The Vulnerability of Low Wage Human Service Workers in Retirement: Policy Implications

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This article recognizes how the recession is affecting the U. S. workforce. Despite the high unemployment rate across most of the country, one area that is anticipated to have higher employment growth is the provision of human services. Unfortunately, human service workers tend to receive low compensation. This paper examines the effect of low incomes on the retirement security of many low wage workers, most of who are women. Studies show that many low wage employees are unable to save toward retirement. Based on an analysis of retirement income projections performed by the U. S. Government Accountability Office (GAO) and other researchers, and of a field experiment conducted by the Retirement Security Project of the National Bureau of Economic Research (NBER) and H&R Block, we argue that women are exposed to the risk of poverty in their retirement years unless practical measures are taken to address the problem. We call for a combination of the re-examination of the compensation and public policy changes to help improve the wages and retirement savings of low wage human service workers.

The U. S. economy is the midst of a weak recovery. Public, for–private, and nonprofit employers have furloughed and laid off employees. On December 3, 2010, the U. S. Department of Labor released data noting that the unemployment rate reached 9.8 percent in November 2010, 15.1 million people were out of work (Bureau of Labor Statistics 2010). Despite the high unemployment rates across most of the country, one area that is anticipated to have higher employment growth is the provision of human and social services.

Projections of occupations from the U. S. Census Bureau for the years between 2008 to 2018 indicates that jobs in health care and social assistance services are expected to have the fastest rate of growth. In particular, the need for health care support practitioners, personal care and home care aides, and community and social services workers are anticipated to increase (Bureau of Labor Statistics Table 6 2009). This is consistent with earlier studies from the U. S. Census Bureau that projected the largest job growth for registered nurses; home health aides, nursing, aides, orderlies, and attendants; personal and home care aides; teacher assistants, and child care workers through 2014 (Hecker 2005). With the exception of registered nurses, the wages of these positions tend to be low and the education and training for these positions tend to be short-term.

This paper will illustrate the importance of human service organizations raising the salaries of their low-income workforces and the implications not just for the workers' current standard of living but for their retirement needs as well. The paper provides an explanation of human services work, a brief overview of previous research that suggests reasons for the lower salaries in human services employment, the implications for social programs and the vulnerability in retirement that low wage workers face. It notes that public agencies will likely be required to provide financial assistance and medical aid to human service workers who may not be able to save for retirement due to low wages in their working years.

Human Service Work and the Determinates of Compensation

Health care support practitioners, personal care and home care aides, and community and social services workers have often been identified as providing "care work." Those professions interact directly with recipients to resolve problems or develop the capabilities of the recipient. These could include physical and mental health, physical skills, cognitive skills, and emotional skills, such as self-discipline, empathy, and care (England, Budig, and Folbre 2002). Other scholars have used the terms "direct person-related jobs" (Oginska-Bulik 2005), and "caring labor" (Gatta, Boushey, and Appelbaum 2009 969).

Several reasons have been proposed for the relatively low pay of human service work. It often serves clients with little or no ability to pay. It involves a function culturally associated with women and may thus be devalued. And this work has not been able to take advantage of productivity per worker increase from capital investments to the extent of other occupations (England, Budig, and Folbre 2002, 469).

To develop compensation systems, employers rely on three types of equity: external, internal, and employee. *External equity* is the standard that compares an employer's wages with the rates prevailing in external markets for the employee's position. *Internal equity* is the standard that requires employers to set wages for jobs within their organizations that correspond to the relative internal value of each job. Positions that are determined to be more valuable to the organization receive higher wages. The internal value of each position to the organization is determined by a procedure known as job evaluation. Job evaluation determines the worth of one job relative to another. Compensable factors are identified, weighed, and assigned point values that reflect their weight. Jobs are broken down into their compensable factors and rated along a continuum of points or rank ordered. Positions with higher point values are considered more valuable to the agency. *Employee equity* is the comparison of pay across employees performing the same or similar work. It focuses on the contributions of an individual worker within a job classification. Merit pay, skill-based pay or pay based on seniority are examples of pay systems to address employee equity.

Previous research has suggested that internal and external equity may be influenced by sexual stereotypes and perceptions. Treiman and Hartman (1981), Elliott (1985), and Wittig and Lowe (1989) propose that perceptions of gender differences combined with the expectations and experiences of work could influence the nature of job evaluation procedures and outcomes. Historically, female work was devalued, subject to the perception that a woman's income was secondary to her husband's. Blumrosen (1979, 435) states that "value systems and perceptions of the job analyst influence what information is collected and therefore what is available in later stages in the process."

Other explanations include the lack of objectivity in determining the job factors that are considered to be important and in deciding their weights or points. For example, supervision is a compensable factor beneficial to men, while responsibilities such as planning, coordination, and scheduling (typically female tasks) are usually ignored. Physical strength (required for typically male tasks) is valued while dexterity or handling multiple tasks simultaneously (required for jobs typically held by females) are not (Arvey 1986; Elliott 1985; Junor, Hampson and Smith 2009). Other characteristics and responsibilities, such as counseling and teaching, that are common in occupations heavily populated by women are often neglected as compensable factors. Recent research notes that caring, negotiating, empathizing, smoothing troubled relationships, and working behind the scenes to enable cooperation are also factors that are often excluded from job evaluation forms, job descriptions, and performance evaluations so the work is invisible and uncompensated (Guy and Newman 2004; Guy, Newman and Mastracci 2008; Mastracci, Newman and Guy 2006). Hochschild (1979, 1983) Guy and Newman, (2004) and Guy, Newman and Mastracci (2008, 2006) have used the term "emotional labor" to describe emotive work such as caring and service which goes beyond cognitive, physical, or mechanical skills in the performance of one's job, but is required for effective job performance. The social skills needed for effective service work as often seen to be innate qualities, traits or attributes often associated with women rather than job skills (Junor, Hampton and Smith 2009).

Not only may job evaluation systems lack objectivity, but selecting the relevant labor market and what agencies to obtain data from may also be influenced by a subtle or not so subtle bias. Despite the belief that market rates are neutral, Kim (2000, 110) notes that even if an employer claims to pay market wages, there is much discretion in estimating them. Female employees typically enjoy less representation by unions or less political influence within those unions. Having little power meant they had little influence over the salary survey procedures and thus were not able to use this process to their advantage. Employers sometimes adjust survey samples to justify the wage rates they want to pay so the rates are subject to manipulation, as a result, market wages are often socially constructed (Kim 2000).

Other research indicates that when agencies identify the relevant labor market and relevant jobs to survey, the criteria to set wages for female dominated jobs tend to be those that result in low wages. The determination of what wages to pay involves making value judgments and decisions. For example, to determine external equity, the agency decides which organizations should be compared; whether the data should be collected directly, purchased, or taken from government sources; and whether it wants to be a wage leader. It is also responsible for considering other forms of compensation. These decisions are rarely assessed for their discrimi¬natory impact (Elliott 1985; Taylor 1989). Nigro, Nigro and Kellough (2007) note that if there are patterns of wage discrimination in the labor market then basing pay rates on that serves to perpetuate low wage practices.

Implications for Social Programs

Low wages have not only have immediate implications for low wage employees and their families but also affect the expenditures of government security programs.

Employers are able to pay low wages because government programs exist to help low-income families meet their needs. The burden of providing income supports and services to low-wage workers is passed on to the public through programs supported by taxes. Many low wage workers in California depend on programs such as Medi-Cal and subsidized housing (Dube and Jacobs 2004). In other states, low wage earners depend on taxpayer-funded health care, thel Earned Income Tax Credit, subsidized school lunches and subsidized housing. (Carroll, Horan and Sitcovsky 2005). The State of Missouri developed a report on employers whose workers rely on taxpayer-funded medical care. The Missouri Health Care Report will name any employer with more than 50 workers or their dependents who receive benefits from the state Medicaid program or the Children's Health Insurance Program (Wagar 2006).

Not only are low wage workers vulnerable while they are working, but they remain vulnerable as they get older because they have not been able to accumulate savings for retirement. This is an important distinction from workers who have postponed their retirements due to a drop in their retirement accounts or because a spouse or significant other lost a job.

Vulnerable Retirement for Low Wage Workers

Many experts believe women are even more vulnerable than men in retirement due to most women being employed in low-wage jobs. A recent report published by the National Institute on Retirement Security (NIRS) notes that while all Americans are now concerned about their retirements, 88 percent of women are concerned that their current economic conditions will affect their ability to achieve retirement security, this is a higher percentage than men concerned about retirements (Boivie 2009).

In a gender analysis of the Rockefeller Foundation's American Worker Survey, Lovell, Hartmann, and Williams (2008) found that women feel a greater sense of economic anxiety than men at the present time, and are very worried about possible cutbacks to Social Security. Nineteen percent of women have annual family incomes of less than $19,000 compared to 10 percent of men. Fifty-four percent of the men surveyed had family incomes of $58,000 or higher compared to 41 percent of women. Women of color are at a greatest risk for economic hardship. Minority women were the poorest, 26 percent fall in the lowest income groups. The survey also showed women had insecure feelings about not having enough to retire on because they are saving less, and are less likely to participate in a retirement savings plan. These fears are not unfounded, as research indicates that women, persons or color, and other minorities have fallen behind in their retirement savings (Hamilton 2007) and the Employee Benefit Research Institute (EBRI) found that gender is a "particularly strong factor" in determining whether a worker at age 50 and older receives an annuity and/or employment-based pension income in retirement. In 2006, women 65 years and older were almost two-thirds less likely to receive an annuity or pension, and if they did, the amount was likely to be about 65 percent of that received by men in the same age group (Employee Benefits Research Institute 2008).

Projections of Retirement Income and Retirees' Economic Security

The financial planning literature often recommends having enough retirement income to replace 70 percent to 80 percent of pre-retirement income in order to maintain the same standard of living. A growing number of studies have reviewed the adequacy of retirement income to protect economic security, often coming to different conclusions (Butrica, Iams and Smith 2003; Easterlin, Schaeffer and Macunovich 1990, 1993; Haveman, Holden, Wolfe and Sherlund 2003; Moore and Mitchell 2000; Smith 2002; Wolf 2002). A common thread that runs through the findings of many of these studies, however, is that while most high income earners would be able to have adequate earnings to achieve the recommended replacement of pre-retirement income, most low-income earners will not be able to have enough retirement income to maintain the same standard of living in their retirement years.

Butrica, Iams and Smith (2003), for example, project the major sources of income at age 67 from the Social Security Administration's Model of Income in the Near Term (MINT) model. MINT starts with data from the U.S. Census Bureau's Survey of Income and Program Participation (SIPP) for 1990 and 1993. The model directly measures the experiences of survey respondents as of the early 1990s – representing the first third to the first half of the lives of the baby boom cohort – and statistically projects their income and characteristics into the future, adjusting for expected demographic and socioeconomic changes. The findings suggest that although mean per capita family income at age 67 will increase from $29,000 for current retirees to $44,000 for early Baby Boomers and $48,000 for late Baby Boomers, people who normally fall into low-income categories such as minorities, the less educated and the non-married experience smaller increases and even decreases in income across cohorts (Butrica, Iams and Smith 2003).

Smith (2002) also projects poverty rates using the Urban Institute's DYNAMISM model. DYNAMISM ages its starting sample in yearly increments, to as far as 2050, integrating important trends and differentials in life course processes, including birth, death, schooling, leaving home, first marriage, remarriage, divorce, disability, work and earnings. The model also projects current wealth forward to retirement, incorporating additional savings and new contributions to Defined Contribution plans, and simulates pension and social security. Smith finds that although poverty rates among the population at or above the Social Security normal retirement age will fall from 12 percent in 1992 to 6 percent in 2020 and to 3 percent in 2040, certain subgroups such as lowest lifetime earners and never married and divorced women, as well as high school drop outs remain at risk of poverty. The findings also indicate that without real wage growth, poverty levels will remain at 12 percent and certain vulnerable groups such as lifetime low wage earners would have higher poverty rates in 2040 than in 1992.

The difficulty to make ends meet makes low-income workers less likely than higher-income workers to participate in employer-based retirement savings plans or individual retirement accounts, thereby increasing their risk of living in poverty in their retirement years. Moreover, vulnerable groups such the less educated, women and minorities who participate in retirement savings plans, do not only tend to contribute a smaller percentage of their income than higher income individuals, but also face the risk of discontinuation of those plans. When defined contribution pension plans are offered by employers, employees barely getting by with low wages are not likely to be able to afford contributing to deferred compensation plans. For example, in 1999, only 6 percent of employees earning less than $10,000, 14 percent of part-time employees, and 18 percent of employees with less than high school diploma were covered by an employer-based retirement plan (The Retirement Security Project 2005). In 2001, only 13.7 percent of workers who earned $20,000 or less participated in 401 (k) plans compared with 67.1 percent of workers who earned more than $100,000 (Hamilton 2007). The shift of pension coverage from traditional defined benefit (DB) plans to defined contribution (DC) plans over the last 25 years has resulted in a situation where participants accumulate retirement balances on individual accounts, as opposed to accruing benefits based on years of service and earnings under the DB plans. Although DC plans provide greater portability of benefits, they shift the responsibility of saving for retirement from employers to employees and thus increase the long-term vulnerability of low-income workers, many of whom live in poverty.

Table 1 shows the percentage of full-time employees within various socioeconomic backgrounds that do not have employer sponsored retirement plan in 2003. As indicated in the table, 48.3 percent of Hispanics who work full time did not have employer sponsored plans. Likewise, 36.4 percent of Blacks who work full time did not have employer sponsored plans compared to 27.5 percent of whites who work full time.

The table also shows single and less educated workers are less likely to have pension plans. For example, 74.2 percent of full time workers with only some high school education did not have pension plans, compared to 36.4 of college graduates. Additionally, Table 1 shows that most employees who do not have retirement plans are more likely to work for small organizations who most likely do not offer retirement plans. As indicated in the table, 72.8 percent of employees working for organizations with less than 25 employees did not have pension plans, compared to 32.4 percent of those working for organizations with 100 or more employees.

Recently, the U. S. Government Accountability Office (U. S. GAO 2007) conducted a study to determine what percentage of workers participate in DC plans, how much the workers are likely to have saved in the plans over their careers and to what degree do key individual decisions and plan features affect plan savings. Using a computer simulation model to project defined contribution plans at retirement, the U. S. GAO analyzed data from the Federal Reserve Boards' 2004 Survey of Consumer Finances (SCF) based on a sample of workers born in 1990.

Table 2 shows the projected average annuity equivalents and replacement rates from defined contribution plan balances at retirement by income, under baseline assumptions. As illustrated in Table 2, the U. S. GAO projections show that workers would save enough in their DC plans over their careers to produce, when converted to a lifetime annuity at the time

Table 1. Descriptive Characteristics of Full Time Non-Government Wage and Salary Workers Who Lack a Pension Plan in 2003 (Ages 25-64)

	Full Time (Percent)
Race	
White, Non-Hispanic	27.5
Black, Non-Hispanic	36.4
Hispanic	48.3
Other	71.6
Marital Status	
Married	42.8
Single	56.1
Education	
Some High School	74.2
High School Graduate	52.1
Some College	47.0
College Graduate	36.4
Firm Size	
Fewer than 25 Employees	72.8
25-99 Employees	50.2
100 or More Employees	32.4

Source: Adapted from Urban Institute calculations. Based on data from Purcell (2004) and original data from the Current Population Survey.

of retirement, an average of $18,784 per year in 2007 dollars. The projections assume that all workers fully annuitize all accumulated DC plans balances at retirement, which occurs sometime between age 62 and 70. Additionally, participants are assumed to always invest all plan assets in life cycle funds, and stocks earn an average real annual return of 6.4 percent.

Under these assumptions, workers in the low-income quartile accumulate DC plan savings equivalent to an annuity of about $1,850 per year, compared to the average savings of $18,784 for the cohort and the annual savings of $50,098 for workers in the highest income quartile. Additionally, the savings of $1,850 constitute a 10.3 percent pre-retirement income replacement rate compared to the 22.2 percent average replacement rate for the cohort, and 33.8 percent replacement rate for the workers in the highest quartile. Furthermore, 63 percent of the workers in the low-income quartile have no plan savings by the time they retire, compared to the 36.8 percent and 16.4 percent respectively for the average workers in the cohort and for the highest income quartile. Table 2 also shows similar patterns for household level results.

Table 2. Projected Average Annuity Equivalent and Replacement Rates from DC Plan Balances at Retirement, by Income, Under Baseline Assumptions

		By Income Quartile			
	Overall	1	2	3	4
Individual Level Results					
Annuity Level (Per Year 2007 Dollars)	18,784	1,850	6,554	16,635	50,098
Replacement Rate (Percent	22.2	10.3	18.2	26.3	33.8
Percent of Workers With no DC Savings	36.8	63.0	39.8	27.9	16.4
Household Level Results					
Annuity Level (Per Year 2007 Dollars)	24,664	4,176	11,918	25,560	57,000
Replacement Rate (Percent	33.8	18.7	30.3	40.9	45.5
Percent of Workers With no DC Savings	28.8	48.1	30.7	21.8	14.5
Instant Eligibility/Participation					
Annuity Level (Per Year 2007 Dollars)	26,265	4,243	11,142	24,370	65,305
Replacement Rate (Percent	35.0	25.4	31.3	38.8	44.7
Percent of Workers With no DC Savings	17.7	30.0	18.4	13.7	8.6
Participants Always Roll Over Balances Upon Job Separation					
Annuity Level (Per Year 2007 Dollars)	20,797	2,428	7,892	18,949	53,918
Replacement Rate (Percent	25.6	13.8	22.0	30.1	36.6
Percent of Workers With no DC Savings	27.0	48.8	28.1	19.3	11.6
Assuming 2.9 percent Real Annual Return on Stocks					
Annuity Level (Per Year 2007 Dollars)	13,803	1,277	4,687	12,145	37,100
Replacement Rate (Percent	16.1	7.1	13.0	19.2	26.1
Percent of Workers With no DC Savings	37.2	63.3	40.3	28.3	16.7

Source: GAO Projections Using PENSIM Model.
Note: All results are individual levels except as indicated. The median annual steady earnings (in 2007 dollars) for persons in the income quartiles are as follows: Overall sample: 46,122; Quartile 1: 16,820; quartile 2: 34,950; quartile 3: 60,777; quartile 4: 126,380. Model assumptions include 1) workers fully annuitize all accumulated DC plan balances at retirement between ages 62 and 70, 2) participants invest all plan assets in life cycle funds, 3) stocks earn an average annual 6.4 percent real return, except where specified. Replacement rates equal annuitized income from lifetime DC plan divided by annualized career earnings.

According to the GAO projections, when we assume that plan assets earn a lower average real annual return of 2.9 percent, average replacement rates from DC plan savings fall to about 16.1percent. Under this assumption, workers in the lowest income quartile receive an average replacement rate of 7.1 percent, while the highest income quartile workers receive and average 26.1 percent replacement rate. This implies that lower rate of return from investments in the stock market leaves the low-income workers worse off than they otherwise would be. While younger workers who aim at long-term investment may still have time to recoup losses in their investments, stock market turbulence as we have seen in recent years makes such investments extremely risky for those workers in the lowest income quartile who may be nearing retirement.

As can be gleaned from the projections discussed thus far, the role of private pensions in asset building is small to non-existent for most poor and lower income workers. These workers rely primarily on Social Security and savings in their home equity, if any, to sustain them in retirement. Indeed, the “three legged stool” of retirement savings – Social Security, employer-sponsored pension plans and personal savings – is lopsided for most low-income individuals and families, since only the Social Security leg has any strength to it. Even if low-income households do save, just one major health episode or other financial emergency can deplete these savings (Bell, Carass and Steuerle 2005). Table 3 details the aggregate share of different retirement income sources that go to the 65-and-older population, for lowest, middle and higher income quartiles. As illustrated in the table, Social Security is the main source of retirement income for low-income families (82.9 percent), with the next largest contribution coming from public assistance (8.9 percent).

Unlike the low-income families, those in the highest income quartile have more balanced distribution of retirement income with earnings from employment accounting for 38.4 percent, asset income accounting for 10.4 percent, private pension 10 percent, public assistance 18.9 percent, and Social Security accounting for 19.9 percent. The table also shows the middle income quartile group draws 67.4 percent of their retirement income from Social Security, with pensions (private and government) accounting for 14.5 percent, and asset income 7.4 percent.

As can be seen from the above percentages, while the low income persons rely overwhelmingly on Social Security for retirement, high income earning persons are less reliant on Social Security and have more balanced distribution of retirement income. Considering the over reliance of the working poor on Social Security during their retirement years, a combination of well designed compensation packages that offer appropriate wages, and public policies aimed at increasing savings of low-income workers will help boost the contribution of the vulnerable groups toward their retirement income.

Social Policy Implications

In 2009, 43.6 million people were in poverty, the official poverty rate rose to 14.3 percent from 13.2 percent in 2008 (DeNavas-Walt, Proctor and Smith 2010, 14). There is presently an ongoing debate as to whether or not the gap between rich and poor is getting wider in American society (Clemmitt 2010). Low pay means more risk in retirement. Most lifetime low wage earners are at risk of living in poverty during their retirement years due to their

Table 3. Percentage Composition of Income in Retirement for the Population 65 and Older

Income Quartiles	Social Security	Earnings	Government Pension	Asset Income	Private Pension	Public Assistance	Other
Highest Quartile	19.9%	38.4%	0.1%	10.4%	10%	18.9%	2.4%
Middle Quartile	67.4%	7.0%	5.3%	7.4%	9.2%	1.0%	2.7%
Lowest Quartile	82.9%	1.1%	0.7%	2.4%	2.5%	8.9%	1.5%

Source: Social Security Administration (2005).
Note: Quartile limits are as follows: lowest, $0-$9,721; second, $9,722-$15,181; middle, $15,182-23,880; fourth, $23,881-$40,982; and highest, $40,983. The Social Security category includes railroad retirement.

inability to save and to take advantage of employer sponsored retirement plans. Low retirement income implies elderly poverty, lower living standards, and reliance on needs-based programs. This has profound implications for social policy, as government will have to divert resources that otherwise would be used to provide other social services toward the upkeep of the aging poor. Consequently, there is the need for policies that encourage and assist low income earners to beef-up their retirement income to enable them become financially independent and to help ease the budget constraints facing national and state governments.

A growing body of evidence suggests that making it easy for low-income families to save, and presenting them with a clear and effective financial incentive to do so, succeeds in generating significantly higher contributions. For example, participation rates among new employees rise substantially when 401(k) plans are reformed so that workers are participating unless they opt out to do so, as opposed to not being in the plan unless they sign up (Gale, Iwry and Orszag 2005). A study by Madrian and Shea (2001) shows that the participation rate among newly employed workers earning less than $20,000 a year rose from 13 percent under the traditional sign-up approach to 80 percent under the opt-out approach.

Another study by the National Bureau of Economic Research (NBER) and H&R Block shows that the combination of a clear and understandable match for saving, easily accessible savings vehicles, the opportunity to use part of an income tax refund to save, and professional assistance could generate a significant increase in retirement saving participation and contributions, even among low-income households (Duflo, Gale, Liebman and Orszag 2005). In a field experiment designed to determine the impact of incentives on middle and low-income families' savings decisions, Duflo, Gale, Liebman and Orszag (2005) partnered with H&R Block to allow clients to make IRA contributions at the time of tax preparation and to use part or all of their federal income tax refund to fund the contributions.

Each client preparing the tax return was randomly assigned one of the three match rates for X-IRA contributions: no match (control group), a 20 percent match, or a 50 percent match. Contributions up to $1,000 were eligible for matching.

The researchers found that only three percent of individuals in the control group (no match) chose to contribute to an X-IRA, versus eight percent and 14 percent of those in the 20 percent and 50 percent match groups, respectively. In addition, the average contribution rates, excluding the match, were $765 in the control group, versus $1,100 and $1,110 in the 20 percent and the 50 percent match groups. The researchers further examined which individuals are more likely to take advantage of the match and found that although the effect of the match on participation was larger on high income individuals, the effect is significant even for individuals in the lowest income quartile, who were three times as likely to contribute to the IRA than the control group. Finally, the researchers found no evidence, in a follow up examination, that people in the matching group are more likely to withdraw funds from their IRAs than people in the control group.

Although the above-noted experiment indicates that a policy that is designed to encourage low-income savings through matching has the potential to succeed by having large effects on IRA participations and contributions, many existing government policies are likely to impede such efforts unless they are modified. For example, the asset tests associated with means-tested benefit programs such as food stamps, Medicaid or cash welfare assistance, which most low-income families depend on as a supplement to their earnings, do discourage savings because in many programs, an asset limit of $2,000 constitute a disqualifier for benefits.

The asset limits in these programs generally are not indexed to inflation and are raised very infrequently. Consequently, the asset limits have shrunk substantially in inflation-adjusted terms over time and are expected to continue declining in inflation adjusted terms in the future. This implies if some or all of a family's or individual's retirement savings are counted toward a program's asset test, the family or individual can be forced to deplete those savings to qualify for benefits, even when doing so would involve a financial penalty (The Retirement Security Project 2005). As a result, the asset tests often penalize low-income workers that save for retirement and discourage others from saving. Additionally, each program has its own asset policy, so some retirement accounts are counted in certain programs but not in others, resulting in confusion. For instance, the food stamp program generally does not count employer-based retirement plans toward asset tests but does count IRAs. Removing these barriers to savings through new government policies could help low-income workers to contribute toward their retirement.

Removing the Barriers to Savings

In recent years, policymakers have expressed growing interest in raising retirement savings by low-income individuals and households. Adopting policies that will increase retirement savings by workers in the low-income quartile will have significant benefits by reducing poverty among seniors and raising their living standards, by increasing the national savings rate, by reducing the need to rely upon needs-based programs in retirement, and by reducing the large inequities in government subsidies for retirement savings. For instance, the federal government provides about $150 billion in tax benefits each year to encourage retirement savings primarily through employer-based retirement plans and IRAs. However, these subsidies disproportionately benefit affluent individuals. In 2004, about 70 percent of the tax benefits from new contributions to 401(k) plans went to the top 20 percent of tax filers (The Retirement Security Project 2005). Moreover, the primary policy of encouraging retirement savings through tax deduction does not benefit most low-income households because many people in this income category do not pay taxes, due to the earned income tax credit. This problem needs to be addressed if society is to make progress toward the retirement economic security of low-income workers.

As suggested by various researchers, (Bell, Carasso and Steuerle 2005; Duflo, Gale, Liebman and Orszag 2005; Madrian and Shea 2001; The Retirement Security Project 2005; U. S. GAO 2007), the risk of low-income earners living in poverty in their retirement years can be mitigated by change in policy designed to eliminate the barriers to savings. To accomplish this, most experts believe policy changes should include the exclusion of 401(k)s and similar employer-based plans in Medicaid (for the non-elderly household) and Temporary Assistance for Needy Families (TANF) cash assistance, to help align these program rules with existing Food Stamp Program rules. In addition, IRAs need to be excluded from asset tests in Medicaid and TANF cash assistance and food stamps to the extent allowed by the new food stamp rules. Finally, the asset limit should be raised and indexed to inflation.

Any proposed policy changes should also facilitate savings by vulnerable groups in the low-income category such as those working in the non profit sector, women, minorities and the less educated by expanding the Saver's Credit which is a federal program that provides a modest match of contributions to retirement savings, by providing matching for those who do not get the benefit of tax deduction toward employer-based and individual retirement plans, and by encouraging automatic enrollment of new employees in employer-based pension plans. As illustrated in Table 2, the instant eligibility/participation of workers in DC plans increases the pre-retirement income replacement rate from 10.3 percent to 25.4 percent for workers in the low-income quartile, and from 18.2 percent to 31.3 percent for those in the second lowest quartile.

While the above-mentioned changes are necessary, it is important for policy makers and employers to remember that increases in low-income workers' retirement rate are likely to be minimal unless these workers are paid decent living wages to enable them to contribute a reasonable percentage of their earnings towards retirement savings. It is time for organizations and society to recognize the plight of low-income employees.

Conclusion

Uncertain financial times place additional stressors on public agencies. Current concerns over job insecurity, income security, and retirement insecurity are issues that public administrators and policy analysts need to be concerned about. Increased unemployment and low wages often requires the expansion of financial assistance, medical aid, and job training or retraining services. These services are typically financed by government which must absorb an increase in the demand for services without increasing their staffs, who in many cases are reducing or placing on furloughs their staffs.

Another important change in the labor force is that due to the layoffs of men in male dominated industries such as construction and manufacturing, women are about to become the majority of workers for the first time. As of September 2009, excluding farm workers and the self-employed, women held 49.9 percent of the nation's jobs. Despite more women in the work force, the median earnings of full-time women workers is $35,745 compared to the earnings of men $46,367 (Evans 2009). Despite the long term structural changes affecting the American economy, human and social service occupations are projected to grow. Despite being important to individuals and families, many of those positions pay low wages. If human service workers continue to receive low wages, they will be exposed to the risk of poverty in during their retirement years.

Research has found that care work pays less than other occupations after controlling for education, employment experience, and many other occupation and industry characteristics. The salaries for employees providing care work are low for men and women, but women tend to be at a greater disadvantage because more women are employed in care work.

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