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THE WOMEN'S INSTITUTE FOR A SECURE RETIREMENT

The Effects of Caregiving

Women move in and out of the workforce more often than men, experiencing breaks in their work histories that result in lost income, lost promotions and lost retirement savings.

Women's Caregiving Patterns

Women remain the primary caregivers in our society, and they are spending a significant part of their adult lives providing it.

Whenever a sick child, an ailing spouse or a parent requires care, it is most often the mother or the daughter who provides for it - even if that means leaving whatever she is doing at the time.

In fact, according to a study by the National Alliance for Caregiving and AARP, among all family caregivers, more than 6 in 10 are women. Overall, women caregivers provide more hours of care and are more likely to make career changes in order to fulfill this role.¹

More than half of family caregivers report that their careers are adversely affected by this role. Women far more than men compromise their work schedules by moving in and out of the labor force, experiencing breaks in their work histories. The Social Security Administration reports that among new retired-worker beneficiaries, women average 13 years of zero earnings since age 22². This is on average 13 fewer years to earn a pension if one is even available; 13 fewer years to climb the ladder toward better jobs and better pay; and 13 fewer years to put money away through a defined contribution plan or IRA. Every time a career is interrupted, the ladder toward better jobs and better pay must be re-established when a woman rejoins the labor force. She loses not only time but often must start over after taking time off.

¹ National Alliance for Caregiving and AARP, *Caregiving in the U.S.* Washington, D.C. 2009.

² Social Security Administration, 2005.

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Caregiving is also a factor determining why more women work part-time. Research shows that because of the greater responsibility for caregiving, they are more likely than men to cut back on their hours of employment to meet family needs³.

About 18 percent of working women with children over six worked part-time in 2009, compared to about four percent of working men with children.⁴

The consequences are serious; part-time employment is associated with lower wages, fewer opportunities for promotion and a lower likelihood of benefits.

The National Alliance for Caregiving study also found that 68 percent of caregivers made reductions or adjustments to their work schedules as a result of their responsibilities. This financial burden can easily impact the caregiver's ability to save for retirement.

Hispanic caregivers spend more hours per week on care than non-Hispanic caregivers, and 40 percent reported major work changes including taking leaves of absence and quitting, according to a study by the National Alliance for Caregiving and Evercare.⁵ This worsens the already precarious state of retirement savings among minority women.

Neither public nor private retirement programs grant credit for caregiving years in calculating retirement benefits; lost work years are factored in as zeros, which significantly reduce the final benefit amount. However, Social Security's spousal and

³ S. Jody Heymann. *The Widening Gap – Why America's Working Families are in Jeopardy and What Can Be Done About It.* Basic Books. 2000.

⁴ U.S. Bureau of Labor Statistics, *Employment Status of Population by Sex, Marital Status and Presence of Children Under 18, 2008-2009 Annual Averages*, Washington, D.C. 2010.

⁵ National Alliance for Caregiving and Evercare. *Hispanic Family Caregiving in the U.S.* 2008.

survivor benefits are designed to provide benefits to a spouse with a lower lifetime work history.

A study conducted by the National Center on Women and Aging for the MetLife Mature Market Institute found that caregivers lose \$659,139 over a lifetime, the sum of reduced salary and reduced retirement benefits, illustrated in the figure above.⁶

Some of the financial consequences of women's moving in and out of the workforce are obvious, such as losing out on pay increases, promotions, training opportunities and career advances. But there are more subtle consequences as well. These include lost opportunities for compounded returns on 401(k) matching contributions, a reduction in savings and investments and the inability to finance home improvements that can increase the resale value of a residence.⁷

Workplace benefits seldom provide support for dependent caregiving, and while federal legislation does require some employers to allow employees to take leave for caring for extended-family members, the option is viable only for those families whose budgets can accommodate unpaid leave.

Since caring for the family is not recognized in this country as an economic contribution, women lose out by bearing the main share of this responsibility. Research shows that the economic consequence for single women who care for their elderly parents is a likelihood of life in poverty: these caregivers are 2.5 times more likely than non-caregivers to live in poverty in old age.⁸

Long-Term Care Needs

It is important for women to consider the consequences of their potential role as a future caregiver when determining their retirement income needs. Women's ability to save for retirement and for long-term care needs is

impacted by the fact that they take part-time jobs, take time off work or retire early in order to provide care for their family members. Women also supplement the living expenses of the non-spouse individual they provide care for and in doing so, reduce available funds for their own retirement savings.

In addition women are more likely than men to be receivers as well as dispensers of care because they live longer and are more prone to disability or chronic illness as they age. Many people do not realize that Medicare does not cover extended long-term care. While Medicare covers hospitals and physicians' bills, it only provides very limited assistance for home health care and nursing home expenses, generally following a hospital stay.

If women can afford it, they can purchase long-term care insurance, which covers home health care and nursing home costs. The cost to the individual to purchase a policy varies widely, depending on: whether it is purchased individually or as part of a group, the benefits provided under the policy, and where the policy is sold. According to the American Association for Long-Term Care Insurance, 43.5 percent of buyers who are under age 61 pay less than \$1,499 per year for their insurance, but almost 74 percent of those between 61 and 75 pay \$1,500 or more.⁹ Additional information about purchasing coverage can be found in WISER's Special Report on Long-Term Care Insurance.

The National Family Caregiving Support Program, which was enacted under the Older Americans Act of 2000, provides state and local health care agencies with funds to create and sustain long-term care support services, such as training and support groups. Family caregivers can also find financial and retirement planning tools on WISER's web site (www.wiserwomen.org).

⁶ National Center on Women and Aging and the National Alliance for Caregivers. *The MetLife Juggling Act*. New York, NY. 1999

⁷ Ibid.

⁸ Donato, Katharine and Wakabayashi, Chizuko: *Women Caregivers are More Likely to Face Poverty*, Sallyport, Magazine of Rice University. 61(3). Spring 2005.

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⁹ American Association for Long-Term Care Insurance. *What People Pay for LTC Health Insurance*. 2010.