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## OUTDATED LAWS LEAVE WORKPLACE MOTHERS BEHIND

By John C. Goodman

The single most important economic and sociological change in our society in modern times has been the entry of women into the labor market.

Over the past 50 years, the labor force participation rate of women between 25 and 55 years of age more than doubled. Today, more than 75 percent of these women are in the labor market. Families with both spouses in the labor market now constitute almost two-thirds of all married couples.

Despite remarkable changes, tax and labor laws and many other institutions are still designed from top-to-bottom for an Ozzie and Harriet lifestyle.

The tax system was designed to accommodate a full-time worker with a homemaker spouse. Any deviations are severely punished. Consider what happens when Harriet enters the labor market: Even if she earns only the minimum wage, she is taxed at Ozzie's income tax rate. Further, when all taxes and all costs are considered (including the cost of child care and the expense of hiring others to provide services she previously

provided as a homemaker), the second earner in a middle-income family can expect to keep about 35 cents of each dollar she earns.

Even if Ozzie has maxed out on his Social Security payroll taxes, Harriet must start all over. Since she is entitled to half his Social Security benefit (and gets 100 percent after his death) whether she works or not, odds are that she will get little, if any benefit from the payroll taxes she pays. The designers of our Social Security system clearly did not have two-earner couples in mind.

Two-earner couples were also not on anyone's mind at the time our employee benefits systems evolved. In contrast to most other developed countries, the United States encourages employers to provide such benefits as health insurance, pensions, life insurance, disability insurance and even day care for children. Not everyone is treated the same, however. Because they are more likely to work part time, women are less likely to qualify for employer-provided benefits. Because they move from job to job and in and out of the labor market more frequently than men, women

are more likely to be burdened by employee benefit programs that penalize job switching (e.g., lack of vesting in a pension plan). And when people acquire health insurance, save for retirement or purchase day care outside the workplace, the tax system is far less generous.

The government favors workers over non-workers, full-time workers over part-time workers, and long-term employment over job-switching and intermittent employment. Who is most disadvantaged? Any woman whose husband isn't earning benefits in his own job. A widow living off of the proceeds of life insurance, Social Security survivor's benefits or part-time income. The wife of a disabled husband living on worker's compensation benefits, Social Security disability benefits, private disability insurance or part-time wages. A divorcee living on alimony, the proceeds of a divorce settlement or part-time wages. Any single mother with children who does not have a full-time job.

Our institutions were not only designed for the full-time worker with a stay-at-home

spouse, employers and employees find it difficult to accommodate any other arrangement.

Because of the rigidities of tax law and employee benefit law, if Ozzie and Harriet work full time, they will likely receive duplicate, unnecessary sets of benefits. Harriet will be unable to acquire higher wages in return for foregoing health and pension benefits she acquires through Ozzie's employer. And, not every two-earner couple wants to work 40 hours. Women raising children or caring for an ailing parent want flexibility in hours. Again, our inflexible tax laws make such arrangements almost impossible for people who need health insurance and retirement benefits in addition

to wage income. On paper, our elderly entitlement programs treat everyone the same. But the ages of husbands and wives are often not the same. At age 65, Ozzie is eligible for Medicare but Harriet is not eligible until she also reaches 65. If the couple was relying on Ozzie's employer-provided health insurance before his retirement, they must now find higher-priced, individual insurance for Harriet (and pay for it with after-tax dollars). At age 62, Harriet can get early Social Security retirement benefits. But if she works part time (say, to help pay her health insurance premiums), the withdrawal of Social Security benefits and the Social Security benefits tax can combine with other taxes

to take 60 cents, 70 cents or 80 cents of every dollar she earns!

It is time that groups on the right and left realize that most women exist in the middle. Many women want both a family and a fulfilling career. For years, they were told they can have it all. It's time to finally start living up to that promise and bring aging institutions into sync with the way people are living their lives in the 21st century.

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