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Women, Families and Pensions

Women have made significant gains in pension coverage, participation and benefit entitlement in the last 10 years. Women's participation rate jumped from 36 percent of employed workers in 1972 to 41 percent in 1983. During the same period, the percentage of women entitled to retirement benefits climbed from 26 to 44 percent of plan participants.

The increases stem primarily from women's changing position in the labor market. The proportion of women in the labor force increased from 46.3 percent in 1975 to more than 54 percent in 1984, while during the same period, men's share of the labor force declined.

Nonetheless, working women have less pension protection than men. Married men averaged \$4,811 in pension benefits in 1982, while never married women only received pensions of \$3,668.

This situation has been due in part to women's shorter job tenure and lower earnings. On average, women age 45 to 54 years have been on the job fewer years than the common 10-year vesting standard under the Employee Retirement Income Security Act. By contrast, men average more than 10 years of service at older ages. Women's earnings remain about two thirds of men's. In 1983, the median earnings of women was \$13,915, compared to \$21,881 for men.

Unless women's job tenure lengthens and their wages grow relative to men's, the value of their benefits may not grow substantially.

On the other hand, increases in benefit entitlement made by women in recent years appear to stem from plans' shorter vesting requirements, rather than from tenure gains among women, as women's average years on the job have remained relatively constant.

This observation is particularly important in view of recent legislation that would change the maximum years of service required to vest in a pension plan from 10 to 5 years. This reduction could substantially further women's gains in benefit entitlement already begun. Had five-year vesting been in place in 1985, 766,000 additional women would have become vested — a 10 percent gain in the number of vested female workers.

◆ Introduction

Retirement income adequacy for women has been a topic of continued concern as unmarried women over age 65 typically have much lower incomes than married couples. The traditional role of women was taken into consideration under the Social Security Act Amendments of 1939, which supplemented earned retirement benefits by 50 percent for married men. Under Social Security, reduced retirement benefits continued for the surviving spouse after the retired worker died. Concern for the surviving spouse also motivated the framers of the Employee Retirement Income Security Act (ERISA) to specify that the joint and survivor annuity be the primary form of benefit distribution under defined benefit plans if the plan participant did not opt out of that selection. The joint and survivor provision was strengthened under the 1984 Retirement Equity Act (REA), which required the signature of each spouse to select a single-life option.

Socio-economic changes taking place over the past 30 years, however, have raised new policy issues for those concerned with the retirement income security of women. Married women are more likely to be working at paid employment, but not all women remain married throughout their lifetimes. In other words, pension equity for women in the work force is also receiving substantial interest.

In order to assess these changes, this *Issue Brief* evaluates trends in pension coverage, participation and benefit entitlement among women along with trends in women's labor market activity. In addition, the interaction of work, marriage and family decision making is assessed to determine the level of future benefits that employer-sponsored pensions will provide women as retired workers.

◆ Trends in Coverage, Participation and Benefit Entitlement

Trends in full-time private-sector wage and salary workers participating in employer-sponsored pension plans can be tracked using information from three recent surveys.¹ Between 1972 and 1983 the aggregate participation rate (plan participants as a proportion of employed workers) remained essentially unchanged. This rate is influenced by changes in pension coverage (whether the employer offers a pension

¹ All three surveys were conducted as supplements to the Census Bureau's Current Population Survey (CPS) which measures employment and unemployment on a monthly basis. The first survey, in April 1982, asked full-time wage and salary workers whether they participated in a pension plan. The second survey, conducted in May 1979, expanded its questions to all workers. The third survey, in May 1983, was sponsored by the Employee Benefit Research Institute and the Department of Health and Human Services (HHS). It was expanded to investigate universal IRA participation and 401(k) plans.

plan) and by changes in plan participation (whether the employee is included in the plan).

Differences in participation rate trends between men and women are striking (chart 1). Women's participation rate increased by 5 percentage points between 1972 and 1983, despite slow economic growth and high unemployment during the latter part of that period. Men lost ground, however, as their participation rate declined from 52 percent in 1972 to 50 percent in 1983. The question posed by these data is the reason for these divergent trends.

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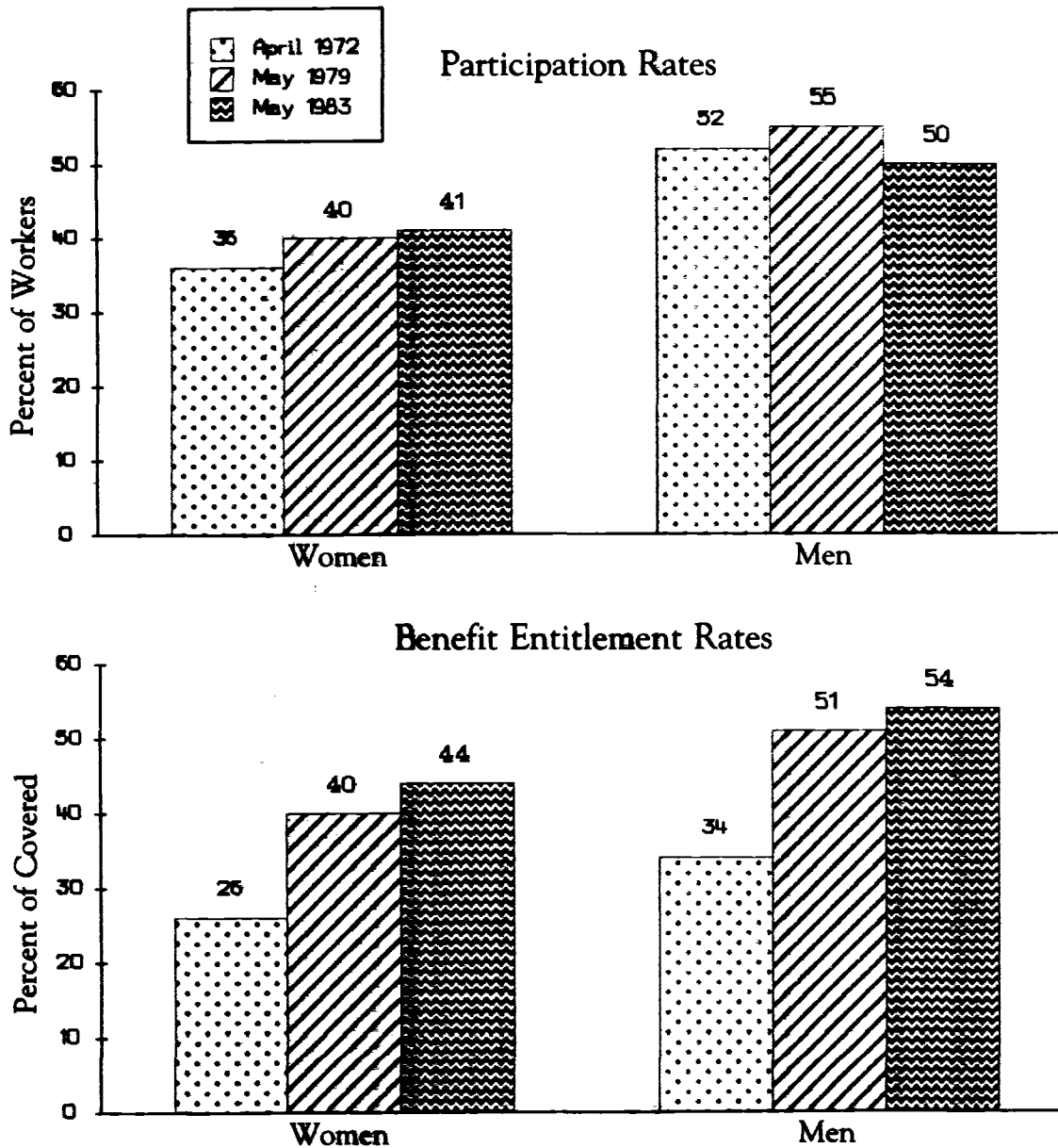
The percentage of plan participants expecting future benefits, the benefit entitlement rate, on the other hand increased for both men and women. For all full-time private-sector women workers the entitlement rate increased from 26 to 44 percent between 1972 and 1983, while the rate for men increased by 20 percentage points to 54 percent of all participants (chart 1).

A comparison of the change in the number of employees, covered workers and workers entitled to future benefits between 1979 and 1983 paints a stronger picture of benefit improvement among women and benefit stagnation among men.² Despite the 1982 recession, the most severe since World War II, women made large employment gains between 1979 and 1983. An additional 3.3 million women were employed as nonagricultural wage and salary workers (table 1). By contrast, male employment edged down by 278,000 employees.

Women's employment gains translated into improvements in pension coverage and benefit entitlement. The number of female wage and salary earners covered by a pension plan increased by 660,000 workers, while the number of women entitled to future retirement benefits jumped by 1.2 million, as more women met the necessary years of service to qualify

² Summary information on trends in coverage and benefit entitlement is also presented in Employee Benefit Research Institute, "New Survey Findings on Pension Coverage and Benefit Entitlement," *EBRI Issue Brief* 33 (August 1984).

Chart 1
Participation and Benefit Entitlement Rates by Sex
Private Full-time Wage and Salary Workers
April 1972, May 1979, May 1983



Source: Emily S. Andrews, *The Changing Profile of Pensions in America* (Washington, DC: Employee Benefit Research Institute, 1985), table I.7, p. 21.

Table 1
The Status of Coverage and Vesting among Women and Men, May 1979 and May 1983

	Women (000s)		Men (000s)		Percent Female	
	1979	1983	1979	1983	1979	1983
Nonagricultural Wage and Salary Workers						
Employment	36,704	40,015	48,477	48,199	43.1%	45.4%
Covered workers	20,355	21,015	31,664	28,515	39.1	42.4
Vested workers	^a	10,884	^a	17,824	^a	37.9
Workers expecting future benefits	6,790	8,018	14,609	14,199	31.7	36.1
"ERISA" Work Force^b						
Employment	18,847	22,970	30,888	31,393	37.9%	42.3%
Covered workers	12,972	15,207	23,918	22,851	35.2	40.0
Vested workers	^a	9,472	^a	16,053	^a	37.1
Workers expecting future benefits	5,778	7,065	13,163	12,962	30.5	35.3

Source: Emily S. Andrews, *The Changing Profile of Pensions in America* (Washington, DC: Employee Benefit Research Institute, 1985).

^a Data not available.

^b The "ERISA" work force consists of workers age 25 to 64 working 1,000 hours or more per year with at least one year on the job.

for a vested benefit. Pension protection for men declined as layoffs, dismissals and plant closings affected employment in many high-coverage manufacturing industries.

As a consequence of these trends, the proportion of women in the work force grew from 43 to 45 percent. The proportion of women wage and salary workers covered under an employer-sponsored plan increased from 39 to 42 percent. The proportion of women entitled to future pension benefits climbed from 32 to 36 percent, although benefit entitlement rate improved for both sexes.

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Female Labor Force Participation

The relative improvements in pension coverage, participation and benefit entitlement among women workers stem from their changing position in the labor market. Women's share in the pension profile is directly related to their share of the labor market. The labor force participation rate for women—the percentage of women in the labor force out of all

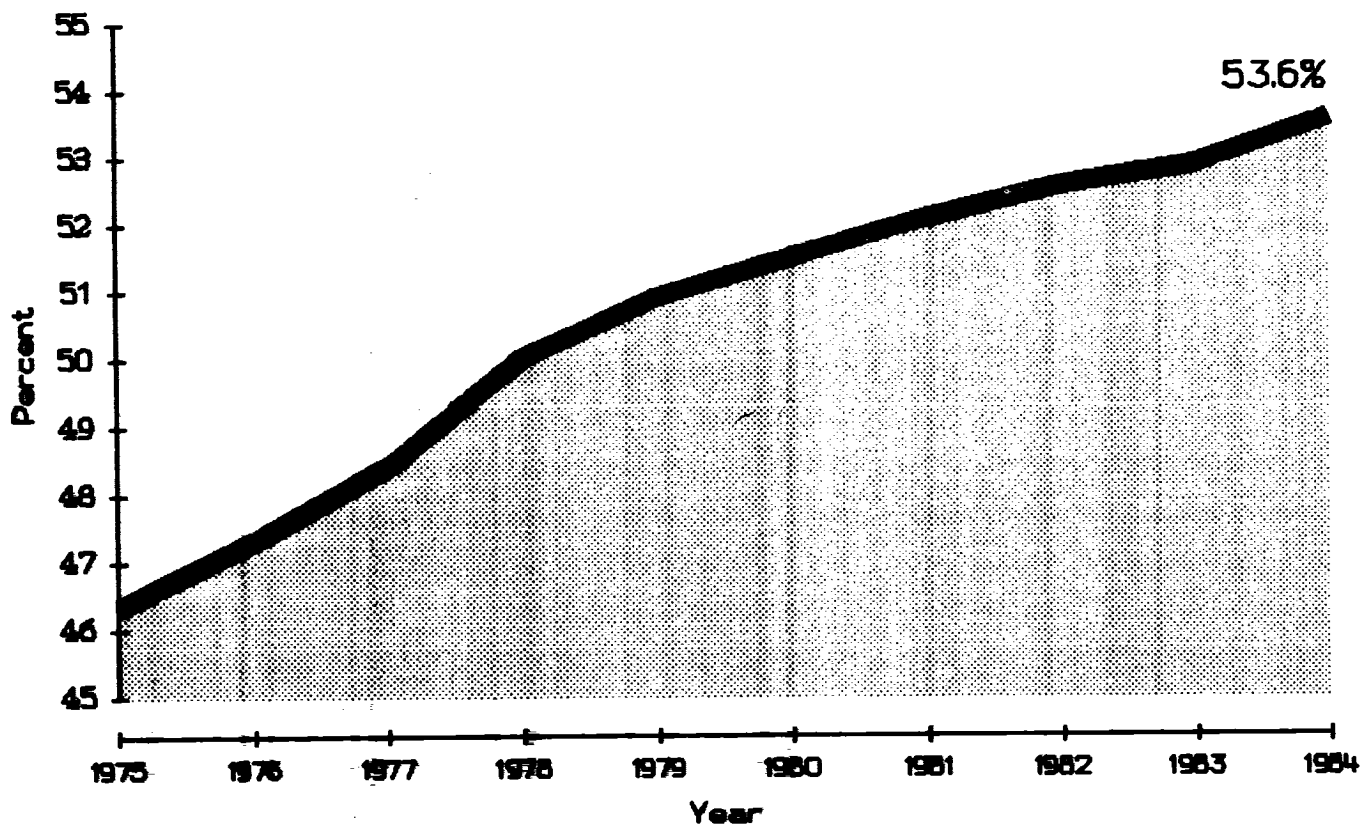
women—has been growing steadily for many years. Female labor force participation rates increased from only 25.8 percent in 1940 to 53.6 percent in 1984. Even in recent years this trend has not flagged. The participation rate for women in 1975 was only 46.3 percent, but it surpassed 50 percent before 1980 (chart 2). By contrast the proportion of men in the labor force declined over the same period, in part because of the continued trend toward earlier retirement. In 1975, 77.9 percent of all men age 16 and over were in the labor force. By 1984, this rate fell to only 76.4 percent.

Increased female labor force participation will directly affect the number of women covered by employer-sponsored plans. The coverage rate will be affected by factors such as the distribution of workers among large and small firms, the extent to which they are unionized, the industries in which they work and their wages. If all women were to find jobs in low coverage firms, their coverage rates would not increase. The empirical evidence cited earlier suggests that this was not the case.

Pension plan participation depends, in part, on ERISA participation standards. Female pension plan participation will increase if the proportion of workers meeting ERISA requirements grows. Evidence developed by Smith and Ward,³ how-

³ James P. Smith and Michael P. Ward, "Time-Series Growth in the Female Labor Force," in Richard Layard and Jacob Mincer, eds., *Journal of Labor Economics* 3, supplement (January 1985): table 15, p. S82.

Chart 2
Labor Force Participation Rate of Women Age 16 and Older
1975 to 1984
(Civilian Noninstitutional Population)



Source: U.S., Department of Labor, Women's Bureau, *The United Nations Decade for Women, 1976-1985: Employment in the United States* (Washington, DC: U.S. Government Printing Office, 1985), table 1, p. 123.

ever, suggests that younger working women do not necessarily work longer hours each year than earlier generations of working women (table 2). In other words, although more women have entered the labor force, about the same percentage in each age group are likely to have part-time jobs. Nonetheless, annual hours reported for working women are more than the ERISA 1,000-hour per year requirement.

Changes in vesting depend primarily on changes in job tenure, or number of years on the job. Evidence presented by

O'Neill,⁴ however, suggests that there was little change in the 1970s in women's job tenure in any age group (table 3). On average, women age 45 to 54 years of age have job tenure that is less than the common 10-year ERISA standard com-

⁴ June O'Neill, "The Trend in the Male-Female Wage Gap in the United States," in Richard Layard and Jacob Mincer, eds., *Journal of Labor Economics* 3, supplement (January 1985): table 6, p. S102.

Table 2
Annual Hours Worked by Working Women
by Birth Cohorts

Age	Birth Year of Cohort						
	1902	1910	1918	1926	1934	1942	1950
16					485	368	298
20					1139	927	1136
25				1416	1285	1382	1426
30				1402	1296	1328	1480
35			1479	1379	1352	1391	
40		1496	1456	1471	1483		
45		1591	1506	1531	1554		
50	1627	1565	1636	1524			
55	1580	1605	1726	1600			
60	1620	1511	1620				
64	1633	1294					

Source: Based on James P. Smith and Michael P. Ward, "Times-Series Growth in the Female Labor Force," in Richard Layard and Jacob Mincer, eds., *Journal of Labor Economics* 3, supplement (January 1985): table 15, p. 582.

pared to men who average more than 10 years of tenure at older ages. These findings suggest that the proportion of women with vested benefits will be lower than the proportion of men. They also suggest that improvements in vesting have not been primarily a result of longer average job tenure. Recent gains in future benefit entitlement would appear to result from changes in plan vesting standards rather than from tenure gains among plan participants.

Improvements in coverage and benefit entitlement for women in the work force appear to result from the substantial increase in labor force participation that has been building over the past 30 years. Gains over the past decade appear to reflect this overall phenomenon rather than improvements in the job characteristics of women in the labor force. This conclusion suggests that women may have more consciously sought employers with pension plans, and plan provisions may have been changing to enable more women to qualify for future benefits.

The Bureau of Labor Statistics has projected continued growth in the female labor force participation rate — from 53.6 percent in 1984 to 60.3 percent in 1995.⁵ These gains are expected to be widespread, affecting all age groups except women age 65 years and older. The labor force participation rate for men is anticipated to edge off, primarily because of

⁵ U.S., Department of Labor, Women's Bureau, *The United Nations Decade for Women, 1976-1985: Employment in the United States* (Washington, DC: U.S. Government Printing Office, 1985), table 18, p. 140.

increased retirement among men 55 and older. In combination, these changes suggest that the relative share of pension accruals made on behalf of women should continue to increase as the number of covered and vested women workers continues to grow.

◆ Comparing Pension Coverage for Men and Women

Despite past gains and expected future growth, the coverage and vesting rates for women workers are still lower than those recorded for men. Furthermore, women continue to receive lower pension benefits than men. Differences in employment characteristics between men and women appear to have a strong correlation to women's pension-protection. The coverage rate for women meeting ERISA participation standards in 1983 (defined as those age 25 to 64 working 1,000 hours or more annually with one year or more of service on the job) was 66 percent compared to a 73 percent rate for men. Only 50 percent of women meeting ERISA participation standards work for large employers compared to 55 percent of men (table 4). Only 26 percent of women work under union contracts compared to 35 percent of men.

Table 3
Median Years with Current Employer by Sex and Age
Selected Years, 1951-81

	1951	1963	1966	1968	1973	1978	1981
Total, 16 years and over:^a							
Men	3.9	5.7	5.2	4.8	4.6	4.5	4.0
Women	2.2	3.0	2.8	2.4	2.8	2.6	2.5
Difference	1.7	2.7	2.4	2.4	1.8	1.9	1.5
25-34 years:							
Men	2.8	3.5	3.2	2.8	3.2	2.7	2.9
Women	1.8	2.0	1.9	1.6	2.2	1.6	2.0
Difference	1.0	1.5	1.3	1.2	1.0	1.1	0.9
35-44 years:							
Men	4.5	7.6	7.8	6.9	6.7	6.9	6.6
Women	3.1	3.6	3.5	2.9	3.6	3.6	3.5
Difference	1.4	4.0	4.3	4.0	3.1	3.3	3.1
45-54 years:							
Men	7.6	11.4	11.5	11.3	11.5	11.0	11.0
Women	4.0	6.1	5.7	5.1	5.9	5.9	5.9
Difference	3.6	5.3	5.8	6.2	5.6	5.1	5.1

Source: Based on June O'Neill, "The Trend in the Male-Female Wage Gap in the United States," in Richard Layard and Jacob Mincer, eds., *Journal of Labor Economics* 3, supplement (January 1985): table 6, p. S102.

^a 14 years and over in 1951, 1963 and 1966.

Given the strong effect of unionization and firm size on pension coverage,⁶ these factors probably account for much of the coverage rate differential between the sexes. Nearly 46 percent of all women work in low coverage industries compared to only 34 percent of men. Industry type has an independent effect on the likelihood of pension coverage. Women are more likely to be in low-paying jobs. Even among those meeting ERISA participation standards, 81 percent of women earned less than \$20,000 compared to only 43 percent of men.

The rate of benefit entitlement for women meeting ERISA standards is 47 percent of covered workers compared to a 57 percent rate for men. Lump-sum distributions narrow this difference, raising the total vesting rate to 62 percent for women and 70 percent for men.

Women are less likely to receive a pension in retirement, and their benefits are likely to be lower. According to Census data for 1982, married men had average pension benefits of \$4,811, while never married women only received pensions of \$3,668. Benefits received by women in other marital status categories were considerably lower.

While many more women are likely to receive benefits on the basis of their own employment in the future, the value of these benefits may not grow substantially unless women's job tenure lengthens and their wages increase relative to men's. Women's earnings have remained a surprisingly constant percentage of men's earnings for many years. However, this relationship may be improving as women's earnings for year-round full-time workers increased almost 5 percentage points between 1975 and 1983 from 58.8 percent of men's earnings to 63.6 percent (table 5). The constant dollar value of the earnings gap declined from \$9,726 (1983 dollars) in 1975 to only \$7,966 in 1983. Full-time full-year workers are most likely to have earned an employer-sponsored pension at retirement.

◆ Family Decision Making and Pensions

There is no evidence of discrimination in pension coverage. Differences in coverage between men and women appear to reflect differences in career patterns and types of jobs. Marital status appears to influence these factors as married women and widows usually have lower pension coverage rates than divorced women and single women. Because of family responsibilities, married women may choose jobs that are less likely to provide pension coverage. Married women may be able to share the risks of retirement with their husbands.

⁶ In particular, see chapter III in Emily S. Andrews, *The Changing Profile of Pensions in America* (Washington, DC: Employee Benefit Research Institute, 1985).

Despite an increasing incidence of divorce and greater female labor force participation, couples still appear to make financial decisions together. Family pension coverage, which considers coverage for the couple, shows the consequences of joint decision making. Family coverage implies that some wives expect to draw upon their husbands' pensions in retirement, and some husbands may expect to depend on their wives' pensions.

Table 4
Employment Characteristics and Pension Statistics
Women and Men in the "ERISA" Work Force^a
May 1983

	Employment Characteristics	
	Women	Men
Percent in firms with over 500 employees	50.2%	55.1%
Percent unionized	25.8	34.8
Percent in low coverage industries ^b	45.5	33.9
Percent earning less than \$20,000 per year	81.3	43.4
Average years on the job	8.0	10.6
	Pension Statistics	
	Women	Men
Coverage rate (Covered workers/all "ERISA" workers)	66.2%	72.8%
Entitlement rate (Workers entitled to benefits/covered workers)	46.5	56.7
Vesting rate (Total vested workers/covered workers)	62.0	70.3
Employment (000s)	22,970	31,393
Covered workers (000s)	15,207	22,851
Vested workers (000s)	9,427	16,053
Workers entitled to benefits	7,065	12,962

Source: Emily S. Andrews, *The Changing Profile of Pensions in America* (Washington, DC: Employee Benefit Research Institute, 1985).

^a The "ERISA" work force consists of workers age 25 to 64 working 1,000 or more hours per year with at least one year on the job.

^b Low coverage industries are defined as construction, lumber, apparel, retail trade, business and personal services and professional services excluding hospitals.

Table 5
Median Earnings of Year-round Full-time Workers,* 1975-1983

Year	Median Earnings		Earnings Gap in Current Dollars	Women's Earnings as a Percent of Men's	Percent Men's Earnings Exceeded Women's	Earnings Gap in Constant 1983 Dollars
	Women	Men				
1975	\$ 7,504	\$12,758	\$5,254	58.8%	70.0%	\$9,726
1976	8,099	13,455	5,356	60.2	66.1	9,373
1977	8,618	14,626	6,008	58.9	69.7	9,878
1978	9,350	15,730	6,380	59.4	68.2	9,743
1979	10,151	17,014	6,863	59.7	67.6	9,420
1980	11,197	18,612	7,415	60.2	66.2	8,965
1981	12,001	20,260	8,259	59.2	68.8	9,047
1982	13,014	21,077	8,063	61.7	62.0	8,322
1983	13,915	21,881	7,966	63.6	57.2	7,966

Source: U.S., Department of Labor, Women's Bureau, *The United Nations Decade for Women 1976-1985: Employment in the United States* (Washington, DC: U.S. Government Printing Office), table 6, p. 128.

* Data are for persons 15 years and over beginning with 1979. Prior to 1979, data are for persons 14 and over. Data reflect wage and salary income and earnings from self-employment.

Coverage rates are calculated for unmarried men and women and for married couples on a family basis.⁷ These rates are affected by marital status and by the number of earners in the couple. The pension coverage rate for two-earner couples, at 68 percent, is higher than that for any other type of family. Coverage may be provided by either or both members of the couple. Thirty-seven percent of spouses in two-earner couples are covered by both their own plans and by their spouses' plans (chart 3). Wives in two-earner couples have lower own pension coverage rates (at 49 percent) than husbands in two-earner couples (57 percent). Some husbands and some wives in two-earner couples gain their only pension coverage through their spouses' plans.

One-earner couples in which the husband is the wage earner have a pension coverage rate of 59 percent. Husbands whose wives also work for pay are less likely to have pension coverage on their own than husbands who are the only wage earner. One-earner couples in which the wife is the wage earner have a pension coverage rate of 54 percent. The rate for women who are not married is 53 percent. The lower own coverage rates of wives (covered by their own plans) in two-earner couples compared to the coverage rates of women

⁷ Family coverage rates use data in which pension characteristics are imputed, or statistically supplemented. This procedure has been used to supplement the May 1979 CPS pension supplement as well as the EBRI/HHS May 1983 CPS pension supplement. Without this supplementation family coverage and entitlement rates could not be constructed. For more information see Appendix B in *The Changing Profile of Pensions in America*.




without a working husband suggests that employment and pension decisions made by married couples take the opportunities of both spouses into consideration.

Two-earner couples are also more likely to be entitled to pension benefits at retirement on a family basis. Their family entitlement rate reaches 67 percent, somewhat higher than the 65 percent entitlement rate for one-earner couples in which the husband is the sole provider. Two-earner couples effectively supplement each other's benefits. Thirty-six percent of women covered by a pension plan gain benefit entitlement on their own (chart 3). Another 32 percent of wives in two-earner couples gain benefit entitlement only through their husbands' pensions. While 53 percent of husbands in two-earner couples are entitled to retirement benefits from their own pensions, another 14 percent are entitled to future retirement income only through their wives' pension plans. Many couples with pension coverage are entitled to retirement benefits on both accounts. That 21 percent of two-earner couples with double entitlement will be able to achieve a higher retirement income replacement rate relative to their preretirement earnings.

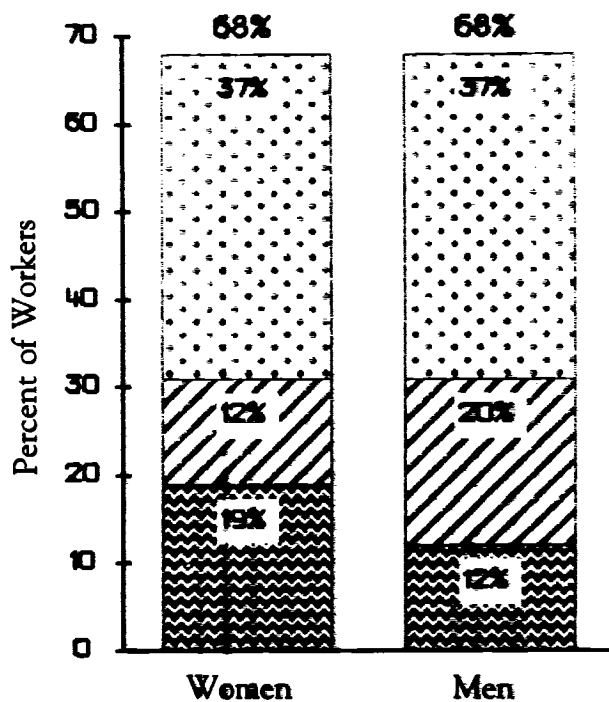
Joint family decision making is therefore suggested in two ways. First, employed women in two-earner couples have lower coverage rates on their own than women who are the sole wage earner. Second, husbands in two-earner couples have lower coverage and benefit entitlement rates than husbands in one-earner couples. Two-earner couples supplement each other's pension coverage and have a family retirement benefit entitlement rate surpassing that of one-earner couples.

These findings may have important ramifications for the prospects for retirement income in the future. Higher coverage

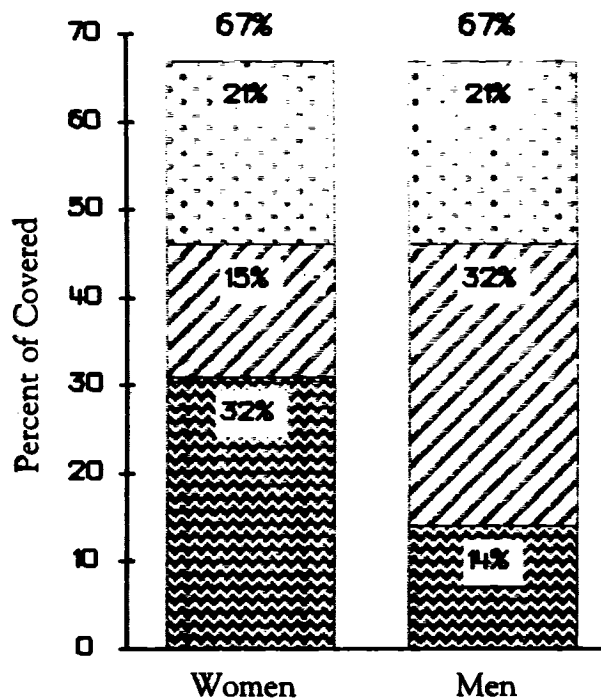
Chart 3
**Total Family Pension Coverage and Benefit Entitlement
among Two-Earner Couples, May 1983**

 Spouse plan only
 Own plan only
 Own plan and spouse plan

Sources of Coverage^a



Sources of Benefit Entitlement^a



Source: Emily S. Andrews, *The Changing Profile of Pensions in America* (Washington, DC: Employee Benefit Research Institute, 1985), table III.10, p. 67 and table III.11, p. 68.

^a Census adjustments to population weights resulted in slight discrepancies so that the coverage and entitlement rates do not always sum to the two-earner total.

and vesting rates for two-earner couples would have been of less interest 50 years ago when relatively few married women remained in the labor force. The proportion of couples in which both husband and wife are working has increased substantially, however, so that in recent years this is the dominant pattern among married households. Among those families in which either partner was working, two-earner couples increased from 52.6 percent of couples in 1975 to 60.9 percent in 1984 (table 6). In view of the trends in labor force participation rates observed earlier, the proportion of two-earner families is likely to grow.

While researchers attribute part of the growth in labor force participation to increases in education, wage rates throughout the economy and decreases in family size,⁸ this trend has taken place even among mothers with children. According to the Bureau of Labor Statistics, 60 percent of mothers with children under 18 years old were in the labor force in March 1984. By contrast, fully 60 percent of all mothers in 1979 were *not* in the labor force.

This increase is striking for mothers with children of all ages. In 1970, 24 percent of married mothers with a child one year or younger were in the labor force; by 1984 that figure had jumped to 47 percent. In 1970, 37 percent of all married mothers whose youngest child was age five were in the labor force; by 1984 that figure had jumped to 57 percent.

These statistics may point to an increased long-term demand for better employer-sponsored child care benefits for the baby-boom cohorts as they start their own families.⁹ They also point to a very different pattern of retirement income receipt than the traditionally anticipated one. More married couples are likely to receive benefits from employer-sponsored plans in the future as the number of two-earner couples grows, with their higher family-based pension coverage and vesting rates.

◆ Women and Proposals To Reform ERISA

Trends in pension protection show increasing coverage for working women on their own and complementary coverage by husbands and wives in two-earner couples. Both tendencies should increase pension receipt in the future and increase pension benefits received in retirement. In 1984 the Retirement Equity Act was passed to provide improved benefits to women as workers and as spouses. That legislation lowered the age of participation, improved spousal and survivor benefits, and liberalized break-in-service rules. The most important provision stemming from that legislation is likely to affect older widows in future years. With the growing recognition that marriage is a partnership, REA sought to bring both spouses into the decision-making process by requiring

⁸ See James P. Smith and Michael P. Ward, "Time-Series Growth in the Female Labor Force," pp. 559-590.

⁹ See Employee Benefit Research Institute, "Child Care Programs and Developments," *EBRI Issue Brief* 42 (May 1985).

Table 6
Married Couples with Earnings

	1975	1980	1984
Total number of couples (000s)	42,454	42,840	42,922
Percent of couples in which particular spouse has earnings:			
Only husband has earnings	42.9%	35.0%	32.9%
Only wife has earnings	4.5	5.3	6.3
Both have earnings	52.6	59.7	60.9

Source: EBRI tabulations based on U.S., Department of Labor, Women's Bureau, *The United Nations Decade for Women, 1976-1985: Employment in the United States* (Washington, DC: U.S. Government Printing Office, 1985), table 15, p. 137.

that both of them consent in writing to a waiver of the joint and survivor annuity. If all couples choose to continue pension benefits even after the retired annuitant has died, the pension receipt rate for widows would climb to that of married men.¹⁰

Legislation currently under consideration concentrates on improving the benefit receipt for women as workers. Two potential ERISA amendments are conceptually the most important. The first proposes to reduce the minimum standard for a year of service under ERISA from 1,000 hours to 500 hours. The second proposes to reduce the minimum vesting standard to five years of plan participation.

Both suggestions are part of the proposed Economic Equity Act of 1985 (H.R. 2472) introduced by Rep. Patricia Schroeder (D-CO) and 80 cosponsors.¹¹ Five-year vesting is also a provision of the Retirement Income Policy Act of 1985 (S. 1784) introduced by Sen. John Heinz (R-PA) and by Rep. William Clay (D-MO).¹²

Part-time Workers

The proposal to lower the minimum ERISA standard for a year of service to 500 hours is considered a "women's" issue

¹⁰ See Employee Benefit Research Institute, "Impact of Retirement Equity Act," *EBRI Issue Brief* 39 (February 1985).

¹¹ U.S., Congress, House, *A Bill to Ensure Economic Equity to American Women*, H.R. 2472, 99th Cong., 1st sess., 1985.

¹² U.S., Congress, Senate, *A Bill to Amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1954 to Enhance Retirement Security by Broadening Retirement Benefit Delivery, Strengthening the Present System of Voluntary Employer-Sponsored Pensions, and Encouraging Growth and Development of the Private Pension System by Simplifying the Administration of Pension Plans*, S. 1784, 99th Cong., 1st sess., 1985.

because many women work part-time schedules. Some feel that the 1,000-hour standard may penalize potential plan participants who need to take unpaid vacation days or sick leave. If a 500-hour participation standard had been in effect in 1985, fewer than 200,000 additional plan participants would have been included in employer-sponsor plans. Only 91,000 would have been entitled to vested benefits. But most of these workers would be women.

Relatively few workers would be affected, in part, because relatively few workers normally on part-time schedules meet other ERISA age and service standards, and relatively few work for employers who sponsor pension plans. Furthermore, many part-timers with long job tenure are already included in their employers' plan. Finally, many women workers already meet ERISA minimum hours requirements. Working women have tended to work 1,300 to 1,600 hours annually at virtually all ages (table 2).

Five-year Vesting

Currently, 10-year cliff vesting appears to be the preferred vesting provision used under ERISA.¹³ In 1984, 85 percent of all full-time participants in medium and large firms were subject to 10-year cliff vesting.¹⁴ Five-year vesting is considered a "women's" issue by those who feel that women are more likely than men to be excluded from benefit reciprocity because of shorter job tenure. While job tenure tends to increase strongly with age, women are less likely than men to spend 10 years with one employer. In 1982, median job tenure for women age 45 to 54 was 5.9 years compared to median tenure of 11 years for men in that age group.

If five-year vesting had replaced the 10-year standard in 1985 and graded vesting options remained, conservative projections indicate that 1.9 million more workers would have been entitled to vested benefits. A shift to five-year vesting would have added 1.1 million men and 766,000 women to the ranks of vested workers. While fewer women are affected, this change would help women relatively more. The increase would represent a 7 percent gain in the number of vested male workers and a 10 percent gain in the number of vested female workers. Furthermore, a greater proportion of newly

vested female workers under five-year vesting might not otherwise become entitled to benefits.

◆ Conclusion

The climb in the pension plan coverage, participation and future benefit entitlement among women in the labor force has been considerable. It appears to stem primarily from increases in women's labor market activity taking place over the past 30 years. Nonetheless, women in the labor force still have less pension protection than men, in part as a result of their shorter job tenure and lower earnings. While current trends suggest some strengthening of women's wages relative to men, little of the improvement in future benefit receipt may be a result of increased hours or longer job tenure. The percentage of women contributing to the paid labor force has expanded many times over, but the profile of women in paid employment has remained relatively stable.

Recent legislative measures seeking to improve pension benefit receipt among women have moved from proposals to improve benefits among widows and young survivors to proposals that would help women qualify for their own pension benefits as workers. Of these proposals, five-year vesting would have the greatest impact. The number of additional workers vested under a five-year standard in 1985 would have been about six times the number of workers age 21 to 24 who would have been vested if REA minimum participation provisions had been part of the original ERISA legislation.

Five-year vesting could be particularly important to married couples should married women continue to adjust their labor force participation by shortening their hours and job tenure. In two-earner couples, pension coverage rates and vesting rates are higher than those of one-earner couples when considered on a family basis. Two-earner couples form an increasing majority of married couples. Even in the absence of further policy changes, most forecasters anticipate that the new prominence of women in the labor market will lead to increased benefit reciprocity and greater benefits for married and unmarried women in their own right when the baby boom reaches retirement.

¹³ Three minimum vesting standards were instituted under ERISA. The first provided 10-year cliff vesting in which the participant was completely vested after 10 years of service under the plan. The second was a graded standard in which the employee had to be at least 25 percent vested after 5 years of service and 100 percent vested after 15 years. A third more complicated rule provided a schedule under which an employee had to be at least 50 percent vested when age and years of service under the plan summed to 45.

¹⁴ U.S., Department of Labor, Bureau of Labor Statistics, *Employee Benefits in Medium and Large Firms, 1984* (Washington, DC: U.S. Government Printing Office, 1985), table 53, p. 56.

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