

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Younger Women Approaching Pay Parity With Men

While the earnings ratio between men and women in full-time jobs remained at around 80% in 2008, younger women are gaining fast on younger men, with female workers under age 35 taking home 89% of the earnings of their male counterparts, according to a report published by the U.S. Department of Labor's Bureau of Labor Statistics (BLS).

The study's findings are based on data from the Current Population Survey (CPS), a national monthly survey of 60,000 households conducted by the U.S. Census Bureau for the BLS. Results showed that, in 2008, the median weekly earnings of women in full-time wage and salary positions was \$638, or about 80% of the \$798 earned by men. The report noted that this ratio was 62% in 1979, the first year for which comparable earnings data are available, and peaked at 81% in 2005 and 2006.

However, the 2008 data revealed considerable variations in gender pay differences based on age, with the gap widening considerably as workers age. While the average median wages for younger men and women were found to be much lower than among older workers, the differences

in compensation among young men and women were also considerably smaller. The male-to-female weekly median earnings ratio was 91% among workers aged 16–24 (\$420 for women and \$461 for men) and 88.5% among workers aged 25–34 (\$623 for women and \$704 for men). By contrast, earnings among women aged 35–44 were 74.5% of the compensation of their male counterparts (\$682 for women and \$915 for men). This gender pay gap of around 75% was found to apply to all age groups over 35.

According to ethnicity, the study showed that Asian women and men earned more than their white, black, and Hispanic counterparts in 2008. The findings indicated that the 2008 median weekly earnings of white women (\$654) were 87% of the earnings of Asian women (\$753), while black women (\$554) earned 74% and Hispanic women (\$501) earned 67%.

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Similarly, white men (\$825) were found to earn 85% of the earnings of Asian men (\$966), while black men (\$620) earned 64% and Hispanic men (\$559) earned 58%. The gender compensation gap was greater among Asians and whites than among Hispanics and blacks. The male-to-female earnings ratio was just under 80% among Asians and whites, while black and Hispanic women earned around 90% of the compensation of their male counterparts.

According to researchers, women's inflation-adjusted earnings grew between 1979 and 2008, while those for men were down or flat across all ethnic groups. Earnings for white men and black men were about the same in 2008 as in 1979, and compensation for Hispanic men declined by about 8%. Over the same period, white women's earnings increased 29%, black women's earnings increased 19%, and Hispanic women's earnings increased 15%.

"Women's long-term earnings growth reflects, in part, gains in their education levels and their movement into higher paying occupations over time," the study's authors said. They noted that median weekly earnings vary significantly by educational level. The 2008 earnings of workers without a high school diploma (\$378 for women and \$497 for men) were found to be significantly lower than for workers with a college degree (\$955 for women and \$1,285 for men). But researchers also observed that, at all levels of education, women have fared better than men with respect to earnings growth.

The analysis further showed that the occupational distributions of women and men differ significantly, with relatively few women working in the construction, production, or transportation sectors. By contrast, more women than men were found to work in professional and related occupations. However, researchers noted, women are not well represented in some of the highest paying job groups in the professional occupations categories, including the computer and engineering fields. Instead, results indicated that

women are more likely to work in education and health care occupations, which generally offer lower pay.

## Older Adults More Likely To Have Health Insurance

Despite a recent decline in the number of employers offering health care benefits to retirees, workers over the age of 55 are more likely than all other non-elderly adult age groups to have health care coverage, according to a report released by the Employee Benefit Research Institute (EBRI).

Written by EBRI health research and education program director Paul Fronstin, the study, "Health Insurance Coverage of Individuals Ages 55–64, 1994–2007," is based on data from the U.S. Census Bureau's Current Population Survey (CPS). The analysis revealed that 88% of adults ages 55–64 were covered by some form of health insurance in 2007, compared with 82.8% of the entire population and 76.5% of adults under age 55. Fronstin noted that the 55–64 age group is the least likely group of non-elderly adults to be uninsured. In addition, they were no more likely to have been uninsured than they were in 2000 and were only slightly more likely to have been without insurance than in 1995.

The report indicated important changes in the sources of coverage for older adults. Among all adults ages 55–64 in 2007, 67.8% had employment-based health care coverage, and 19.9% were covered by a public program. The analysis showed that 9.7% of adults in this age group purchased insurance directly from an insurer in 2007, down from 11.4% in 1994. Compared with 1994, Fronstin said, more of this population were covered by employment-based health benefits in 2007, and slightly more were covered by public programs.

"These findings may seem surprising, given the fact that employers have been

cutting back on employment-based health benefits for early retirees,” Fronstin said. However, he added, simply examining overall trends for adults ages 55–64 does not take into account the fact that most changes that employers have made to retiree health benefits for current early retirees are more likely to affect future retirees than early retirees. Moreover, he observed, a look at these general trends may not account for the changes that older workers will make in response to the availability of health insurance.

The report cited a strong correlation between the availability of health insurance coverage and retirement decisions. In 1998, 74% of workers said they would not retire before becoming eligible for Medicare if their employer did not provide retiree health benefits. Fronstin speculated that some potential retirees have chosen to remain in the labor force longer than planned, in part due to concerns about health care coverage. The findings indicated that the percentage of the population ages 55–64 that is working increased between 1994 and 2007, from 63.4% to 68.4%.

“The erosion of retiree health insurance may ultimately change retirement patterns as employees nearing retirement age postpone their decision to retire upon learning that, without a job, they may not be able to obtain health insurance coverage or afford health care services that are not covered by insurance,” Fronstin concluded.

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## Employers Expect To Return Pay And 401(k) Matches

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As the economy shows signs of improving, growing numbers of employers report plans to reverse cuts in salary and retirement plan contributions made during the downturn, a recent survey conducted by human resources consultancy Watson Wyatt found.

The survey of 175 large employers was conducted in August 2009. Results showed that 33% of employers that had frozen salary levels during the economic downturn planned to unfreeze them within the next six months, up from 17% of respondents in a similar survey conducted in June. The August survey also found that 44% of companies that had cut salaries intended to reverse the cuts in the next six months, compared with 30% of those polled in June. In addition, 24% of employers that had reduced 401(k) matches said in August they would restore the matches to their previous levels, up from 5% in June.

At the same time, however, two-thirds (66%) of employers that had increased the percentages that workers pay for health insurance premiums indicated in the August survey that they do not expect to reverse these increases. In addition, 40% of employers expect to shift more health care benefit costs to employees by further raising the percentage of premiums paid by workers, and 41% anticipate increasing deductibles, co-pays, or out-of-pocket maximums for their 2010 health care plans.

The survey also found that 52% of employers are more concerned about retaining their top performers and critical-skill employees than they were before the economic downturn. When asked what efforts they have made to keep employees engaged during the downturn, 83% have increased communication, 40% have held additional employee forums to address economy-related concerns, and 47% have changed employee roles to expand responsibilities. However, the poll also found that just 27% sought to retain workers by expanding the use of recognition programs, and only 18% created special compensation programs for high-performing or at-risk employees.

When asked to project three to five years ahead, 83% of employers said they expect to see an increase in the number of employees working past their desired retirement ages, and 43% anticipate reducing the overall size of their




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workforce. At the same time, however, around half expect to see an increase in the difficulty of retaining critical-skill employees, and 46% believe they will find it harder to attract these workers.

“Even as employers look ahead to an eventual economic recovery, they still face many challenges, such as the potential disengagement of top performers,” said Brian Wilkerson, global director of talent management at Watson Wyatt. “Employers can manage this to some extent, not only by effectively communicating with employees, but also by ensuring that they are rewarded for the job that they do—in particular taking into account how that job might be changing in the current environment.”

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## Work-Life Benefits Thriving In Tough Economic Times

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At a hearing convened by the Joint Economic Committee of Congress on July 23, experts on flexible work arrangements reported that most organizations have maintained their work-life balance programs, and some companies have enhanced their offerings, in spite of the fact that the economic downturn has caused many employers to scale back employee benefits.

At the hearing, “Balancing Work and Family in the Recession: How Employees and Employers are Coping,” researchers discussed the effects of the economic downturn on the employer provision of work-life balance policies and on the impact of these policies on both employees and employers.

The need for work-life balance programs can become particularly acute

during a downturn, Rep. Carolyn B. Maloney (D-NY), Chair of the Joint Economic Committee, said in her opening statement. “Workplace flexibility is an inexpensive and effective way to motivate employees by humanizing jobs at a time when so many aspects of our economy are harsh,” Maloney observed.

In her presentation before the committee, Ellen Galinsky of the Families & Work Institute cited a recent survey conducted by her organization showing that two-thirds of employers (66%) have seen declining revenues over the past year, and more than three-quarters (77%) have responded by cutting costs. At the same time, however, nearly all the employers indicated that they are either maintaining the same level of workplace flexibility offered before the downturn (81%) or increasing flexibility (13%). In addition, 57% said they give employees some or a lot of say about their schedules.

However, while employers may not be changing their work-life programs, “employees may engage in ‘bias avoidance’ by not taking advantage of such programs for fear of being marginalized or penalized at work—behavior that may be exacerbated by today’s economic climate in which most employees have at least some fear of losing their jobs,” Cynthia Thomas Calvert, deputy director at the Center for WorkLife Law, said in her testimony. Employers should take steps to avoid bias against workers who take advantage of flexible work programs, Calvert advised. These biases, she added, “cost employers not just in terms of legal liability, but also in terms of unscheduled absenteeism, worker attrition, smaller available talent pool, lowered productivity and morale, higher health costs, and poorer customer service.”




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