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Single Women Face the Greatest Risk and Economic Insecurity

By Kate Bahn and Christian E. Weller April 27, 2017

There are more single women in the United States today than ever before. At the same time, new research by Christian E. Weller and Michele E. Tolson for the Center for American Progress shows that single women also face some of the most concentrated economic risk.

Weller and Tolson defined economic risk as unexpected losses of income. Significantly, they adopted a broad conception of the most relevant types of economic risks faced by women, including unexpectedly having to take time off work to care for someone else or losing one's job due to caregiving responsibilities. These risks are compounded by the fact that single women, in general, have fewer defenses against unexpected income loss than men do. Single women have fewer savings to draw from in the event of an emergency, as well as fewer retirement savings to serve as a nest egg for the future.

Economic risks, however, are often hard to avoid. Single women face risks including unexpected caregiving needs or unexpected job loss. And it is even more difficult for them to weather these challenges given the persistence of the gender wage gap and other measures of women's economic inequality in the labor market. To address this reality, policymakers must update the system of protections by enacting policies such as paid family and medical leave and expanded unemployment insurance. These protections and more will ensure that women and families can handle common risks without facing undue economic struggles, as well as that women can better maintain and build up savings for their own long-term economic security.

What are economic risks, and who faces them?

All people face some measure of economic risk, but women—particularly single women—face some of the highest levels of economic risk. Economic risk broadly refers to chance events that could lead to a decline in economic well-being. This decline can be measured in a loss of income, a drop in savings, or an increase in debt. The effect of economic risk is experienced for as long as a person is exposed to such risks, much in the same way that a person's exposure to extreme weather events increases their risk of suffering those events' effects. For example, a flood is a chance event that can destroy homes and communities. Exposure to a flooding event, however, is not evenly spread: Those living in a flood plain are more likely to be exposed to this risk than those who live on a mountaintop far away from large bodies of water.

Economic risk exposure, therefore, determines the amount of economic risks that somebody could personally experience. People can incur exposure to risks by investing in stocks, real estate, and their own businesses. They can also have risk exposure through their jobs because of the possibility of a layoff or a cut in pay. And they can face economic risk exposure by caring for somebody else—such as unexpectedly needing to take a child to the emergency room or caring for an elderly relative who is recovering from a fall. While everyone faces some degree of economic risk—through, for example, their job or family—women are disproportionately exposed to these risks as a result of outright discrimination and segmented labor markets. Occupations dominated by women regularly receive less pay than those that are majority male.

Some risk exposure, however, is good. In the case of investments, risk exposure can lead to economic rewards. But women invest in fewer stocks than men do, leading researchers to assert that women unduly shy away from some risks that are associated with high payoffs. As a result, women also have lower levels of savings, lower levels of wealth, and smaller retirement accounts. Women's lack of savings and wealth is significant given that they are already disproportionately exposed to economic risk.

Somewhat paradoxically, however, when women do invest in their own financial security—such as through buying a home or starting a business—they often have greater risk exposure than men. This is because their assets tend to be less diversified: While women have fewer savings in general, a greater proportion of their assets are in housing. When house prices fall, women will more quickly owe more than their houses are worth and thus be more likely to end up in foreclosure and lose a larger share of their total savings. Similarly, female business owners face more risks than their male counterparts. They have less of their own capital to fall back on and therefore have a harder time getting loans, which partly contributes to lower profitability and lower business growth.

But simply looking at whether women invest in stocks, housing, and business already misses key aspects of their risk exposure. Economic risk exposure can also include facing events that could happen in people's work and personal lives—such as going through a divorce or having a family member fall ill—that require them to live with less income or to draw down savings. The vast majority of people need to work for a living, but all work comes with the risk of being laid off or of getting a pay cut if business is slow. In an ideal world, workers can find additional time to care for ill loved ones without sacrificing pay or even leaving a job or career altogether. But this is often far from the reality.

Many economic risks are common and often inevitable. Without a sufficient social safety net to help people prepare for and endure negative outcomes, these risks can unfortunately lead to substantial downsides. Unlike financial market risks that a person chooses to incur in the hope of a nice payoff, these personal risks are inevitable when one goes about their daily life.

New research on women's economic risk exposure and savings

The new CAP report includes a broad conception of economic risks that goes beyond just financial market risk exposure through stock investment. The authors also examine risk exposure in the labor market, such as lower pay, unemployment, and unexpected unpaid leave from work for caretaking. Higher caretaking risk can also cause income or savings losses when people need to pay for unexpected caregiving expenses, including hiring a nurse or a child care provider.

Weller and Tolson employed this broader understanding of economic risks and who it affects and found the following things:

- Women have more exposure to hard-to-avoid risks than men.
- Women are more likely to face several economic risks at once than men are.
- Women's exposure to all economic risks has grown over time.
- Greater risk exposure goes along with fewer risk protections, such as pension plans and life insurance policies for women and their families. Women and their families who face economic risks could quickly fall through the cracks.
- Women with high risk exposure also have fewer savings than women with less risk exposure.

Single women simultaneously face multiple types of risk, including riskier assets, riskier labor market conditions, and greater caregiving risk. This greater concentrated risk exposure means that single women are in a particularly precarious economic circumstance.

Single women face three times greater likelihood of simultaneous exposure to multiple risks compared with single men. Table 1 shows that single women face greater absolute losses from these risks and a loss of an even greater share of their earnings compared with single men: Single women are likely to lose $3,552, or 12.7 percent of their earnings, compared with $3,453, or 9.3 percent of earnings, for single men. Importantly, many of these risk exposures do not disappear quickly. After all, people care for their families over years and possibly decades, while they sometimes face uncertain labor market conditions throughout their entire careers. As a result of this reality, women and men experience differences in risk exposure year after year.

TABLE 1

Summary risk exposure indicators for women and men, by time period

	Early years, 1989 to 1998				Later years, 2001 to 2013			
	Single		Married		Single		Married	
	Women	Men	Women	Men	Women	Men	Women	Men
Share of people with high savings risk exposure	33.5%	29.3%	54.1%	53.5%	35.9%	31.3%	58.1%	56.5%
Share of people with high unemployment risk exposure	55.1%	54.2%	13.3%	23.1%	62.3%	63.7%	27.3%	29.7%
Share of people with caregiving risk exposure	38.2%	16.4%	55.7%	59.4%	41.2%	16.0%	53.5%	56.1%
Share of peope with concentrated risk exposure	8.9%	2.7%	4.3%	8.3%	11.0%	3.9%	8.6%	12.8%
Share of people with diverse risk exposure	68.2%	66.7%	74.8%	82.0%	76.4%	72.1%	78.8%	81.7%
Median value at risk	-$3,170.93	-$2,957.59	-$3,477.30	-$7,586.59	-$3,551.53	-$3,453.32	-$5,468.58	-$13,263.08
Median value at risk relative to real wages	-11.5%	-7.2%	-12.4%	-16.2%	-12.7%	-9.3%	-15.5%	-20.8%
Median value at risk from hard-to-avoid labor and caregiving risk exposure	-$2,302	-$1,786	-$2,349	-$5,340	-$2,882	-$2,030	-$3,295	-$6,668
Median value at risk from hard-to-avoid labor and caregiving risk exposure to wages	-8.6%	-3.7%	-8.7%	-11.4%	-9.4%	-5.1%	-10.3%	-12.8%

Note: "Married" refers to people in marriages and similar committed relationships. All risk exposure indicators are calculated only for people in households not identified as being retired. High savings risk exposure is defined as having a ratio of stocks and real estate to total assets greater than 75 percent and a ratio of debt to assets greater than 25 percent. Ratios of stocks and real estate—owner-occupied real estate, other residential real estate, and net nonresidential real estate—to assets and debt to assets are calculated only for households with any assets. A person is defined as having high unemployment risk if their peer group's unemployment rate falls into the top one-third of all peer group unemployment rates. Peer groups are defined by 10-year age groups, marital status, and whether people have a college degree for each of the nine survey years from 1989 to 2013. High unemployment risk is only calculated for people in the labor force. A single person is considered to be caring for other people if the household variable indicates potential caregiving responsibilities for other people in the household. A married person is considered to be caring for other people if the household variable indicates potential caregiving responsibilities for people outside of the couple and/or if their spouse is disabled or in poor health. "Concentrated risk exposure" is defined as having high savings, high unemployment, and caregiving risk exposure. "Diverse risk exposure" is defined as having high savings, high unemployment, or caregiving risk exposure. See text for explanations of value-at-risk calculations. Value at risk is calculated at a 90 percent confidence interval.

Source: Authors' calculations are based on 1989 to 2013 data from Board of Governors of the Federal Reserve System, "Survey of Consumer Finances," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed March 2017).

Married women, however, face less concentrated risk exposure. Married men also face a larger potential loss, but largely owing to the fact that they earn more money and possess more assets. However, this does not consider the different economic impact of divorce and widowhood for women compared with men. "[W]ealth declines with widowhood and divorce," Weller and Tolson found. Indeed, according to the report, those declines are greater for women than for men. Therefore, the economic stability of married women is overstated when considering that they will experience a disproportionate decline compared with men in the incidence of widowhood and divorce.

Single women with more exposure to risk also have fewer protections against it, such as defined benefit pension plans for retirement or liquid assets to use in an emergency. For example, single women who have caregiving risk exposure have only 3.3 percent of the wealth that single women without caregiving risk have. Those with labor market risks have only 4.7 percent of the wealth. In comparison, single women with savings risks have 131.7 percent of the wealth that single women without savings risks have. Table 2 shows correlations between unemployment risk and caregiving risk and the types of protections that would especially help women weather the burden of these risks. While

TABLE 2

Risk protections by selected risk exposure measures, by marital status and time period

	Early years, 1989 to 1998				Later years, 2001 to 2013				Ratio of women without risk exposure to those with risk exposure, by marital status			
	Single women		Married women		Single women		Married women		Single women		Married women	
	Risk protections conditional on low or high unemployment risk exposure											
	Low	High	Low	High	Low	High	Low	High				
Share of people with defined benefit pensions	25.2%	20.0%	23.2%	14.5%	28.7%	15.1%	20.3%	11.2%	125.9%	190.0%	160.5%	181.3%
Share of people with liquid financial assets	92.9%	74.2%	92.7%	86.4%	94.7%	82.4%	94.3%	86.6%	125.3%	114.9%	107.3%	108.9%
Median value of liquid financial assets	$3,347	$1,446	$2,518	$1,137	$3,283	$1,282	$3,940	$1,500	231.5%	256.0%	221.4%	262.6%
Share of people with health insurance	88.0%	76.2%	89.9%	79.3%	87.2%	75.6%	90.1%	76.0%	115.6%	115.4%	113.3%	118.6%
Share of people with positive-value life insurance	23.1%	20.9%	42.2%	31.7%	21.8%	13.4%	29.1%	16.0%	110.5%	163.3%	133.4%	182.5%
	Risk protections conditional on no or some caregiving risk exposure (caring for dependents)											
	None	Some	None	Some	None	Some	None	Some				
Share of people with defined benefit pensions	17.8%	15.7%	16.2%	15.4%	23.8%	12.1%	15.7%	12.5%	113.3%	197.7%	105.5%	125.3%
Share of people with liquid financial assets	84.2%	65.6%	91.7%	87.8%	90.2%	76.1%	91.6%	87.8%	128.4%	118.5%	104.5%	104.4%
Median value of liquid financial assets	$2,766	$1,001	$2,859	$1,950	$2,246	$1,048	$3,823	$2,429	276.4%	214.2%	146.6%	157.4%
Share of people with health insurance	86.8%	78.3%	88.8%	86.1%	84.9%	77.0%	87.0%	82.8%	110.9%	110.2%	103.1%	105.1%
Share of people with positive-value life insurance	21.1%	20.3%	42.1%	37.6%	16.7%	15.1%	28.1%	21.2%	103.7%	110.7%	112.0%	132.9%

Note: "Married" refers to people in marriages and similar committed relationships. A person is defined as having high unemployment risk if their peer group's unemployment rate falls into the top one-third of all peer group unemployment rates. Peer groups are defined by 10-year age groups, marital status, and whether people have a college degree for each of the nine survey years from 1989 to 2013. High unemployment risk is calculated only for people in the labor force. A single person is considered to be caring for other people if the household variable indicates potential caregiving responsibilities for other people in the household. A married person is considered to be caring for other people if the household variable indicates potential caregiving responsibilities for people outside of the couple and/or if their spouse is disabled or in poor health. All risk protection indicators are calculated only for people in households not identified as being retired. A ratio of more than 100 percent indicates that women without risk exposure have more risk protections than women with risk exposure, and a ratio of less than 100 percent indicates that women without risk exposure have fewer risk protections than women with risk exposure.

Source: Authors' calculations are based on 1989 to 2013 data from Board of Governors of the Federal Reserve System, "Survey of Consumer Finances," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed March 2017).

married women have access to their spouses' risk protections, including savings, single women do not have this benefit. As a result, single women not only have a higher risk exposure, but they also have less protection against these risks.

Policies that reduce women's risk exposure

Even when people play by the rules in today's economy, they still cannot always ensure economic security for themselves and their families. As Weller and Tolson write, "caregiving risks are hard to manage in an environment where few workers enjoy the necessary benefits to manage unexpected demands on their time as caregivers." And as the report finds, these risks are even harder to manage for single women, who face the perfect storm of greater risk exposure, fewer risk protections, and lack of access to a partner's protections against risk.

Policies need to reflect the needs of single women as they become one of the largest populations in the country. Those that would help alleviate both risk exposure and boost risk protection include, but are not limited to:

- Paid family and medical leave and paid sick leave. People who bear the brunt of caregiving risks, such as single women, need access to paid family leave and paid sick leave to ensure that they can shoulder this responsibility without jeopardizing their economic stability. Comprehensive work-life policies would enable people to take the time they need to care for themselves and their families without suffering income losses that reverberate through the entire economy.

- Improved unemployment insurance. Far fewer women are protected by unemployment insurance than men and may end up being locked into jobs that provide short-term stability but lack opportunity for career growth and income growth. Expanding unemployment insurance and establishing a Jobseeker's Allowance would protect women against labor market risks.

- Accessible retirement savings plans. Savings plans, including retirement savings plans such as the Center for American Progress Action Fund's proposed National Savings Plan, would help women—particularly single women—build nest eggs to help them weather economic risks and plan for their futures. CAP has also supported the U.S. Department of the Treasury's myRA plan, which would open Roth individual retirement accounts to all workers. These can be used as retirement savings as well as liquid assets to draw from when needed.

Significantly, the nation's outdated system of risk protections does not take into account the increased difficulty that single women face in simultaneously balancing their careers and their personal lives. Moreover, today's system of risk protections does not enhance single women's ability to establish financial security to protect against inevitable risks. Policymakers must redesign the U.S. risk protection system so that it works for all Americans. Improved measures could help single women access more protection against the risks they face; this would also help them gain better economic opportunity for their futures. Increased security will help build a stronger economy and society that includes all Americans—especially single women.

Kate Bahn is an Economist at the Center for American Progress. Christian E. Weller is a Senior Fellow at the Center and a professor of public policy at the McCormack Graduate School of Policy and Global Studies at the University of Massachusetts, Boston.

Endnotes

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