 (70%)
Sad		1 (10%)
They think they deserve it		1 (10%)
Would be fine if get more money		1 (10%)

Table 2
Characteristics of Younger Women

Variable	Younger Women (N = 5)	
	Mean (SD)	N, %
Age	44.6 (14.59)	
Children		5 (100%)
Marital Status		
Married		4 (80%)
Divorced		1 (20%)
Education		
High school		1 (20%)
College		3 (60%)
Master		1 (20%)
Work		
Full time		
Years worked	26 (15.07)	
Expected age of retirement	62.8 (8.93)	
Social Security and change of SS		
Paying to SS benefits		
Yes		5 (100%)
Importance of SS		
Very important or important		4 (80%)
Not much		1 (20%)
Absolutely not important		
Feeling about change to SS		
Negative		1 (20%)
Depend on what change		2 (40%)
Positive		2 (40%)
In favor of		
Reducing benefits		1 (20%)
Raising taxes		1 (20%)
Increasing the retirement age		2 (40%)
None of the above		1 (20%)
Knowing about Privatization of Social Security		
Yes		3 (60%)
No		2 (40%)
Privatization of Social Security & taxes		
Increase		2 (40%)
Decrease		1 (20%)
Depends		2 (40%)
N/A		
PSS & eligibility to benefits		2 (40%)
Raise		1 (20%)
Reduce		1 (20%)
Depends		1 (20%)
Put pension balance to privatization accounts		
Yes		3 (60%)
No		2 (40%)
In summary, Privatization of Social Security is:		
Good idea		2 (60%)
Bad idea		3 (40%)

When asked “Do you receive Social Security retirement benefits” all of the older women answered yes. Five of the older women’s benefits were based on the benefits of their spouse, four of the women received benefits based on their own work history and the 10th person was married and they received benefits based on her work history and her husband’s work history. The older women were very satisfied or satisfied with their current Social Security benefits. Nine of the 10 participants answered “very satisfied or satisfied.” Anne said, “Statistics say I am poor but I feel RICH.” Betty responded, “I am very glad to have it.”

However, among those who answered very satisfied or satisfied, three out of 10 complained about the “notch baby³ policy.” This was the case for Kate, a real estate broker who had worked for 48 years, who responded, “I was born in 1925 and the Social Security Administration is figuring my benefits wrong. There is something about being a notch baby. It is bad!” Lucy, who worked for 50 years, also mentioned being a notch baby. She said that she was satisfied with Social Security except that she receives less benefit than her neighbors and the only reason for that is the year of her birth which is 1922.

Almost all of the older participants reported that they did not want any changes to Social Security. Cathy and Amy described any changes as “awful,” Jane answered “I would not like it,” and Rose replied that she would be very poor if Social Security changed. The most striking answer came from Anne, age 74, divorced and a frequent listener to the radio. She said she would feel lost if Social Security changed, “It would depend on their (the nation and the government) problems and how they would handle the problems. England tried it (private accounts) and they now wish they hadn’t.” She also mentioned that some people would not have the ability to invest wisely.

However, other older woman did not care as much about possible changes to Social Security. One said that it did not matter much to her. Lucy, a former interior decorator, responded that the change suggested by others would not affect her because she was 82 years old. Kate and Betty answered “It depends.” They mentioned that they would like changes that could lead to “more money in monthly checks.”

As to their children’s opinion to the changes of Social Security, most of the older women had no idea what their children would think about changes to Social Security. Seven of 10 answered that they had no idea or “haven’t talked to them about it.” As to the three people who knew their children’s opinion, Kate answered with a negative opinion, “They think they will never get any.” Mary answered with an opposite opinion, “They think there will be Social Security when they are ready to retire.” The reason for her answer was because both of her children were over 50 years old and closer to retirement.

Younger Women

Several themes emerged from the interviews with the younger women. They had more education and were more independent regarding access to retirement benefits. They had mixed preferences for changes in Social Security changes. There was some willingness to put Social Security payroll deductions into private accounts.

As shown in Table 2 and Appendix B, four out of five of the younger women had some college or a higher degree. The younger women knew that they were more likely to get a pension benefit based on their own work history instead of on their spouse’s history because of their advanced education and better jobs.

Four of the younger women thought that Social Security was important or very important. However, Ellen, who was a healthcare educator and was in her twenties, responded to this question as “not much.” She explained that she thought that young people could not rely on Social Security as much as the older generation. The youngest woman said that Social Security would change a lot in the future and it would be difficult to predict what it would be like when she retired.

The proportion of younger women who held a positive opinion about possible changes to Social Security was higher than that of the older women. Two reported the answer depended on what kind of change. Susan, a nurse practitioner who had worked 15 years, said, “Changes for the better are fine, but I do not support private accounts.” Molly, a 55 year old administrative assistant at a university, also answered that it depended on what kind of change.

One of the younger women expressed her unhappiness about any changes to Social Security. Brenda, a 59 year old sales woman, said, “I have worked for 35 years and I have paid it for a long time, so I do not want any changes.” However, two of the younger participants answered positively in regard to changes in Social Security. Cindy, a 51 year old secretary at a university, welcomed changes in Social Security. She responded that people would get more freedom in controlling their own pension account. Ellen, age 27, had a positive opinion about Social Security changes and she recommended that the change should be private accounts.

However, young women’s preferences for changes varied. For the question about which of the three ways to implement change (reducing benefits, raising taxes, and increasing the retirement age), each participant gave a

different answer. Moreover, more than half of the younger women understood the concept of private accounts within Social Security. Both Cindy and Ellen, ages 51 and 27, respectively, had positive opinions about privatization of Social Security. As Cindy mentioned, "Privatization of Social Security enables us to take charge of our money ourselves, and we have more freedom to control our account. I like it. I know some people would not agree with me but I still want to say that it is a good idea and it makes everyone responsible for himself /herself."

As to the results of privatization of Social Security, their answers varied. Some of them thought it would increase/decrease the taxes while others thought "it depends" or they had no idea. Some predicted privatization of Social Security would raise/reduce the age of eligibility for benefits while the others held the opinion that "it depends" or they had no idea.

Many younger women preferred to put some of their Social Security payroll deduction into a private account. In response to the question, "Will you plan to put some funds into a private account," three out of five answered yes. Even Molly, age 55, who did not like any changes to Social Security, said yes. She explained her answer this way, "Even though I do not like any changes, I know it will be the trend. I have no choice."

Differences between Older and Young Women

Most of the older women were satisfied with Social Security benefits even though some of them complained about being a notch baby. Almost all of the older women did not want changes in Social Security while about half of the younger women were looking forward to these changes. Younger women were more independent of their spouse's benefits than the older women. Younger women were more open minded to the changes and the idea of private accounts within Social Security. However, in regard to specific changes in Social Security and how to implement changes, the opinions of younger women varied a lot.

Directions for Future Research

Although the sample was small, the study provides insight on this topic. The results of the study suggested some directions for future research. First, if a larger number of younger women were interviewed, would they also tend to be positive about the use of private accounts within Social Security reforms? Most of the younger women in the study had some college or a college education. Would younger women with less education be as knowledgeable about the use of private accounts in Social Security and would they have positive or negative opinions? Another area for research would be to learn whether the opinions held by the older generation about Social Security have any effect on the opinions of their children.

Second, is there difference in opinions between men and women? Changes in Social Security including the use of private accounts would affect both men and women. Would younger men have similar opinions to younger women?

Appendix A

Demographics of Older Women

	Lucy	Cathy	Tina
Age	83	85	85
Living in FH	5	2	11
Having family nearby	Yes	Yes	Yes
Children	3	3	2
Grand/great grand children	Yes	Yes	Yes
Employment	Yes	Yes	Yes
Marital Status	Widowed	Widowed	Widowed
Education	High school	High school	High school
Career	Internal	N/A	Insurance
Work status	Full time	Full time	Self-employed
Years Worked	50	16	30
Still working	Yes, part time	N/A	N/A
Receive SS benefits	Yes	Yes	Yes
On whom SS is based	Spouse	On 2 nd husband	Spouse
Satisfy with SS benefit	Yes, but NOTCH BABY	Yes	Yes, but NOTCH BABY
Any change to SS	Not care	Awful	N/A
Children's opinion to SS change	No idea	No idea	N/A
	Amy	Jane	Anne
Age	79	89	74
Living in FH	11	24	8
Having family nearby	NO	Yes	Yes
Children	2	2	4
Grand/great grand children	N/A	N/A	Yes
Employment	Yes	Yes	Yes
Marital Status	Married	Widowed	Divorced
Education	High school	High school	High School
Career	N/A	N/A	Store clerk, home health aid
Work status	Full time	N/A	Full time
Years Worked	30	52	15
Still working	N/A	N/A	N/A
Receive SS benefits	Yes	Yes	Yes
On whom SS is based	Own	Spouse	Own
Satisfy with SS benefit	Yes	N/A	Yes
Any change to SS	No	No	No, England's case
Children's opinion to SS change	N/A	N/A	No idea

	Rose	Kate	Mary
Age, mean	82	79	87
Living in FH	9	6	24.5
Having family nearby	Yes	Yes	Yes
Children	3	3	2
Grand/great grand children	N/A	Yes (2)	Yes
Employment	Yes	Yes	Yes
Marital Status	Widowed	Widowed	Widowed
Education	High school	High School	High school
Career	N/A	Real estate	Nurse
Work status	Full time	Full time	Full time
Years Worked	60	48	69
Still working	N/A	N/A	Yes
Receive SS benefits	Yes	Yes	Yes
On whom SS is based	Both	Own	Own
Satisfy with SS benefit	Very satisfy	Not enough, for NOTCH BABY	Yes
Any change to SS	No	Depends	No
Children's opinion to SS change	N/A	They think they will have none	They think there would be SS for them
	Betty		
Age	82		
Living in FH	4		
Having family nearby	No		
Children	3		
Grand/great grand children	Yes		
Employment	Yes		
Marital Status	Widowed		
Education	High school		
Career	Nurse		
Work status	Part time		
Years Worked	N/A		
Still working	Yes		
Receive SS benefits	Yes		
On whom SS is based	Spouse		
Satisfy with SS benefit	Yes		
Any change to SS	Depend on what change		
Children's opinion to SS change	Would be fine if more		

Appendix B

Demographics of Younger Women

	Molly	Cindy	Brenda
Age	N/A (55)	51	59
Working and place	Yes	Yes	Yes, Care Group
Paying to Social Security	Yes	Yes	Yes
Expected retirement age	65	62, early retire	62
Social Security importance	Very important	Yes	Very important
Opinion to SS's change	Depends If to good, it is ok	Like it, in charge of it freely	Unhappy—paid it for years & no change
What changes recommended	N/A	No better idea	Prefer no change
Choice in favor of	C, increase age	B, raising taxes	None of the above
Known privatization of SS	No	Yes	No
PSS & tax	N/A	Depends, profit & loss	N/A
PSS & age of benefits	Raise	Depends	N/A
Put money in privatization accounts	Yes, for have no choice at that time	Yes, take responsibility oneself	No
Good / bad idea	Bad	Good	Bad
Marital Status	Divorced	Married	Married
Education	College	College now	High school
Career	Administration Assistant Full time	Secretary	Medicare sales
Work status	38	Full time	Full time
Years Worked	1 adult	37	35
Children		1 adult	N/A
	Ellen	Susan	
Age	27	31	
Working and place	Yes, Arnett Clinic	Yes, Arnett Clinic	
Paying to Social Security	Yes	Yes	
Expected retirement age	50	75 unless illness interferes	
Social Security importance	Not much	interferes	
Opinion to SS's change	Good idea	Yes	
What changes recommended	Privatize the accounts	Change to better, no PSS	
Choice in favor of	A, reducing benefits	Pay off debts	
Known privatization of SS	Yes	B & C	
PSS & tax	Decrease	Yes	
PSS & age of benefits	Reduce	Increase	
Put money in privatization accounts	Yes	Raise	
Good / bad idea	Good	No	
Marital Status	Married	Bad	
Education	College	Married	
Career	Healthcare education	Master	
Work status	Full time	Nurse Practitioner	
Years Worked	5	Full time	
Children	No now	15	
		No	

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Endnotes

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³ Notch baby: "Notch" refers to the disparity of Social Security benefits paid to people born from 1917 through 1926 and benefits paid to people born before and after that period with similar work and earnings records (Senior Citizens League, 2005). At the end of 1977, President Carter signed legislation bringing some changes to Social Security. One major change was to correct an error in the 1972 law which over compensated people for inflation by using a combination of price inflation and wage inflation. The legislation in 1977 corrected the error and resulted in fewer benefits. The resulting reduction in benefits is called a "notch" and people affected by that legislation call themselves "notch baby." In fact, the notch affected not only those people born between 1917 and 1926 but also all other people born after January 1, 1917. In addition, the notch is an attempt to correct a problem instead of being a problem itself (Hunot, 2005).