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DURENBERGER-PACKWOOD-HATFIELD  
ECONOMIC EQUITY ACT OF 1981

TITLE I - TAX AND RETIREMENT MATTERS

INDIVIDUAL RETIREMENT ACCOUNTS

Background

Homemakers are ineligible for retirement benefits in their own right. They are not covered by any employment-related retirement plans such as Social Security. Nor are they allowed to establish individual retirement accounts.

Under present law, an employed person who is not covered by any other pension plan--public or private--may establish an Individual Retirement Account (IRA). The individual may make a tax deductible contribution in an amount equal to 15 percent of gross income up to a maximum of \$1,500 per year. If the eligible individual has a non-working spouse, the maximum contribution rises to \$1,750 per year. But an individual (i.e. homemaker) with no income cannot establish an individual retirement account in her own right.

Current statistics show that an increasing number of women are entering the labor market. It will naturally follow that more women will be covered by pension plans as this trend continues. However, there is no individual protection for women who choose to remain at home, typically to raise a family. Under current law, a homemaker has no choice but to depend on the wage-earning spouse for retirement security.

Proposal

This provision would permit a non-working spouse to establish an individual retirement account in her (or his) own right. The income of the working spouse would be the basis for determining the allowable contribution.



The following table illustrates the proposed changes:

Income (Add to Determine Total Couple Income)	Present IRA Allowable for Individual	Present IRA Allowable for Individual & Spouse	Proposed IRA Allowable for Individual & Spouse
\$ 5,000 + 0	\$ 750	\$ 750	\$ 1,500
10,000 + 0	1,500	1,500	3,000
10,000 + 1,000	1,500 + 150	ineligible	3,000
11,000 + 0	1,500	1,650	3,000
12,000 + 0	1,500	1,750	3,000

This "IRA for homemakers" would allow a non-working spouse the opportunity to set aside a reasonable fund for retirement years.

This provision, in effect, recognizes the status of the non-working spouse as an individual, rather than the "extension" of the working spouse.

In addition, we would provide that alimony income be counted as compensation income for the purpose of determining the maximum contribution to an IRA. This amendment would allow divorced persons receiving alimony to be able to set aside and deduct a portion of their alimony payments as a contribution to an IRA.

## HEADS OF HOUSEHOLDS

### Background

Heads of households are unmarried persons who provide a home for a child or elderly parent and a majority of support for that dependent. They are usually divorced or widowed women caring for minor children. Heads of households thus have the burden of maintaining a home and caring for dependents without the advantage of two wage-earning adults.

Prior to 1975, heads of households could use the standard deduction (now zero bracket amount) used by married couples.

Beginning with the Tax Reduction Act of 1975, however, heads of households have been given a smaller zero bracket amount than married couples. Under current law, heads of households are entitled to a \$2,300 zero bracket amount. Married couples filing jointly are entitled to a \$3,400 ZBA.



### Proposal

To amend the Internal Revenue Code to provide that the zero bracket amount for heads of households be equal to that of married couples filing jointly: \$3,400.

We should not place tax penalties on heads of households. They have even greater financial pressures than married couples. Eighty-four percent of heads of households are women; 22.2 percent are non-white. Practically no heads of households units have two earners, yet more than 50 percent of married couples have two earners.

We discriminate against heads of households in the Tax Code. We allow a smaller zero bracket amount for a group of taxpayers who have the same kinds of expenses, with typically lower incomes, than married couples. In 1978, the average income for a head of household was \$10,308; for married couples it was \$20,544. Married couples have incomes that average almost twice that of heads of households, yet heads of households have the same financial obligations of supporting a dependent and maintaining a home. This provision of our legislation would end the gross discrimination in the Tax Code against heads of households.

### DISPLACED HOMEMAKERS

#### Background

Displaced homemakers are persons who have spent many years in the home caring for family members, and subsequently lost their source of support through separation, divorce, death or disability of the spouse. There are an estimated 3.3 million displaced homemakers nationwide.

The displaced homemaker finds the adjustment process to their new lives overwhelming. Most of them have few marketable skills, and if they have worked, it was usually in the early years of their marriages. They need financial stability, training, and jobs in order to make the adjustment.



The transition from homemaker to wage earner is difficult to make, but imperative to the survival of most women who find themselves suddenly divorced, separated or widowed. Employers have been unwilling to credit displaced homemakers with previous work experience or transfer volunteer skills into employment qualifications.

Displaced homemakers who can find jobs frequently settle for low-skilled, low paying jobs which require little or no training and provide little or no opportunities for advancement.

There is an urgent need to bring these women into the work force.

#### Proposal

To amend the Internal Revenue Code to extend the targeted jobs tax credit for five years and to add displaced homemakers to the list of eligible hirees.

Under current IRS law, employers may elect to take a tax credit when they hire an individual from a targeted group of hard-to-employ persons. (Economically disadvantaged youths, SSI recipients, vocational rehabilitation referrals, economically disadvantaged Vietnam-era veterans).

This tax credit mechanism provides an incentive for employers to seek out individuals from these qualifying groups for employment. Frequently, this incentive results in the employment of trainable persons who lack the credentials and/or job experience to land the job without the tax incentive.

This incentive for private industry encourages employment of hard to place individuals in the private sector, where they are offered opportunities for training and upward mobility.

Adding displaced homemakers to the list of eligible hirees provides an incentive for employers to give extra consideration to this targeted group.



## PRIVATE PENSION REFORM

### Background

Older women are the fastest growing poverty group in America. And our present retirement income system does little to alleviate that situation.

Under private pension systems, women are penalized if they leave the labor force to rear children, and/or if they divorce. It is no wonder that 81% of women over 65 not living with relatives live below the poverty line.

The 1974 Employees Retirement Income Security Act (ERISA), was passed to insure that workers who participate in pension programs receive the benefits for which they are eligible. While that law contains significant improvements for pension recipients by providing minimum standards for participation, vesting, funding, and administration of pension plans, ERISA fails to address the differing needs of women.

Because employed women tend to be young, work part-time or part year, are concentrated in sales and service jobs, and interrupt their service for family obligations, most working women receive no pension coverage. The majority of employed women are not covered because they are concentrated in occupations that offer no pension plans at all. In fact, only 21% of women workers are covered by pension plans, compared to 49% of men. And just 13% of all working women actually receive their pension benefits.

The Economic Equity Act attempts to remedy some of these problems.

### Proposal

#### 1. Women As Workers

Women in the 20 to 24 age bracket have the highest labor force participation rate among women--68.3% in 1978, projected to increase to 76.8% by 1985. Yet existing pension law fails to take into account the fact that women enter the labor force at an earlier age than men. This section of the bill would more closely equate the impact on the male and female segments of the labor force by lowering the age of participation in pension plans from 25 to 21. This would have a dramatic impact on women.

Any employer who wishes to get the tax benefits which go with having a company pension plan must meet the requirements of the Employee Retirement Income Security Act of 1974, as amended, and the relevant portions of the Internal Revenue Code. Existing law requires employers with



qualified plans to allow an employee to participate in the pension plan on the latter of two dates: the day the employee reaches age 25 or the day the employee completes one year of service. An employee who begins work at age 18, for example, must work a minimum of seven years with the same employer before acquiring the right of pension participation. Conversely, one who enters the labor force at 24 must work only one year for the same right.

## 2. Women As Mothers

Many women take extended "breaks-in-service" from a particular job in order to tend to family responsibilities. Even if they return to the same job, they lose pension credits which they had accumulated before leaving. This portion of the bill would allow companies who agreed to a one-year maternity or paternity leave, to count that period as a year of service for vesting, benefit and participation accrual.

## 3. Women As Wives and Widows

Because of inequities that employed women face in the pension system or in careers as homemakers, most women are largely dependent on their spouse's pension to ensure adequate retirement income. But survivors' annuities pay only if a set of conditions are met, taking into account marital status, retirement age, and age of death. Because all of the specific conditions must be met, only 5 to 10% of surviving spouses actually receive the benefits, according to the National Women's Political Caucus.

ERISA requires private pension plans to offer optional joint and survivor annuities. There is no requirement, however, that the spouse be consulted or even informed of the wage-earner's decision to terminate the survivor benefit. Because benefits under the joint plan are lower in order to compensate for the survivor annuity, many workers opt for the single life annuity and thus fail to provide for the spouse.

The Economic Equity Act states that the joint and survivor option will be automatic unless both spouses agree in writing not to elect the joint and survivor option.

Another provision of the bill requires that a survivor's benefit shall be paid to the participant's spouse, if the participant is vested and dies before retirement. This annuity shall not be less than the amount the survivor would have received if the vested participant had died after retirement. Currently, if a participant dies before he retires, the survivor benefit can be withdrawn. Many women suffer tremendously because of this law.



A similar provision relates to survivor benefits in a non-accidental death. The law presently states that if a participant in a pension plan dies from a non-accidental death within two years of his joint and survivor election, those survivor benefits can be denied.

It is not unusual for individuals stricken with terminal diseases, like cancer, to perish less than 24 months from the date on which the disease was diagnosed. With heart disease, the problem is even more pronounced. Most heart attacks are sudden, and unexpected. Yet a legitimate joint and survivor election, occurring less than two years before the fatal attack, can be disregarded. The provision eliminates language which is inconsistent with the universal provision of survivorship.

#### 4. Women As Former Spouses

This provision under private pensions recognizes marriage as an economic partnership, and establishes pensions as a legitimate property right. A similar protection was granted to spouses and former spouses under the 1965 amendment to the Social Security Act. (See Public Pension Reform section for complete description.)

### PUBLIC PENSION REFORM

#### Background

The plight of the so-called displaced homemaker is becoming well-recognized in a society where nearly one of every two marriages ends in divorce. These divorced or widowed women who have devoted many years to maintaining the home and family often suffer serious consequences when they attempt to gain outside employment, or receive their rightful pension or retirement benefits.

Contrary to the popular myth of the merry divorcee, only a few are wealthy. Alimony is received by just 4% of divorced women. Furthermore, statistics indicate that while 89 percent of single-parent families are headed by mothers, three-quarters of these women received no child support from fathers. For even this minority of women, alimony and child support are no substitute for a vested pension interest. Both cease with the death of the employed or retired spouse.

Congress began to address this issue by amending the Social Security Act in 1977, providing pension benefits to divorced wives married 10 years or more. However, even these basic protections are not afforded a significant number of women married to Civil Service or military employees or employees enrolled in many private pension plans. For military



and civil service employees, their spouses do not automatically receive Social Security. Thus, they discover once they are divorced, the wives lose all claim to retirement pay and survivor's benefits, as well as any right to health insurance benefits.

A recent victim of this policy as it pertains to the U.S. government's Foreign Service was Jane Dubs, who served beside Adolph Dubs for 30 years until their divorce in 1976. When Mr. Dubs was killed while serving as Ambassador to Afghanistan in 1979, she was refused any part of his survivor's benefits. Instead, the money went to the second Mrs. Dubs, his wife of only three years. This, despite the fact that the first Mrs. Dubs, like most Foreign Service homemakers, was a vital resource, enriching the overseas communities with thousands of hours of donated service as a foreign emissary's wife.

Cultural, legal and linguistic barriers, as well as the constant international mobility of her husband's job prevent the Foreign Service wife from seeking employment outside the home. Yet divorced Foreign Service wives, after long years of unpaid government service abroad, have no employment record, no modern skills, no social security, no shared annuity, no survivor benefits, and often exorbitantly expensive medical insurance.

Fortunately, this situation was remedied with the passage of an amendment to the Foreign Service Act in September 1980, which was introduced by Congresswomen Schroeder and myself.

### Proposal

Included in the Economic Equity package is legislation similar to that in the Foreign Service Act, which will help address the inequities faced by divorced and widowed spouses of Civil Service and military employees.

The provision would:

- Entitle women who were married to civil service or military employees for at least 10 years the right to a pro rata share of the benefits earned during marriage. This provision is subject to court review and modification, depending on the divorce settlement. However, the legislation demands that courts must view pensions as a valid property right. Many have not done so in the past. As a result, many of these women find that the retiree walks away from the divorce with a full retirement plan and health insurance, while the spouse walks away with nothing. Furthermore, even in cases where the courts have awarded partial retirement benefits, no court has considered the survivor's benefit as property to which the former spouse is entitled.



• Mandate survivor's benefits unless the spouse and former spouse choose to waive receipt of such. Currently, an employee may opt out of survivor's benefits already agreed to, without notification of the spouse or former spouse. This legislation would require that employee and spouse or former spouse (if any) agree in writing to forego the survivor's benefit plan.

These proposals will not cost the taxpayer additional funds. Rather, they will allow a fair redistribution of retirement and survivor's benefits between the partners in marriage.

It is ironic that these outdated laws have been hardest on the woman who devotes herself entirely to the role of mother and homemaker. It is unconscionable that they should be "rewarded" in this manner. Certainly, it is time we viewed marriage as an economic partnership.

To amend the Internal Revenue Code to allow employers to provide child care assistance as a tax-free fringe benefit to employees. Under current law, employers may offer a variety of tax-free fringe benefits to employees: health insurance, dental insurance, educational expenses, life insurance, etc. This child care assistance fringe benefit would be provided in the form of a direct payment, by an employer, for child care expenses incurred by an employee. Or it could take the form of child care services provided by an employer to the employee.



## TITLE II - DAY CARE PROGRAM

### Background

The role of women in the labor market, and its subsequent effects on the pattern of family life in America, has changed dramatically over the past twenty years.

At present, more than half the children under 18 years of age in the United States have mothers in the labor force. Our country's most prevalent family type is now the two-parent, two-wage earner family. If we add to this group the many single-parent families in which the sole parent (most likely a woman) works, then the "typical" American family in the 1980's is the one with working parents.

These statistics suggest the ever-growing demand for quality day care for our nation's children. As more mothers of young children enter the work force, more children are in need of quality care. We need more, and better, quality day care facilities. We need child care centers at places of employment, where parents can be close to their pre-school children. And we need to create incentives for employers to provide child care and cover child care costs for employees.

### Proposal 1

To amend the Internal Revenue Code to allow employers to provide child care assistance as a tax-free fringe benefit to employees. Under current law, employers may offer a variety of tax-free fringe benefits to employees--health insurance, legal insurance, educational expenses, life insurance.

This child care assistance fringe benefit would be provided in the form of a direct payment, by an employer, for child care expenses incurred by an employee. Or it could take the form of child care services provided by an employer to the employee.



This section of the Economic Equity Act seeks to encourage a non-governmental solution to a major family economic concern.

The premise embodied in this proposal is that private employers should be encouraged to provide child care benefits for employees.

Employer-provided day care can be very effective in answering the needs of working parents. It provides a secure environment for children, close to their parents. And it encourages the establishment of new, quality facilities tailored to the needs of the particular work force.

#### Proposal 2

Current law allows a tax credit of 20 percent of expenses for care of dependent children under age 15 and spouses or other dependents who are incapable of self-care, provided the expense is incurred to enable the taxpayer to be gainfully employed or in active search of gainful employment.

The maximum amount creditable annually is \$2,000 for one dependent (that is, a credit of \$400) and \$4,000 for the care of two or more dependents (a credit of \$800). The credit is not refundable.

The Economic Equity Act creates a sliding scale refundable tax credit between 20 percent and 60 percent. People whose adjusted gross income is \$10,000 could claim the full 60 percent tax credit. A \$30,000 adjusted gross income would receive a 20 percent child care credit.

In addition to the sliding scale, taxpayers with an adjusted gross income of \$10,000 would be eligible to receive their refundable credit on a monthly or quarterly basis.

Finally, this provision would increase the maximum amount creditable annually to \$2,500 for one dependent and \$5,000 for two or more dependents.



### TITLE III -- ARMED FORCES

#### Background

The number of women choosing military service as a career option has increased dramatically in recent years. The percentage of women in military service increased one hundred percent--from 1.08% to 7.5%--between 1968 and 1980. In absolute numbers, women in the military increased from 38,000 in 1968 to 150,000 in 1980. By 1985, that number will swell by an additional 80,000 to 11.9% of the military forces.

Guaranteeing equality of economic opportunity is as important in the public sector as in the private sector, and the military is an important segment of public sector employment. Women who volunteer their time in the country's service deserve the same benefits and promotional opportunities as their counterparts. Unfortunately, Federal statutes governing military benefits and promotion have been one of the prime examples of sex discrimination in the U.S. Code.

Reforms signed into law in 1980 isolated and eliminated 80 separate statutory sections of the U.S. Code which denied economic equality to women in military service.

Unfortunately, the bill failed to resolve four important instances of economic discrimination in military service. The Economic Equity Act Addresses these remaining provisions.



Proposal

1. Four sections of the Code specify promotions procedures for Naval and Marine Corps Reserve officers, distinguishing between situations in which "male officers" shall be recommended for promotion and those in which "female officers" shall be recommended. The Economic Equity Act eliminates these distinctions.

2. Current law grants the Secretary of the Navy special authority to eliminate women officers from active duty status in the Naval and Marine Corps Reserve. Separate provisions governing the elimination of women officers has no place in the Code. Women Reserve officers should be eliminated from active status under the same relative conditions that would require the retirement or discharge of a male officer on the active list. The Economic Equity Act eliminates this distinction.

3. Current law establishes special rules for distributing the assets of deceased members of the Air Force and Army. As remarkable as it may seem, present law gives preference, as distributees, to sons over daughters, to fathers over mothers, and to brothers over sisters. The Economic Equity Act removes these preferences by creating a distribution formula based on three classes--children, parents, siblings.

4. The fourth proposal of the Economic Equity Act requires the Secretary of Defense to make an annual report to Congress concerning the status of women in the Armed Forces. This report must include statistics on

- a. the number of women serving on active duty and Reserve;
- b. the distribution of women by grade;
- c. the number of promotions by grade for women;
- d. the military specialities held by women;
- e. the types of duty assignments given to women.

The report must also include recommendations on actions necessary to eliminate discrimination based on sex in promotion and economic benefits.



## TITLE IV -- ESTATE TAX ON AGRICULTURAL PROPERTY AND FARM LOANS

### Background

The average life span of a woman in America exceeds the life span of a man by nearly eight years. The failure of the Federal Estate Tax to adequately consider this social and biological fact has brought untold hardship to rural women throughout the United States.

A family farm is a special economic unit. It merges the concepts of home and business, and success in each of these aspects is essential to the success of the farm. Unfortunately, the Federal Estate Tax fails to reflect this reality.

The surviving spouse--normally a woman--has to find a way to pay an estate tax levied against the highest commercial use of the land, rather than its actual use. There are exceptions, but to qualify, a spouse must establish that she "materially participated" in the management of the farm. No one who lived on a farm would question the material participation of a farm wife. But under present law, she is often deemed to have made no contribution unless she actually managed the farm, or made a financial contribution to it.

This ignores the reality of the "family farm" style. The word "family" is as essential as the word "farm", and labors to yield a stable family are as important as labors to increase the yield of the land.

It is essential to revise the laws and regulations controlling assessment of the Estate Tax to remove the implied bias against a woman's contribution to the farm.

### Proposal

1. Present tax law requires that farm property be assessed for taxation at its highest possible use. In other words, farm property is taxed as if it were the location of an office building, a shopping center, housing development, or some similar commercial use. In the Tax Reform Act of 1976, Congress granted limited relief by permitting up to \$500,000 in farm property to be taxed at special valuation (i.e., its value as farm land rather than commercial property) if certain stringent conditions were met. But with the rapid increase in land values over the past five years, the benefit of this \$500,000 exemption has been rapidly eroding. The Economic Equity Act adopts the principle that land used as farm land should be taxed as farm land. It removes the \$500,000 "cap" and taxes all farm land qualifying for special valuation on its actual value as farm land.



2. The "special use valuation" rule has been of previous little help to farm widows because criteria used to determine eligibility grants no credence to the noneconomic contribution of a farm wife. To qualify for special valuation, either the heir and/or the decedent must have "materially participated" in the conduct of the farm for five years prior to the date of the decedent's and continually subsequent the decedent's death, save a three-year grace period. The IRS has defined material participation as, in effect, economic participation. The result? Material participation discriminates entirely against women and senior citizen farmers.

The Economic Equity Act makes several significant changes in the material participation requirement.

First, the bill provides that the material participation requirement need only be met until the date upon which the decedent retires or becomes disabled. Because the present statute refers to material participation during an eight-year period ending on the date of death, the lower estate tax is unavailable for the estate of a decedent who may have materially participated in the farm, but who retired or became disabled more than three years before his or her death. Clearly, present law discriminates against the elderly and disabled farmer. This bill, therefore, looks to the date of retirement or disability, rather than the date of death, for purposes of the material participation test.

Second, the bill provides an "active management" test, rather than a material participation test, with respect to farm or other business real property included in the gross estate if the property had been inherited from a spouse and had qualified for special valuation in that spouse's estate. "Active management" is defined to mean the making of the management decisions of a business, other than the daily operating decisions. Often a surviving spouse who did not "materially participate" during the lifetime of the decedent will become involved in the operation of the farm or business after the decedent's death, but may not actually "materially participate" in the business. Currently, the lower estate tax is unavailable for the estate of a surviving spouse who does not materially participate for a period of three years after the decedent's death.

Third, the bill provides that an agent of the qualified heir may engage in the active management of the farm or where the qualified heir was a surviving spouse of the decedent, a minor, a student or is disabled in the case of other property where an agent is employed. This is designed



to alleviate perceived problems of surviving spouses and minor or disabled relatives (and relatives of the decedent who are students). Such persons might desire to maintain ownership of the business or farm and continue active management through an agent, but not "materially participate" in the operation of the business.

3. The Economic Equity Act raises the existing \$175,000 exemption from estate taxation to \$600,000. This would lift the cross of estate taxation from 94 percent of all estates--at a cost of about one-half of one percent of federal revenues.

4. In early 1980, the interest rate on deferred estate tax payments jumped from 6 percent to 12 percent. The impact of this change on families struggling to meet tax payments has been extremely severe, and the net gain to the federal government minimal. The EEA would return the interest rate on deferred payments to the lower of 6 percent or 75 percent of prime. This is consistent with a tax policy designed to encourage continued family farm ownership, rather than discourage it.



## TITLE V -- NON-DISCRIMINATION IN INSURANCE

Despite progress in combatting sex discrimination in American society over the past decade, significant gaps remain. Perhaps none is so large and pervasive as that discrimination which occurs in the insurance marketplace.

This provision recognizes a national policy which has been appropriately reaffirmed over the past 20 years: That discrimination on the basis of race, color, religion, sex or national origin is unfair and unlawful. In the proposed Non-Discrimination in Insurance Act, which is a part of the Economic Equity Act, that policy is stated. As it should be; for it is fundamentally unfair to stereotype individuals on these bases. Different and unequal treatment of like individuals cannot be tolerated in the employment sector. Neither can it be tolerated in the insurance marketplace.

In the abstract, continuation of discriminatory policies in insurance is discouraging. But in its practical ramifications, it is even more distressing. For in an era in which over 40 per cent of the workforce is women -- and some 60% of those women work out of economic need -- denial of access to insurance at fair rates can have severe economic consequences.

For example, today there are reported to be 7.7 million single-parent families headed by women. These families are wholly dependent on females for financial support. Yet, the availability and scope of insurance for them are minimized and the rates often maximized because of their sex. This policy can effectively prohibit women from achieving the basic insulation from financial loss which is the benefit of insurance.

This is only one example of the effects of a sex-based classification in insurance. Cited here are a few others as they occur in various types of insurance:

- + In disability, many types of insurance benefits available to men are not available to women. While coverage has improved over the past few years, in some states, disability coverage is not available to women on any terms, at any price. In other states where it is available, its cost is significantly greater.



- + In health, waiting periods are usually much longer for women, and benefit periods shorter. According to a report on sex discrimination in insurance prepared by the Women's Equity Action League, it is not uncommon to find that, despite higher premiums paid by women, the benefits they receive are much lower. Pregnancy coverage, despite its centrality to women's insurance needs, is often unavailable.
- + In life insurance, coverage for women is often limited in scope and availability. Certain options, commonly available to men, have been restricted to women.

The same justification for differential rates can be made for discrimination against blacks because white persons as a group have a longer life expectancy than black persons as a group. However, such discrimination is now, and should be, totally rejected.

It must be understood that there is no objection to basing a life insurance policy on longevity. However, if sex is the only criterion used to determine longevity, it is clearly unfair and relatively unreliable. Instead of merging sex with all the other criteria effecting life expectancy, the industry has chosen to concentrate exclusively on it. The industry has virtually ignored other, more accurate classification criteria, such as smoking habits, family health history, physical condition, recreational and occupational activities.

Recent investigations have demonstrated that some employer-sponsored life insurance charged women more for pension coverage on the assumption they would live longer, but charged them as much as men for life insurance. They thus ignored sex differences when they would have helped women. According to a study completed by Dr. Charles Laycock, a University of Chicago law professor, some companies make a smaller allowance for sex differences in life insurance, where the difference helps women, than in annuities, where the difference helps men.

Two years ago the Supreme Court, in the so-called Manhart decision, ruled it unlawful to treat "individuals as simply components of a racial, religious, sexual or national class". While this ruling applies only to employer-operated insurance plans, the proposed bill expands the prohibition to private and individual plans, as well.

The insurance industry has claimed that some 19 states have already adopted a model regulation of the National Association of Insurance Commissioners which supposedly accomplishes the same objective as this legislation. Thus, the need for Federal legislation is eliminated, according to the industry.



However, this model regulation does not touch on the aspects of disparate rates and benefits -- merely availability and scope. And even this incomplete regulation was watered-down further by several of the 19 states which eventually adopted it. If it is discovered that the states are indeed doing their jobs with respect to offering fair and just insurance policies and rates, and enforcing such, I would have no hesitancy to withdraw my support for this legislation. The bill is designed to encourage the states to adopt non-discriminatory policies.

It is important to stress here that the NonDiscrimination in Insurance Act will in no way remove authority from the states to regulate the insurance industry. No federal mechanism for administration or enforcement is established, and not one bureaucrat would spring into being as a result of this bill.

Classification by sex is clearly not a business necessity, as some parts of the insurance industry would have us believe. It was adopted by the industry only 30 years ago as a convenient, though incomplete, method of classifying risks. While it may require minor cost adjustments in some policies and practices, such an argument cannot be used as a defense for discrimination.

Again, researchers have helped dispel a myth commonly touted by the insurance industry; that if sex differences are ignored, one sex will subsidize the other, the subsidizing sex will quit buying insurance, throwing off the necessary balance in insurance pools. If that were true, according to Professor Laycock, we would have encountered the same problems with respect to all the other groups for which the insurance industry does not compute separate actuarial tables.

We have discussed previously the differential in longevity statistics between blacks and whites. But whites have not quit buying life insurance. Rich people live longer than poor people, but rich people have not quit buying life insurance. The difference in life expectancy between highly and poorly educated women is greater than the difference between the sexes, but educated women have not quit buying life insurance. The difference in life expectancy between married and single men is greater than the difference between the sexes, but married men have not quit buying life insurance.

These and other examples demonstrate that differences in group averaged of this magnitude do not cause many members of the lower risk group to go uninsured, and no unmanageable problems result. Where unisex automobile insurance is used, as it has been in three states, it has worked; no unmanageable problems result, and rate changes between the sexes have been insignificant.



I am hopeful that it will not require the pressure of the Courts, of civil rights and women's groups, and of public opinion to convince the insurance industry to treat its policyholders without discrimination on the basis of sex. Support of a significant number and type of groups representing the public, including the American Association of University Women, the AFL-CIO, the National Federation of Business and Professional Women, as well as the Leadership Conference on Civil Rights, are supportive of this legislation. I will use that support to help assure that a policy adopted by Congress some 16 years ago will also be applied in the insurance marketplace.

## TITLE VI -- REGULATORY REFORM

### Proposal

To require the head of each federal administrative agency to conduct a review of agency regulations, to rewrite those which make sex-based distinctions so that they are sex neutral, and to refrain from promulgating future regulations which contain distinctions reflecting unequal treatment of men and women.

This section would codify a Presidential directive of August 26, 1977, requiring all executive departments and agencies to identify "regulations, guidelines, programs, and policies which result in unequal treatment based on sex and to develop proposals to change any laws, regulations and policies which discriminate on the basis of sex." Compliance with the directive has been uneven, but many agencies have made impressive gains.

The Justice Department Task Force on Sex Discrimination has made a comprehensive review of the Federal Code, and isolated several hundred regulations containing meaningful gender-based distinctions.

The Economic Equity Act gives the Presidential directive the force of law. It provides a permanent mandate to agencies, and requires administrators to use the regulatory process to reform discriminatory regulations within their purview. It will significantly strengthen the hand of the Justice Department in carrying out its oversight function.



TITLE VII -- STUDY OF ENFORCEMENT OF ALIMONY AND CHILD SUPPORT PAYMENTS

Background

There are no reliable statistics on the number of women unable to collect the child support or alimony rights they received in dissolution of marriage. But pilot studies from 1979 suggest that child support payments remain uncollected in a staggering 22 percent of all divorces.

For tens of thousands of divorced women, particularly those with young children, the alternative to alimony and child support is welfare.

Varying state laws, and the problems involved in pursuing a defaulting spouse across state and jurisdictional lines are at the heart of the problem.

Proposal

To direct the Department of Justice to undertake a study of the problems created by varying state laws in the enforcement of child support, alimony and property settlement decrees.

The Department is directed to define the scope of the problem, analyze the issues it presents, and make policy recommendations.