

◆ Facing the Challenges: Congress Embarks upon the 1990s

The decade of the 1990s promises to be an active one for the U.S. Congress. With the adjournment of the 101st Congress, lawmakers face a clean slate: pending legislation must be reintroduced in the 102nd Congress or lost. Economic pressures along with demographic changes will have a profound impact on the scope and direction of congressional policy objectives. Competing special interests will place conflicting demands on congressional leaders to address issues such as access to health care, health care cost inflation, insurance/bank solvency, and increased security for the aging population. These demands, coupled with the ever-present federal budget deficit, will bring employee benefit issues to the forefront of the congressional agenda.

Budget Deficit

The budget deficit promises to continue to dominate the congressional agenda in the immediate future. Despite the recent enactment of a major deficit reduction law, the fiscal 1991 deficit is projected to exceed \$300 billion—a record high, according to the Congressional Budget Office (CBO). The newly enacted budget process reform provisions, which cap discretionary spending and require that all entitlement and tax bills be pay-as-you-go, are expected to further emphasize revenue considerations when program expansions are considered.

Under the reform provisions included in the Omnibus Budget Reconciliation Act of 1990 (OBRA '90), federal discretionary spending for fiscal years 1991 through 1993 will be divided into three broad categories—domestic, defense, and international—each with its own spending cap. Legislators will not be allowed to borrow from one category of the budget to spend more in another. In addition, the provisions require that any increase in entitlement spending or cut in taxes would have to be completely offset by a spending cut in some other entitlement program or by a tax increase. In the event that a cap is exceeded, “minisequesters” would take place in which automatic spending cuts would occur only within the category in which the cap was exceeded.

Under the new process, the Gramm-Rudman-Hollings deficit reduction law is extended for two more years through fiscal 1995, but for the first three years the president has the discretion to annually revise the targets based on economic and technical changes.

The new process also gives the Office of Management and Budget (OMB) the power to score entitlement and revenue legislation and to make the determination whether entitlement spending must be cut.¹ Many observers believe that the transfer of this responsibility from CBO to OMB represents a fundamental shift in the budget control process from Congress to the White House. Likewise, within Congress, power is likely to shift from the tax committees to the appropriations committees if the three-year spending caps are honored and the budget reconciliation process is deemed unnecessary for those three years. These shifts in power are likely to dramatically change the dynamics of congressional budgeting as we know it today.

At any rate, members of Congress will be forced to find new ways to raise revenue in order to fund the policy proposals on their respective agendas. While some observers believe it is unlikely that the 102nd Congress

¹House Democrats approved a rule Dec. 4 that would require the use of cost estimates from CBO and the Joint Committee on Taxation in spending revenue measures. At press time, the rule was awaiting approval by the full House.

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will enact a major pension or health tax bill because of the upcoming presidential elections and other political circumstances, most agree that the appropriateness of the large tax expenditure attributed to employer-sponsored benefits is certain to be widely debated. By one measure, the use of tax provisions to encourage voluntary employee benefits represented an estimated \$118 billion in forgone or deferred tax revenues in 1990; these are expected to increase to \$125 billion in 1991.

Top administration officials have recently indicated that President Bush may be open to the idea of taxing benefits provided to highly compensated employees. OMB Director Richard Darman said Nov. 16 that the administration is considering proposals to reduce government benefits paid to the “the politically well-represented and numerous middle class.” He suggested that the administration might propose to limit medical care for affluent retirees.²

Health and Human Services Secretary Louis Sullivan is conducting a nationwide speaking tour on America’s health care system during which he has expressed an interest in limiting the tax exclusion of health insurance for highly compensated employees. At Stanford University Oct. 23, Sullivan referred to the tax exclusion for employer-provided health benefits as a “subsidy” and said it will cost the federal government \$58.6 billion this year, more than \$550 per insured employee. (EBRI estimates that the tax expenditures attributed to employer-sponsored health benefits totaled \$41.8 billion in 1989.)³ Sullivan questioned whether this subsidy is equitable and asked whether “we want to allocate our resources in a way which provides greater subsidy to the high-salaried employee than to those with low wages.”

Proposals to cap the amount of health benefits that may be excluded from taxation have been suggested in the past by leading policymakers and are expected to gain further support in the 102nd Congress. The repeal of section 89 welfare benefit nondiscrimination rules in 1989 does not guarantee that proposals to limit the deductibility of health benefits for highly compensated

employees will not resurface. In introducing a proposal in February 1990, House Small Business Committee Chairman John LaFalce (D-NY), the leader of the movement to repeal section 89, said that “reasonable limits on the deductibility of fringe benefits can be appropriate.” Powerful Ways and Means Chairman Dan Rostenkowski (D-IL) has long expressed support for health benefit nondiscrimination rules. While many observers thought that 1990, one year after the repeal of section 89, was too soon to reintroduce the concept of such rules, Congress may now feel the time is right to address the issue in the context of using revenue raised from such a proposal to pay for programs expanding health care access for the uninsured.

Similarly, proposals that would have linked Medicare Part B premiums to beneficiaries’ incomes were discussed during 1990 budget negotiations and are likely to be brought to the budget table again in the face of climbing Medicare costs and the program’s significant portion of the revenue pie.

In addition, the extension in OBRA ’90 of the wage cap for the 1.45 percent Medicare payroll tax to \$125,000 may lead to proposals to also extend the wage cap for Social Security as a means to raise revenue.

Revenue raising measures such as a tax on pension fund investment earnings or a securities transaction tax are likely to resurface in this era of budgetary constraint. EBRI estimates that the tax expenditures attributed to employer-sponsored retirement plans totaled \$46 billion in 1989, including \$10 billion for private defined benefit plans, \$18 billion for private defined contribution plans, \$17 billion for public-sector defined benefit plans, and \$1 billion for public-sector defined contribution plans. In addition, policymakers are likely to continue to examine the role of pension funds in stock market volatility and the increased significance of institutional investors in financial markets.

Finally, those tax provisions that are scheduled to expire at the end of 1991 are placed in jeopardy by the new pay-as-you-go requirements. Thus, lawmakers seeking to extend the 25 percent deduction for health insurance costs for self-employed individuals and exclusions for employer-provided education assistance and group legal services will be required to offset these proposals with spending cuts or tax increases.

²Comments before the Council for Excellence in Government, Nov. 16, 1990.

³This estimate, based on EBRI’s revenue estimating model, assumes that the full repeal of employer health contribution exclusions would result in \$28.6 billion attributed to the change in income tax liability and \$13.5 billion attributed to the change in FICA and FUTA taxes.

Health Care Access

Access to health care represents a long-standing public policy issue. Lawmakers, employers, elderly groups, health care providers, labor unions, insurers, and consumer groups have offered conflicting proposals aimed at ensuring access to health care and reasonable payment for that care. Despite increased attention to this issue, the problem persists. In 1988, 33.3 million nonelderly Americans reportedly had no private health insurance coverage and were ineligible for public programs that provide coverage. A shortfall in the financing of the Medicare program is expected to occur by the end of this century. Medicaid currently covers only 40 percent of individuals below the poverty line.

In addition, middle class Americans are beginning to encounter obstacles to obtaining affordable health insurance coverage. Current medical underwriting practices sometimes lead to the denial of coverage to individuals with preexisting conditions. Workers with family members who have preexisting health conditions are finding it difficult to change jobs without losing coverage. Health care providers are opting to discontinue treating Medicare and Medicaid patients due to the reduction in payments from the federal government, which has become customary in annual budget debates.

Thus, health care access is likely to command more attention in the 1990s. Employers frustrated with rising health care costs, middle class Americans unable to obtain coverage, and the poor and elderly unable to find providers will pressure Congress to enact a change. Congress is unlikely to enact a major overhaul of the U.S. health care system, and will more likely continue its piecemeal approach.

To address problems associated with medical underwriting practices, congressional proposals are likely to suggest small group insurance market reform. Shortly before Congress adjourned, Sen. Dave Durenberger (R-MN) introduced the Small Employer Health Benefit Reform Act of 1990. The bill, which Durenberger is expected to reintroduce in the new session, would impose an excise tax on insurance companies that do not meet certain coverage and rating standards with respect to health insurance provided to small employers. Other federal reform proposals may seek to repeal or relax state insurance mandates, such as those requiring coverage for mental health services.

In addition, attempts to expand continuation of coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) are likely to gain more political favor. OBRA '90 requires states to pay health insurance premiums and cost sharing for Medicaid beneficiaries for enrollment under group health plans when cost effective to do so. The term "group health plan" includes insurance provided under COBRA. In addition, the budget agreement permits states to use federal Medicaid matching funds to pay for COBRA continuation coverage offered by employers with 75 or more employees on behalf of individuals with incomes at or below 100 percent of poverty and assets at or below twice the Supplemental Security Income level.

A provision included as part of the omnibus Women's Health Equity Act of 1990 would have expanded COBRA to require employers to make health insurance coverage available to widowed, divorced, and legally separated spouses aged 50 and older until they obtain alternative coverage or become eligible for Medicare. As increasing numbers of individuals are unable to obtain coverage after separating from service with an employer, proposals to expand COBRA coverage (which are viewed as revenue neutral to the federal budget) will become more attractive to policymakers.

A proposal offered by two leading health policymakers, Sens. Jay Rockefeller (D-WV) and Don Riegle (D-MI), to expand access to Medicaid coverage to children and pregnant women was included in OBRA '90. Future proposals are likely to suggest further expansion of the Medicaid program, accompanied by innovative proposals to fund an expansion. (Rockefeller's original proposal would have done so through an increase in the cigarette tax.) Under the new pay-as-you-go system, caps on employer-provided benefits may be successfully linked to proposals expanding access to the less fortunate.

Retirement Security

The aging of the baby boom generation will have a significant impact on the allocation of resources in the future. The proportion of the U.S. population aged 65 and over is projected to grow from approximately 12 percent today to more than 22 percent after the year 2030. As this disproportionately large cohort begins to reach retirement age, demands for better retirement security are certain to grow. Policymakers will have to devote even more attention to issues such as Social

Security, Medicare, retiree health care, pension plans, individual savings, and long-term care.

The shift in emphasis from traditional defined benefit plans to defined contribution plans is likely to receive more attention by Congress as the consequences of this trend come to light. Many plan sponsors have pointed to the increased regulatory complexity of defined benefit plans and the frequency of change in the rules as one reason for the shift in emphasis. In response, Sen. David Pryor (D-AR) and Rep. Rod Chandler (R-WA) introduced the Employee Benefits Simplification Act of 1990 aimed at simplifying the rules governing pension plans. Pryor has said he intends to reintroduce the legislation when Congress reconvenes. However, the predictably high revenue implications of such legislation will have to be dealt with even more directly under the new pay-as-you-go financing rules.

Similarly, congressional attention has recently focused on the use of preretirement lump-sum distributions and the preservation of the value of these benefits until retirement. According to EBRI tabulations of the May 1988 Current Population Survey employee benefit supplement, 8.5 million workers reported that they had received more than \$48 billion in lump-sum distributions from prior jobs; 11 percent rolled the entire distribution into a tax-deferred retirement account, while 34 percent spent the entire amount. The Pryor-Chandler legislation contained provisions requiring that preretirement distributions be transferred to individual retirement accounts or other qualified accounts rather than directly distributed to the employee or surviving spouse. Similar proposals are likely to be debated again in the 102nd Congress, but once again the high revenue costs represent a major obstacle to final passage of such legislation. EBRI's spring policy forum will address pension portability and preservation.

Retiree health benefits are likely to gain considerable attention with the issuance of Financial Accounting Standards Board (FASB) rules requiring employers to account for future retiree health liabilities on an accrual basis, obligating them to record unfunded liabilities on their balance sheets. Coupled with escalating health care costs, employers have already begun to restructure retiree medical plans for future and current retirees. EBRI's fall policy forum will explore how employers are restructuring their retiree health plans, developing new strategies to manage health care costs, and attempting to limit

their legal liabilities. The potential impact of such changes on the elderly population and increased pressure on the Medicare system may encourage Congress to address issues relating to the funding of retiree medical benefits. But with the current budget crunch, enactment of proposals that would expand the deductibility of these benefits seems unlikely. In fact, several observers believe the recently enacted provisions allowing the limited use of excess pension assets to fund retiree health benefits may be the only relief in the short term for employers seeking to fund these costs in advance on a tax-favored basis.

Finally, as the proportion of people at greatest risk of needing long-term care assistance increases relative to the proportion of people who can provide physical and financial assistance, Congress will be pressured to address problems associated with the financing and delivery of long-term care. While Congress is not expected to enact a federally financed long-term care program in the near future because of the high costs involved, Sens. George Mitchell (D-ME) and Bob Packwood (R-OR) have both expressed a strong interest in addressing issues related to private long-term care insurance in the upcoming session of Congress.

Insurance Solvency, Government Liabilities

The recent downturn in the economy and reports of financial trouble in the insurance and banking industries indicate that Congress will look for ways to prevent government bailouts similar to the savings and loan crisis. In particular, OMB is considering proposals to limit the government's financial exposure for liabilities, which are likely to involve the FDIC and the Pension Benefit Guaranty Corporation. Similarly, concern about the Labor Department's enforcement of the Employee Retirement Income Security Act of 1974 (ERISA) is likely to spur the reintroduction of legislation to improve ERISA enforcement.

Even before Congress reconvened, the Senate Judiciary Subcommittee on Antitrust, Monopolies, and Business Rights, chaired by pension rights advocate Sen. Howard Metzenbaum (D-OH), held a hearing Dec. 10 on "Insurance Company Solvency: Does Reporting Method Allow Companies to Paper-Over Losses in Real Estate, Junk Bonds, and Other Assets?" Metzenbaum reportedly plans to hold a series of hearings in 1991 on the insurance solvency issue.

Such discussions may draw attention to the fiduciary obligations of pension plan sponsors and the ways in which investment decisions are made. Thus, issues surrounding the controversial “joint trusteeship” and “pension fund churning” proposals are likely to be further debated.

Conclusion

Budget process reforms are likely to significantly change the dynamics of policy discussions in the future. As policymakers are forced to offset any proposed program expansions with cuts elsewhere or increases in revenues, they will be searching for the least visible ways to raise money. Due to the upcoming presidential elections, major tax legislation affecting employee benefits seems unlikely in the near future, but issues surrounding the “fairness” of such legislation are likely to be debated widely.

In addition, as the baby boom population ages and health care costs continue to rise, Congress is likely to be faced with issues affecting the design and implementation of employee benefits. As political pressure mounts, change is likely to occur.

—Nora Super Jones, EBRI

◆ Most Americans Would Prefer “Forced” Saving for Retirement, EBRI/Gallup Survey Finds

In saving for retirement, nearly 7 in 10 Americans (68 percent) would prefer for their employer to contribute a percentage of their salary to a retirement savings plan on their behalf rather than receive the money as current pay, according to a survey conducted by EBRI and The Gallup Organization, Inc.

Overall, respondents indicated a preference to save for retirement through such tax-favored means as employer-sponsored pension and savings plans. In addition, more than one-half (59 percent) of respondents said that if they left their job today and received a cash retirement benefit equal to three months’ pay they would save the money for retirement. That percentage grew to 82 percent if the employer transferred the benefit into an individual retirement account (IRA)—where individuals

could not access the money before retirement without paying a penalty.

Recent public policy proposals—such as the Employee Benefits Simplification Act (S. 2901 and H.R. 5362), introduced during the 101st Congress by Sen. David Pryor (D-AR) and Rep. Rod Chandler (R-WA), respectively—generally have sought to restrict the distribution of funds to workers prior to retirement by requiring that preretirement distributions be rolled over into other qualified plans or IRAs. Other proposals would require employers to offer simplified employee pensions (SEPs) upon an employee’s request.

Most survey respondents indicated they would be willing to contribute a portion of their pay to an employer-sponsored retirement savings plan on a pretax basis, as follows:

- Nearly 8 in 10 respondents (79 percent) would contribute even if the money could not be accessed until retirement. The average (and median) amount of pay that these respondents would be willing to contribute was 10 percent.
- Among those who would not contribute under the above circumstances (150 persons, or 14 percent of all respondents), 73 percent (10 percent of all respondents) said that they *would* contribute if they could withdraw the money without penalty to purchase a home or pay for education or medical expenses. These respondents would be willing to contribute an average of 14 percent of their pay (median amount, 10 percent).
- Among those who would not contribute under either of the above circumstances (33 persons, or 3 percent of all respondents), 24 percent (less than 1 percent of all respondents) *would* contribute if their employer matched their contribution by one-half. On average, they would contribute 7 percent of pay (median amount, 5 percent).

Seven out of ten of all respondents (70 percent) said companies should be legally required to provide retirement benefits for all employees. When these respondents were asked if this should be required even if it meant lowering salaries for all employees, 66 percent of them (47 percent of all respondents) agreed. By comparison, only 25 percent of all respondents said that *individuals* should be legally required to save for their retirement.

The survey also found that 60 percent of all respondents said they would accept an initial reduction in the size of their monthly retirement benefit in exchange for future cost-of-living increases. Respondents were divided as to whether they would pass up an attractive job offer in order to remain with an employer long enough to qualify for retirement benefits: 41 percent would, 44 percent would not, and 13 percent were unsure.

The EBRI/Gallup survey, conducted in September 1990, is the 16th in a series of national public opinion polls EBRI is undertaking on public attitudes toward economic security issues such as health, retirement, savings, Social Security, and Medicare. The polls are conducted monthly for EBRI by The Gallup Organization, Inc., which surveys approximately 1,000 Americans by telephone. The maximum expected error range at the 95 percent confidence level is ± 3.0 percent.

Copies of the report, *Public Attitudes on Retirement Income and Savings* (#16), are available from Debbie Moss, (202) 775-6315, for the following prices: summary—\$75, full report—\$275; EBRI member prices: summary—\$25, full report—\$75.

—Stephanie L. Poe, EBRI

◆ Factors Associated with Employer-Provided Benefits

Employer-provided benefits are an integral part of compensation for workers and their families and represent a sizable portion of total compensation. The May 1988 Current Population Survey (CPS) employee benefit supplement provides data on employer-provided health, retirement, sickness, and disability benefits.⁴

EBRI tabulations reveal that health insurance is the most common benefit offered by employers to persons in the nonfarm civilian wage and salary work force, with more

than 78 percent of respondents to the survey indicating that their employers offer such a plan.⁵ More than 63 percent of workers in this population have employers that offer retirement benefits.⁶ Sickness and disability insurance appear to be linked to other benefits and are rarely provided in the absence of other benefits. Overall, a large majority of persons in the nonfarm work force have at least one of these four benefits.

Employee benefits tend to be more numerous and widespread in the public sector than in the private sector. Ninety-seven percent of nonfarm wage and salary workers in the public sector work for employers that offer at least one benefit. Ninety percent of workers in this sector are offered retirement benefits and health insurance by their employers. Finally, 47 percent of public-sector workers have employers that offer all four benefits (table 1).

In contrast, 81 percent of private-sector employees work for employers that offer at least one benefit. Only 54 percent of this group are offered a combination of retirement benefits and a health insurance plan. Finally, only 25 percent of private-sector workers reported having employers that offer all four benefits (table 1).

Public Sector

Several characteristics are related to the amount of benefits employees receive. One of these is annual earnings. Eleven percent of workers earning less than \$10,000 responded that they have no employer-sponsored benefits, compared with less than 0.5 percent of workers who earn more than \$35,000. Nearly 90 percent of low earners and 100 percent of high earners indicated that their employer offers at least one benefit. Seventy percent of low earners and 98 percent of high earners work for employers that offer both retirement benefits and health insurance. Fourteen percent of low earners and 68 percent of high earners have employers that offer all four of these benefits.

The majority of public-sector nonfarm wage and salary workers who reported having employer-provided benefits have moderate earnings (\$10,000–\$34,999 annually). For example, moderate earners represented 68 percent of workers whose employers offer both health

⁴The CPS, conducted monthly by the Bureau of the Census, collects data on the civilian noninstitutional population of the United States, based on interviews of approximately 58,000 households. The survey of employee benefits is a supplement to the CPS that specifically addresses employer-provided benefit coverage among civilian workers.

⁵These workers are not necessarily participating in the plan.
⁶These workers are not necessarily participating in the plan.

Table 1
Percentage of Private- and Public-Sector Nonfarm Wage and Salary Workers Whose Employers Offer Selected Benefits, by Annual Earnings, Age, and Job Tenure, May 1988

| | Workers (in millions) | | No Benefits | | At Least One Benefit ^a | | Pension and Health ^b | | All Four Benefits ^c | |
|------------------|-----------------------|--------|-------------|--------|-----------------------------------|------------------|---------------------------------|--------|--------------------------------|--------|
| | Private | Public | Private | Public | Private | Public | Private | Public | Private | Public |
| Total | 84.7 | 17.1 | 19% | 3% | 81% | 97% | 54% | 90% | 25% | 47% |
| Earnings | | | | | | | | | | |
| Less than \$10K | 20.0 | 2.7 | 42 | 11 | 58 | 89 | 27 | 70 | 4 | 14 |
| \$10K-<\$20K | 25.9 | 5.3 | 12 | 2 | 88 | 98 | 56 | 92 | 22 | 44 |
| \$20K-<\$35K | 21.3 | 5.8 | 5 | d | 95 | 100 ^e | 74 | 96 | 40 | 61 |
| \$35K+ | 10.0 | 2.5 | 3 | d | 97 | 100 ^e | 81 | 98 | 53 | 68 |
| Don't know | 7.5 | 0.8 | 39 | 15 | 61 | 85 | 25 | 71 | 10 | 21 |
| Age | | | | | | | | | | |
| Under 25 | 17.1 | 1.3 | 34 | 10 | 66 | 90 | 35 | 75 | 11 | 23 |
| 25-34 | 26.5 | 4.3 | 14 | 2 | 86 | 98 | 58 | 91 | 28 | 48 |
| 35-54 | 31.9 | 9.0 | 13 | 2 | 87 | 98 | 60 | 92 | 31 | 50 |
| 55-64 | 7.4 | 2.1 | 17 | 3 | 83 | 97 | 56 | 88 | 25 | 50 |
| 65 or older | 1.9 | 0.4 | 37 | 10 | 63 | 90 | 34 | 81 | 7 | 26 |
| Tenure | | | | | | | | | | |
| Less than 1 year | 17.7 | 1.7 | 33 | 8 | 67 | 92 | 36 | 75 | 10 | 23 |
| 1-4 years | 29.3 | 4.6 | 19 | 4 | 81 | 96 | 49 | 86 | 20 | 36 |
| 5-9 years | 13.7 | 3.5 | 10 | 1 | 90 | 99 | 65 | 93 | 33 | 52 |
| 10-14 years | 8.4 | 2.6 | 6 | 1 | 94 | 99 | 72 | 95 | 46 | 62 |
| 15 years or more | 11.6 | 4.3 | 5 | d | 95 | 100 ^e | 77 | 96 | 46 | 62 |
| Don't know | 4.0 | 0.4 | 43 | 28 | 57 | 72 | 28 | 63 | 8 | 17 |

Source: EBRI tabulations of the May 1988 Current Population Survey employee benefit supplement.

^aWorkers' employers offer at least a pension plan or a health plan or are eligible for sickness or disability benefits.

^bEmployers offer pension and health coverage.

^cWorkers have employers that offer pension and health coverage and are eligible for sickness and disability benefits.

^dLess than 0.5 percent.

^eGreater than 99.5 percent but less than 100 percent.

and retirement plans and 73 percent of those whose employers offer all four benefits.

A second employee characteristic related to employer-sponsored benefits is age, with the number of benefits generally increasing through age 54. Employer-sponsored benefits for the population aged 65 and older approximate the benefits for the under-25 age group. Ten percent of workers under age 25 and those aged 65 and older reported that their employers offer no benefits. Only 2 percent of workers aged 25-54 reported that their employers offer no benefits. Ninety-eight percent of workers aged 25-54 indicated that their employers offer both retirement benefits and a health insurance plan. Approximately one-half of workers aged 25-64 have employers that offer all four benefits.

Job tenure is a third employee characteristic associated with employer-sponsored benefits. Eight percent of

public-sector workers with less than one year of tenure reported having no benefits, compared with less than 0.5 percent of workers with 15 or more years of tenure. Regardless of tenure, nearly all workers reported at least one employer-sponsored benefit, ranging from 92 percent of workers with less than one year of tenure to nearly all workers with 15 years or more. The largest percentage of workers who indicated that their employer offers both retirement benefits and a health insurance plan were those with 15 or more years of tenure (96 percent). Only 23 percent of workers with less than one year of tenure work for employers that offered all four benefits, compared with 62 percent of workers with 10 years or more of tenure.

Private Sector

In general, employers in the private sector are less likely to offer their employees the amount of benefits offered by

their public-sector counterparts. Again, the amount and the distribution of benefits vary with such employee characteristics as annual earnings, age, and length of tenure.

Higher annual earnings are generally associated with greater amounts of employer-sponsored benefits. Private-sector nonfarm wage and salary workers earning less than \$10,000 annually are less likely to have comprehensive employer-provided benefit coverage than workers earning \$35,000 or more annually. For instance, 42 percent of workers earning \$10,000 or less reported having no employer-provided benefits, while this is true for only 3 percent of workers earning \$35,000 or more (table 1). Fifty-eight percent of all workers who earn less than \$10,000 are offered at least one benefit, while 97 percent of workers earning more than \$35,000 have at least one. Employers offer a combination of retirement benefits and a health insurance plan to 27 percent of low earners and 81 percent of high earners, according to the survey. Eleven percent of low earners reported receiving all four benefits, a benefit combination reported by more than one-half of high earners.

The majority of workers whose employers sponsor both retirement benefits and a health insurance plan were moderate earners. This group accounted for 67 percent of

private-sector workers whose employers sponsor both health and retirement plans and 67 percent of those whose employers sponsor all four benefits (table 2).

The amount of employer-sponsored benefits also varies with age. The patterns are similar to those in the public sector: the youngest and the oldest groups have very similar experiences with benefits. Thirty-four percent of workers under age 25 and 37 percent of workers aged 65 and older reported that their employers offer no benefits. Approximately 86 percent of workers aged 25–54 reported that their employer sponsors at least one benefit. Employers of more than one-half of workers aged 25–64 offer a combination of retirement benefits and a health insurance plan. Finally, about 30 percent of workers aged 25–51 work for employers that offer all four benefits, while only 11 percent of workers under age 25 report all four.

Job tenure is a third employee characteristic that is related to employer-sponsored benefits. Thirty-three percent of private-sector nonfarm wage and salary earners with less than one year of tenure reported no employer-sponsored benefits, while 46 percent of workers in this population with 15 or more years of tenure reported that their employer offers all four benefits. Data suggest that the likelihood of having at least one benefit

Table 2
Percentage of Private- and Public-Sector Nonfarm Wage and Salary Workers with Selected Employer-Provided Benefits, by Annual Earnings, May 1988

| | Total | <\$10K | \$10K-< \$20K | \$20K-< \$35K | \$35K+ | Don't Know |
|-----------------------------------|-------|--------|---------------|---------------|--------|------------|
| Private Sector | | | | | | |
| All workers | 100% | 24% | 31% | 25% | 12% | 9% |
| No benefits | 100 | 54 | 20 | 6 | 2 | 18 |
| At least one benefit ^a | 100 | 17 | 33 | 29 | 14 | 7 |
| Pension and health ^b | 100 | 12 | 32 | 35 | 18 | 4 |
| All four benefits ^c | 100 | 4 | 27 | 40 | 25 | 4 |
| Public Sector | | | | | | |
| All workers | 100 | 16 | 31 | 34 | 14 | 5 |
| No benefits | 100 | 57 | 16 | 3 | 1 | 23 |
| At least one benefit ^a | 100 | 15 | 32 | 35 | 15 | 4 |
| Pension and health ^b | 100 | 12 | 32 | 36 | 16 | 4 |
| All four benefits ^c | 100 | 5 | 29 | 44 | 21 | 2 |

Source: EBRI tabulations of the May 1988 Current Population Survey employee benefit supplement.

Note: Because of rounding, components may not add to totals.

^aEmployees report that their employers sponsor either a pension plan or a health plan or that they are eligible to receive either sickness or disability benefits.

^bEmployees report that their employers sponsor both a pension plan and a health plan.

^cEmployees report that their employers sponsor both a pension plan and a health plan and that they are eligible for sickness and disability benefits.

increases with job tenure. Approximately 67 percent of private-sector workers with less than one year of job tenure and about 95 percent of workers with 15 or more years indicated that their employers offer at least one benefit. The likelihood of reporting a combination of retirement benefits and a health insurance plan also appears to increase with tenure. Only 36 percent of workers with less than one year of tenure reported that their employers offer this combination, compared with 77 percent of workers with 15 or more years of tenure. Finally, 46 percent of workers with 10 or more years of tenure indicated that their employers offer all four benefits.

Conclusion

The most important characteristic related to the comprehensiveness of employee benefits is whether the worker is employed in the public or the private sector.

—Michael Anzick, EBRI

◆ Washington Update

The U.S. House of Representatives Dec. 5 appointed new members to the Ways and Means Committee. No changes have been made to the Senate Committee on Labor and Human Resources. At press time, the Senate Finance Committee had not yet filled the vacancy created by the departure of Sen. William Armstrong (R-CO).

Following is the current standing of the committees (* denotes new appointee).

House Ways and Means Committee

Dan Rostenkowski (D-IL), chairman
Sam Gibbons (D-FL)
J.J. Pickle (D-TX)
Charles Rangel (D-NY)
Fortney (Pete) Stark (D-CA)
Andrew Jacobs Jr. (D-IN)
Harold Ford (D-TN)
Ed Jenkins (D-GA)
Thomas Downey (D-NY)
Frank Guarini (D-NJ)
Marty Russo (D-IL)
Don Pease (D-OH)

Robert Matsui (D-CA)
Beryl Anthony Jr. (D-AR)
Byron Dorgan (D-ND)
Barbara Kennelly (D-CT)
Brian Donnelly (D-MA)
William Coyne (D-PA)
Michael Andrews (D-TX)
Sander Levin (D-MI)
Jim Moody (D-WI)
Benjamin Cardin (D-MD)
Jim McDermott (D-WA)*

Bill Archer (R-TX), ranking minority member
Guy Vander Jagt (R-MI)
Philip Crane (R-IL)
Richard Schulze (R-PA)
Willis Gradison Jr. (R-OH)
William Thomas (R-CA)
Raymond McGrath (R-NY)
Rod Chandler (R-WA)
E. Clay Shaw Jr. (R-FL)
Don Sundquist (R-TN)
Nancy Johnson (R-CT)
Fred Grandy (R-IA)*
Jim Bunning (R-KY)*

Senate Finance Committee

Lloyd Bentsen (D-TX), chairman
Daniel Moynihan (D-NY)
Max Baucus (D-MT)
David Boren (D-OK)
Bill Bradley (D-NJ)
George Mitchell (D-ME)
David Pryor (D-AR)
Don Riegle Jr. (D-MI)
John (Jay) Rockefeller IV (D-WV)
Thomas Daschle (D-SD)
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Citizen Action. **Premiums Without Benefits.** \$75. Citizen Action, 1300 Connecticut Ave., NW, Suite 401, Washington, DC 20036, (202) 857-5168.

Coates, Joseph F. **Future Work: Seven Critical Forces Reshaping Work and the Work Force in North America.** \$49.50. Jossey-Bass Inc., P.O. Box 44305, San

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Cooke, William N. **Labor-Management Cooperation: New Partnerships or Going in Circles?** \$13.95 paperback, \$22.95 hardcover. W.E. Upjohn Institute, 300 S. Westnedge Ave., Kalamazoo, MI 49007, (616) 343-5541.

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Dent, Gene L. **Return to Work by Design: Managing the Human and Financial Costs of Disability.** \$28. Martin-Dennison Press, 3633 Stone River Circle, Stockton, CA 95219, (209) 478-3448.

Financial 1000 Yellow Book. \$100. Monitor Publishing Company, 104 Fifth Ave., New York, NY 10011, (212) 627-4140.

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Governor's Commission on Health Care Costs. **Cost Accessibility and Responsibility Efficiency (CARE) for New Jersey.** Free. Governor's Office of Management and Planning, CN 001, Trenton, NJ 08625, (609) 292-6000.

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Marion Managed Care Digest, HMO Pharmacy Ed., 1990. Free. Marion Merrell Dow Inc., Managed Health Care Markets Department, 9300 Ward Parkway,

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