

# WORKING PAPER

## *Executive Summary*

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## THE ROLE OF MARITAL HISTORY, EARLY RETIREMENT BENEFITS, AND THE ECONOMIC STATUS OF WOMEN

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### **Introduction**

As the debate over Social Security reform continues, the need for greater understanding of the retirement behaviors of men and women also increases. Since the majority of Social Security recipients are women and they are more likely to rely heavily on Social Security as their only source of income, a focus on women's retirement income is especially warranted.

The association between marital status and economic security in old age has been well understood since the very beginning of the Social Security program in the United States. During the Depression the limited employment opportunities hid the contribution of working wives. Women have always worked: some have worked outside of the home—as the majority of women do today—and others have had more limited attachment to the labor force. The economic devastation of the Depression also forced policy makers to recognize the necessity of providing adequate levels of family support to the aged, widowed and their surviving children. Eligibility for spousal benefits, which were introduced with the 1939 Amendments to the Social Security Act, was an acknowledgment of the social and economic functions of the family. Sixty years after the passage of spousal benefits policy makers today are faced with new family formations and complex economic relationships and the still daunting task of providing both fair and adequate benefits.

### **Early Retirement Benefit and the Retirement Decision**

A provision for early retirement benefits was first introduced in 1956. At first only women were allowed to claim Social Security benefits at age 62 prior to eligibility for full benefits at age 65. In 1961 gender equality was achieved when men were also allowed to claim benefits at age 62.

Recently a debate has emerged as to whether the trend towards early retirement has ended or is continuing. Some believe that the trend toward early retirement has ended and that workers will continue working beyond age 62 either part-time or at a fulltime job that is different than their career job. Conversely, others maintain that the trend towards early retirement will continue since the desire for leisure is a major reason for retirement today and, consequently, this stage of life is viewed as a time of "personal fulfillment." All agree that health is less influential in encouraging retirement than in the past. Most researchers would also agree that less is known about women's retirement. Until recently, data were not available to conduct the appropriate studies. The Retirement History Study (RHS), developed under the auspices of the Social Security Administration (SSA), was a national sample of 11,153 men and nonmarried women aged 58-63 in 1969 and followed for a ten-year period. The women in the sample were either never married or not living with spouses since the predominant view of the time was that retirement was not a significant event in the lives of married women. How times have changed!

### **Women and Retirement**

All individuals who are married and/or in long lasting relationships have their economic decisions embedded in their social relationships. How to separate and understand those decisions and subsequently design policy to support the social values of our society is a daunting challenge.

**Health and economic resources.** In a recent study of early retirement Burkhauser, Couch, and Phillips (1996) looked at health and economic resources as explanatory variables. They also included gender to determine if men and women behaved differently. In general, they found that those who left the labor force at age 62 were financially better off than those who postponed retirement. Moreover, they were in good health. A higher percentage of women (20%) than men (10%) were found to be in poor health and to have Social Security as the major source of income. The relationship between health and single women has been explored, but the effect of health on married women's decision to retire is unexplored.

**Marital history.** Comparisons of women by marital status often obscure differences among married women. It is common to assume that current marriages have been "lifelong" marriages and therefore the impact of prior marriages on economic wellbeing is not taken into account. We know that less than half of white households in the Health and Retirement Survey (HRS) are in their first marriage. For Hispanic households 44 percent are in their first marriage and only 26 percent of black households. The most common reason for marriage dissolution is divorce. Currently married individuals in the HRS sample who had experienced either previous widowhood or divorce are poorer than those in their first marriage. While we know the effects of some reform proposals on women who are currently in different marital categories, we do not have a full understanding of the relationship between marital history and economic status.

## Methods and Data

A sample of 1,430 women from the Health and Retirement Study (HRS) is used to evaluate the relative economic and health status of women who take Social Security benefits. The HRS follows a nationally representative sample of respondents ages 51 to 61 and their spouse over time. Previous research, such as Burkhauser, Couch, and Phillips (1996) has used the longitudinal nature of the HRS to compare the characteristics of respondents who take and postpone taking early Social Security benefits. This paper expands on Burkhauser, Couch, and Phillips' analysis by incorporating four waves of data and paying particular attention to the role of marital history for women.

Since the focus of the study is on comparing the economic resources of who accept or postpone early retirement benefits, the sample consists of individuals who were interviewed both before and after they turned age 62, the lower limit for early Social Security benefit eligibility. A respondent's benefit status is either "taker" (receiving early Social Security benefits) or "postponer" (eligible for but not receiving early Social Security benefits). In our sample, 59.8 percent of women took early benefits. Other measures include employed, poor health, wage rate, pension income and household pension income, nonhousing equity, net assets, household income, nonwork income, income to needs ratio, and in poverty. Each of these measures is available at time 1 (before reaching age 62) and time 2 (immediately after reaching age 62).

Marital history categories discussed include: lifelong marriages, marriages in which the woman had been previously divorced or widowed, divorced, widowed, and never married. The results presented here should be useful in evaluating the potential consequences of increasing the Earliest Entitlement Age (EEA). While increasing the EEA would not cause economic hardship for many, it may have adverse effects on divorced and widowed women who generally are at greater risk of poverty than married women. The economic effects of prior divorce or widowhood are reflected in the lower financial resources of women who remarry.

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