



Aging and Retirement

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Family Structure, Roles and Dynamics Linked to Retirement Security

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The Declining Role of Families in the U.S. Retirement Income System

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This essay examines the changing role of families in the U.S. retirement income system. Retirement income support can be provided by families, the individual, government programs, employer-provided pensions and charity. Family support can come from a spouse, a sibling, adult children or another relative.

The paper begins with a historical perspective on the start of Social Security and employer-provided pensions as they may crowd out family contributions or be needed in part due to declining family contributions. The paper then focuses on other changes occurring in the past several decades affecting the role of the family in providing retirement security.

Historical Perspective

Historically, families were the primary source of retirement support. People had large families, in part because children were the “social security” for their parents. In old age, when they were no longer able to take care of themselves, older people relied on their adult children to take care of them, generally living in multigenerational households. With economic development, young people left rural areas and

agricultural employment and moved to urban areas for expanded job opportunities, and thus often were geographically separated from their parents. Older adults still are a higher share of the U.S. population in rural areas than in urban areas.¹

The role of adult children in providing financial security in old age has been partially replaced by Social Security. For at least two reasons, since the start of Social Security, the role of the program in providing retirement income has grown over time. First, coverage was initially limited. In 1937 when Social Security began collecting contributions, 56% of the workforce was covered. By 1981, 90% of wage and salary workers were covered.² Currently, 96% of the workforce is covered by Social Security.³

Second, initially Social Security provided benefits to a relatively small percentage of the group of workers it covered because a relatively small percentage survived to retirement age. In 1940, when benefits were first provided, the benefit eligibility age was 65. From U.S. life tables for 1910, for the cohort age 18 that year, at age 65, 54% would still be alive.⁴ Thus, Social Security started out as a longevity insurance benefit program that a relatively small percentage of the cohort of workers received. Now most workers survive to age 62 to be eligible to receive benefits.

Starting in the early 1940s, because future pension benefits were excluded from wage and price controls during World War II and because of the increase in federal income tax rates and coverage, employer-provided pensions began to become more common, further diminishing the role played by families in providing retirement income.

Demographics

Changing demographics have also affected the role of families in providing retirement income security. Changes in marriage and childbearing have reshaped the American family over the past half century.

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- 1 Livingston, Gretchen. Family Life is Changing in Different Ways Across Urban, Suburban and Rural Communities in the U.S. *Pew Research Center Fact Tank*, June 19, 2018, <http://www.pewresearch.org/fact-tank/2018/06/19/family-life-is-changing-in-different-ways-across-urban-suburban-and-rural-communities-in-the-u-s/>.
 - 2 Nelson, William J., Jr. 1985. Employment Covered Under the Social Security Program, 1935–84. *Notes and Brief Reports, Social Security Bulletin* 48, no. 4:33–39. <https://www.ssa.gov/policy/docs/ssb/v48n4/v48n4p33.pdf>.
 - 3 Frankel, Matthew. Here's Your Full Social Security Retirement Age—And What it Means to You. *Yahoo Finance*, May 7, 2018, <https://finance.yahoo.com/news/full-social-security-retirement-age-101700786.html>.
 - 4 Glover, James W. 1921. United States Life Tables: 1890, 1901, 1910, and 1901–1910. U.S. Bureau of the Census, U.S. Government Printing Office. <http://www.cdc.gov/nchs/data/lifetables/life1890-1910.pdf>.

BIRTH RATES

Starting in the mid-1960s with the end of the baby boom, falling birthrates and the resulting smaller families have diminished the role of families in providing retirement security. A replacement fertility rate of 2.1 is enough to renew the population. During the baby boom, the total fertility rate—the number of births women on average are expected to have—peaked at 3.8.⁵ In 2017, this rate dropped to 1.8.⁶ In 1976, 35% of mothers age 40 to 44 had one or two children, while 65% had three or more.⁷ In 2016, 62% of mothers age 40 to 44 had given birth to one or two children, while just 38% had three or more.⁸ Data on childlessness first became available in the 1970s. In 1976, 10% of women age 40 to 44 were childless. In 2016, 14% of women age 40 to 44 were childless (had never given birth),⁹ so the rate of childlessness is slightly higher now than in the mid-1970s.

With more families having a single child, when that child is retired, he or she will not have the support of siblings. In the past, for example, sometimes older sisters who were single lived together. That is less likely to occur with the decrease in family size.

MARITAL STATUS

Marriage and divorce are central to the structure of families. In 2012, by age 45, 19% of men and 14% of women had never married, compared to 1960 when 7% of men and 6% of women age 45 had never married.¹⁰ Over the period 2011–15, 55% of the population age 65

and older were married, 26% were widowed, 14% were divorced or separated, and 5% were never married.¹¹ Divorce rates differ across occupations, with actuaries having the lowest divorce rate, even lower than clergy.¹²

Between 1986 and 2009, the percentage of women age 55 and older never married increased slightly, from 4.8% to 5.8%, a change that is not statistically significant, but the percentage for black women that age rose dramatically, from 3.5% to 13.0%.¹³ Thus, many older people are not living with a spouse and may need aid at some point from other family members.

Living Arrangements

The relationship between parents and children is changing in ways that may affect their relationship when the parents are retired. One of the largest shifts in family structure is that 34% of children are living with an unmarried parent—up from 9% in 1960. In most cases, these unmarried parents are single. In addition, 5% of children are not living with either parent, most of them living with a grandparent. Also, the share of children born outside of marriage has risen to 41%, up from 5% in 1960.¹⁴

A survey from the 1990s found that about 6% of grandchildren and 10% of grandparents live in grandparent-grandchild households at any point in time.¹⁵ In 2009, 17% of Americans lived in multigenerational households, living in homes with

5 Encyclopedia Britannica, s.v. Baby Boom, accessed March 19, 2019, <https://www.britannica.com/science/baby-boom>.

6 Belluz, Julia. The Historically Low Birth Rate, Explained in Three Charts. *Vox*, May 22, 2018, <https://www.vox.com/science-and-health/2018/5/22/17376536/fertility-rate-united-states-births-women>.

7 Bialik, Kristen. Middle Children Have Become Rarer, But a Growing Share of Americans Now Say Three or More are Ideal. *Pew Research Center Fact Tank*, Aug. 9, 2018, <http://www.pewresearch.org/fact-tank/2018/08/09/middle-children-have-become-rarer-but-a-growing-share-of-americans-now-say-three-or-more-kids-are-ideal/>.

8 Statista. Percentage of Childless Women in the United States in 2016 by Age. Accessed March 19, 2019. <https://www.statista.com/statistics/241535/percentage-of-childless-women-in-the-us-by-age/>.

9 Livingston, Gretchen. Childlessness. *Pew Research Center*, May 7, 2015, <http://www.pewsocialtrends.org/2015/05/07/childlessness/>.

10 Wang, Wendy, and Kim Parker. Record Share of Americans Have Never Married. *Pew Research Center*, Sept. 24, 2014, <http://www.pewsocialtrends.org/2014/09/24/record-share-of-americans-have-never-married/>.

11 Johnson, James H., Jr., and Stephen J. Appold. U.S. Older Adults: Demographics, Living Arrangements, and Barriers to Aging in Place. *Kenan Institute of Private Enterprise*, May 30, 2017, http://www.kenaninstitute.unc.edu/wp-content/uploads/2017/06/AgingInPlace_06092017.pdf.

12 Leadem, Rose. 10 Jobs with the Highest Divorce Rates—And 10 with the Lowest. *Business Insider*, Oct. 31, 2017, <https://www.businessinsider.com/10-jobs-with-the-highest-divorce-rates-and-10-with-the-lowest-2017-10>.

13 Kreider, Rose M., and Renee Ellis. 2011. Number, Timing, and Duration of Marriages and Divorces: 2009. U.S. Census Bureau, *Current Population Reports*, P70-125, May. <https://www.census.gov/prod/2011pubs/p70-125.pdf>.

14 Livingston, Gretchen. Fewer than Half of U.S. Kids Live in “Traditional” Families. *Pew Research Center Fact Tank*, Dec. 22, 2014, <http://www.pewresearch.org/fact-tank/2014/12/22/less-than-half-of-u-s-kids-today-live-in-a-traditional-family/>.

15 Pebley, Anne R., and Laura L. Rudkin. 1999. Grandparents Caring for Grandchildren: What Do We Know? *Journal of Family Issues* 20, no. 2:218–42.

either grandparents and grandchildren, or with two or more adult generations. In 2016, 20% of Americans lived in multigenerational homes.¹⁶ This trend may reflect the aging of the baby boom generation.

In interpreting the various statistics, it is helpful to keep in mind that as of 2011–15, the population age 65 and older was 56% female. Most people age 65 and older (57%) live independently. By comparison, 27% live in a household with a caretaker, while 2% live in an institution, and 14% live in a household as a caregiver. The median age of those living in an institution is 82.¹⁷

Care in the home provided by a spouse or a child is the most common form of long-term care. About 73% of all long-term care is provided in the home, typically by caregivers who receive no pay,¹⁸ an option unavailable to people who are single or childless.

Intergenerational Cash Transfers

According to data from the Health and Retirement Study,¹⁹ about 5% of older households report receiving cash transfers from younger family members. Even for those age 85 and older, the average amount received is small—less than \$500 per year. By contrast, 38 to 45% of older households make cash transfers to younger family members.²⁰

This is an area, however, where the results of studies vary considerably, and further work is needed to resolve the differences. Another survey indicates that 28% of adults with at least one parent age 65 or older report providing financial support to that parent in the past 12

months.²¹ Thus, the data from the receivers and from the givers differ considerably, perhaps because the gifts are more salient to the givers.

Family Caregiving Responsibilities

Roughly 38% of Americans age 65 or older report having some physical problem that constrains their ability to engage in various activities.²² Among American workers, 23% report having taken leave from work to care for a family member with a serious health condition. For workers who have taken family leave in the past two years, 38% of women and 34% of men cared for a sick parent.²³ In a survey, 14% of adults with at least one parent age 65 or older said they helped with personal care within the past year.²⁴

Families provide other forms of nonfinancial support to older parents. Among adults with at least one parent age 65 or older, 58% said that they helped with errands, housework or home repairs within the past year.²⁵

International Comparisons Provide Perspective

For perspective, it is interesting to see how the U.S. compares with other countries. Compared to Germany (18%) and Italy (20%), U.S. older adults (28%) are more likely to receive financial help from their adult children. Again compared to Germany (68% and 13%) and Italy (70% and 26%), U.S. older adults are less likely to receive help with errands, housework or home repairs (58%) and also less likely to receive help with personal care (14%).²⁶ A possible explanation for the higher percentage in the U.S. receiving financial transfers may

16 Glover. United States Life Tables.

17 Johnson and Appold. U.S. Older Adults.

18 Day, Thomas. Living Arrangements for Aging Seniors. *National Care Planning Council*, March 25, 2014, <https://www.longtermcarelink.net/article-2014-3-25.htm>.

19 The Health and Retirement Study (HRS) is a longitudinal project sponsored by the National Institute on Aging and the Social Security Administration (grant number NIA U01AG009740) and is conducted by the University of Michigan. It has provided data on aging in the United States since 1990. Its website is <http://hrsonline.isr.umich.edu/>.

20 Banerjee, Sudipto. 2015. Inter-Family Cash Transfers in Older American Households. *Employee Benefit Research Institute, EBRI Issue Brief No. 415*, June 18. <https://www.ebri.org/content/intra-family-cash-transfers-in-older-american-households-3236>.

21 Parker, Kim, and Juliana Menasce Horowitz. Family Support in Graying Societies: How Americans, Germans and Italians are Coping with an Aging Population. *Pew Research Center*, May 21, 2015, <http://www.pewsocialtrends.org/2015/05/21/family-support-in-graying-societies/>.

22 Johnson and Appold. U.S. Older Adults.

23 Parker, Kim. About One-in-Four U.S. Workers Have Taken Leave to Care for a Seriously Ill Family Member. *Pew Research Center Fact Tank*, March 30, 2017, <http://www.pewresearch.org/fact-tank/2017/03/30/about-one-in-four-u-s-workers-have-taken-leave-to-care-for-a-seriously-ill-family-member/>.

24 Parker and Horowitz. Family Support in Graying Societies.

25 Ibid.

26 Ibid.

be the lower generosity of the Social Security system, while a possible explanation of the lower percentage receiving nonfinancial assistance may be that because of the much larger size of the U.S., older adults often live further away from their adult children than in Germany and Italy.

Other family responsibilities may play a role in the extent of assistance provided to an older parent. In the U.S., parents sandwiched between generations are more likely to say helping an adult child is stressful than those who have provided financial help to an adult child but are not part of the sandwich generation. This is not the case in Germany and Italy.²⁷

Culture and political philosophy affect the role of families in assisting older parents. Compared with Americans (24%), twice as many Germans (48%) and even more Italians (58%) think the government should bear the greatest responsibility for people's economic well-being in old age. By contrast, in the U.S., 30% say that families (31% say themselves) should bear the greatest responsibility for the well-being of older people, compared to 9% saying family and 28% saying self of Germans and 20% family and 4% self of Italians.²⁸

Conclusions

The role of the family in the United States in providing support in retirement has declined over the past century, in part related to the enactment and growth of

Social Security and the spread of employer-provided pension. Changes in families have also played a role, notably the decline in birth rates.

Family support can come from a spouse, a sibling, adult children or other relatives. Because of space limitations, this paper focuses on family support from adult children, though briefly touching on other aspects of family support. Also because of space limitations, the paper focuses on national statistics, with relatively little focus on different economic or demographic groups. Currently, the role of adult children in providing retirement security in the United States is more about time than money. Cash transfers from younger family members to older members occur infrequently. It is far more common that younger family members and older members live in the same household, that younger family members care for a seriously ill parent, or that they assist with errands, housework, home repairs or personal care.

International comparisons provide another perspective. Compared with Germany and Italy, older Americans are more likely to receive financial help from their adult children, perhaps because U.S. Social Security is less generous than social security in Germany and Italy. However, older Americans are less likely to receive nonfinancial help.

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²⁷ Ibid.

²⁸ Ibid.