

INSTITUTE OF INDUSTRIAL RELATIONS BULLETIN

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May 1964

INDUSTRIAL RELATIONS CONFERENCE



Robert A. Gordon



Charles C.
Killingsworth



John P. Lewis



J. Warren Shaver



William E. Simkin

Unemployment and Collective Bargaining

The Institute's annual Industrial Relations Conference will be held from 9:30 a.m. to 9 p.m., Wednesday, May 27, at the St. Francis Hotel in San Francisco.

Following registration in the Colonial Ballroom, the conference will begin with a welcome and opening remarks by Professor Lloyd Ulman, Director of the Institute. A panel discussion on **Unemployment: Diagnosis and Policies**, chaired by Professor Robert A. Gordon, will follow. The speakers will be Professor Charles C. Killingsworth, Michigan State University, and Professor John P. Lewis, Member, President's Council of Economic Advisers.

Following lunch at noon in the California Room, William E. Simkin, Director, Federal Mediation and Conciliation Service, will speak on **Labor Peace: How to Succeed by Really Trying**.

The afternoon session will be devoted to a panel discussion on **Experiments in Creative Collective Bargaining**. Discussing the basic steel situation will be Cass Alvin, Acting Director, District 38, United Steelworkers of America, and J. Warren Shaver, Vice President, Labor Relations, United States Steel Corporation. Harry Bridges and J. Paul St. Sure will discuss the west coast longshore experiments in creative collective bargaining. Bridges is President, International Longshoremen's and Warehousemen's Union, and St. Sure is President, Pacific Maritime Association.

Professor John T. Dunlop, Chairman, Department of Economics, Harvard University, will be chairman of the afternoon session and will follow the panelists with general comments on creative collective bargaining in the economy generally.

After a reception and dinner in the California Room, George W. Taylor, Harnwell Professor of Industry, University of Pennsylvania, will speak on **Restraint in the Public Interest?** Professor Taylor, formerly Chairman of the National War Labor Board and the National Wage Stabilization Board, is a member of the President's Advisory Committee on Labor-Management Policies and was recently appointed special mediator by President Johnson in the railroad dispute.

The Industrial Relations Conference is open to all interested persons. The fee for the day, including lunch and dinner, is \$15. Further information may be obtained by phoning THornwall 5-6000, Ext. 2571 or 2572.



John T. Dunlop



J. Paul St. Sure

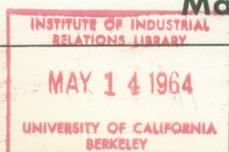


Harry Bridges



George W. Taylor

May 27 • St. Francis Hotel • San Francisco



CURRENT RESEARCH ACTIVITIES

A popular pamphlet on *Wage Incentive Systems* by Garth L. Mangum will be published early in June. The pamphlet has been designed to meet a need for a nontechnical description of existing wage incentive practices. The author deals at some length with the continuing controversy over whether incentives are really effective in raising productivity, as well as with the question of the impact of automation on incentive systems.

* * *

The Institute's four-year program of research and policy evaluation on Unemployment and the American Economy, codirected by Arthur M. Ross and R. A. Gordon, is approaching the end of its second year. The second annual conference in connection with the project will be held in Boulder, Colorado, June 15-19, 1964. Participants will be individuals from various parts of the country who are actively engaged in research on problems relating to unemployment.

As the project, which is supported by a large grant from the Ford Foundation, has proceeded, a number of studies have been added, to be conducted in most instances by faculty members in eastern universities. These new research projects include: a study of underemployment in the U. S. economy, by William G. Bowen of Princeton University; an analysis of employment trends by function, by Stanley Lebergott of Wesleyan University; a study of national manpower planning in a free society, by Richard A. Lester of Princeton University; a comparison of British and American postwar unemployment experience, by Richard G. Lipsey of the London School of Economics, who is a visiting member of the Berkeley faculty this year; the Negro worker in the Middletown labor market, by Melvin Lurie and Elton Rayack of the University of Rhode Island; *Negroes and Jobs*, a volume of essays to be edited by Arthur M. Ross and Herbert Hill; and the behavior of seasonal unemployment in Canada, by David C. Smith of Queen's University, Ontario, who is a Visiting Scholar at Berkeley this year.

Members of the Program have served as consultants and advisers to the U. S. Department of Labor and other federal and state government agencies.

INSTITUTE PUBLICATIONS

UNEMPLOYMENT AND THE AMERICAN ECONOMY

Edited by Arthur M. Ross

(New York: John Wiley & Sons, 1964; \$4.95)

On April 18-20, 1963, the Institute sponsored the first of four annual conferences in connection with its research and evaluation project on unemployment and the American economy. The three-day meeting was concerned with retraining and labor market policies, the problem of expanding economic activity, and recent European experience in maintaining full employment. The present volume, based on the proceedings of the conference, includes contributions by E. Wight Bakke, the late Jack Downie, Otto Eckstein, Robben W. Fleming, Nathaniel Goldfinger, William Haber, Walter W. Heller, Richard A. Lester, Paul W. McCracken, William H. Miernyk, Robert J. Myers, Albert Rees, Arthur M. Ross, Gerald C. Somers, Don Vial, and Seymour L. Wolfbein.

INDUSTRIAL RELATIONS: A Journal of Economy and Society

The May 1964 issue of *INDUSTRIAL RELATIONS* features a symposium on *MINORITIES AND EMPLOYMENT*. Included are articles by Paul Bullock on "Employment Problems of Mexican-Americans," by Allen Kifer on "Changing Patterns of Negro Employment, and by Robert B. McKersie on "The Civil Rights Movement and Employment." Of equal timeliness are the articles "Has Structural Unemployment Worsened?" by R. A. Gordon, and an analysis of the Area Redevelopment program by Sar Levitan. The issue will also include articles by Edward Gross, B. V. H. Schneider, and Thomas A. Mahoney.

(*INDUSTRIAL RELATIONS* is published three times a year, in October, February, and May. Prices: \$1.50 an issue; \$4.50 a year; \$10 for three years.)

RECENT REPRINTS

Public Authority in a Developing Political Community: The Case of India, by Reinhard Bendix (No. 208)

Distressed Grievance Procedures and Their Rehabilitation, by Arthur M. Ross (No. 209)

Income Security Programs and the Propensity to Retire, by Margaret S. Gordon (No. 210)

Projecting Employment Opportunities for Middle-Aged and Older Workers, by Margaret S. Gordon (No. 211)

Industrial Injuries Insurance in Europe and the British Commonwealth, by Margaret S. Gordon (No. 212)

Can Injured Workers Recover? by Earl F. Cheit (No. 213)

Where Is the Organization Man? by Lyman W. Porter (No. 214)

Trade Unionism and the Communists: American and International Experiences, by John E. Hutchinson (No. 215)

Concepts and Generalizations in Comparative Sociological Studies, by Reinhard Bendix (No. 216)

Office Automation in Japan, by Ida R. Hoos and Brownie Lee Jones (No. 217)

Hoffa's Leverage Techniques in Bargaining, by Ralph and Estelle James (No. 218)

The Moonlighter: A Product of Relative Deprivation, by Harold L. Wilensky (No. 219)

Psychological Research on Pay, a Symposium edited by Mason Haire (No. 220)

Wage Structure and Administration in Soviet Industry, by Walter Galenson (No. 221)

Twenty Years of Economic and Industrial Change, by Robert A. Gordon (No. 222)

(Single reprints free; additional copies, 20 cents each.)

SOCIAL SECURITY AND WORKMEN'S COMPENSATION

Earl F. Cheit

The contention that overlapping benefits under workmen's compensation and OASDI can pay a disabled worker more than his income when working is one of the more controversial issues in American social insurance. A U.S. Chamber of Commerce pamphlet attempts to demonstrate that this is true in all but a half-dozen or so of the fifty-four workmen's compensation jurisdictions. It shows, for example, that in New York a disabled employee with a wife and two dependents can receive combined social insurance benefits of \$99.54 per week which would exceed his average weekly take-home pay prior to his disablement by \$20.51.

Many workmen's compensation interest groups—mostly, but not exclusively, insurance and employer organizations—have expressed concern and urged passage of federal legislation limiting social security payments in such cases. A relatively small number of beneficiaries is involved. Indeed, compared to the gaps within each program—particularly in workmen's compensation—the overlap seems highly manageable. Why, then, this new and alarmed concern? It grows from the premise that unless action is taken to halt it, the federal OASDI system will move resolutely to replace state workmen's compensation, and that overlapping disability benefits are the first step in this direction.

What are the facts?

Before evaluating the threat, let us first examine the facts on the actual degree of overlap between the two systems. Experience during the first two years of OASDI disability benefits shows it is slight. When this program was enacted in 1956, the beneficiary eligible for both payments had his OASDI benefits offset by the compensation benefit. Overlap with workmen's compensation for the first two years of the program's operation was found to involve only 3 per cent of all the social security disability pension cases. Congress, impressed by the insignificance of the overlap, its administrative cost, and the delays in payment it necessitated, eliminated the offset provision in 1958.

The small overlap figure is not surprising for the two disability systems insure different risks. Workmen's compensation exempts from coverage about 20 per cent of the workers covered by social security.

OASDI protects against the risk of permanent total disability *regardless* of

the cause of disability. Because the covered disability must be permanent as well as total and because benefits cannot start until seven full months after the onset of disability, most OASDI protection covers chronic disease associated with aging. Almost three-fourths of the beneficiaries are over 50 years of age; more than three-fourths of the disabilities result from degenerative diseases.

Workmen's compensation, in contrast, covers only work-connected disabilities, regardless of their seriousness or duration. This includes each year about 2,000,000 Americans who are temporarily disabled, another six or seven million who receive minor injuries (requiring no time lost from work), and about 80,000 workers who receive permanent disabilities. Of these latter, only about 1/10 of 1 per cent are *permanently and totally* disabled and thus possibly eligible for OASDI disability benefits. For example, in one year surveyed, there were no such cases in Delaware, only one in Hawaii, Idaho, the District of Columbia, Montana, South Dakota, and Vermont, and 10 or under in 29 states.

Confirmation that the number of workers who might be getting benefits from both programs is very small came in 1960 in a survey of OASDI disability beneficiaries living in the eight largest metropolitan areas where less than 1.7 per cent were found to be receiving workmen's compensation.

Are the benefits excessive?

But what about the dollar amount of payments these few do receive? After all, there is nothing wrong *per se* with receiving insurance from two programs simultaneously. But it is argued that the amounts paid are "excessive." Are they?

The usual criterion for judging benefits to be "excessive" is that they deter the incentive to rehabilitation. But since only those completely and permanently disabled and unable to work are eligible for the OASDI benefits, this criterion seems hardly relevant. More to the point is the fact that permanent total disability is without exception the most severe economic (and personal) blow that can strike a family, generally causing far greater economic hardship than even the sudden death of the breadwinner.

In contrast to the OASDI payments workmen's compensation permanent disability benefits are designed to do more than replace lost income. They are also paid to indemnify nonwage losses. Fair measurement of this indemnification is

one of the major problems in benefit administration and a prime reason for the litigiousness of the system. It follows, therefore, that when this benefit, combined with a social security payment (received as a matter of right), exceeds the rate of wage payment, this alone warrants no judgment that payments are "excessive."

If payments threatened to reach a level which might defeat the purposes of the system, there might be a basis for serious concern. But permanent disability payments under workmen's compensation in most states leave considerable gaps which might well be filled by supplementary payments from other sources. In 24 states, although the disability is by definition a lifetime disability, the benefits are not lifetime benefits, but are limited either in time or in total amount payable or both. The time limit ranges (depending on the state) from 330 to 550 weeks, the amount from \$7,500 to \$20,000. These limits ignore the fact that a worker disabled for life requires more assistance as he advances in age, not less. Nor are the maximum payments impressive. In 19 states, they are under \$40 per week; in half the states, they are \$45 or under.

The figures exhibited in the U.S. Chamber of Commerce pamphlet mentioned above present the workmen's compensation *maximum* weekly benefit, add it to the average *family* monthly benefit of the OASDI disability program (converted to a weekly amount), then compare this total with average weekly take-home pay figures for each state. This presentation is misleading in several ways.

Some permanently and totally disabled workers receive maximum workmen's compensation benefits, but many others do not. The workmen's compensation payment received by the *average* permanently and totally disabled worker is actually about three-quarters of the maximum. Nor do these figures reflect the fact that benefits are arbitrarily cut off after a certain period in 24 states.

Nor is the "average" family OASDI benefit (\$192 per month) cited in the table a representative standard. It relates only to those beneficiaries with a wife and one or more children under 18, and, in fact, about three fourths of the beneficiaries lack eligible dependents. The average benefit payment to disabled workers without eligible dependents is only \$90 per month.

(Continued on page 4)

ITEMS OF INTEREST . . .

Summer Institutes

A number of institutes in the summer and early fall have been arranged by the labor program in cooperation with various unions. A five-day leadership program will be conducted in cooperation with the United Steelworkers of America, June 28-July 3.

The annual summer institute of the International Association of Machinists will take place July 19-24.

The annual study program for the American Federation of Teachers will take place August 3-7.

A two-week leadership training program for the Communications Workers of America will be presented August 16-28.

A three-day conference on "Union Leadership for Tomorrow" will be presented in cooperation with the International Brotherhood of Electrical Workers September 22-25.

IRRA Elects Officers

Officers of the Industrial Relations Alumni Association were elected at a recent meeting. Serving as President this year will be Paul H. Sedon. George Felton was elected Vice President and Robert Imbeau and Richard Nigro were elected Secretary and Treasurer, respectively. George Felton, as Vice President, will serve as Program Chairman for this year and Leonard Durant will be Membership Chairman.

The Industrial Relations Alumni Association holds monthly dinner meetings on campus at which current labor-management topics are discussed. Persons interested in participating are urged to contact Community Services, Institute of Industrial Relations.

Labor Statistics Course

A special six-week course for union representatives on "The Use of Statistics in Collective Bargaining" was initiated on May 5. The three instructors for the

course are Maurice Gershenson, Chief, Division of Labor Statistics and Research, California Department of Industrial Relations; Max Kossoris, Regional Director, U. S. Bureau of Labor Statistics; and Richard Liebes, Research Director, Building Service Employees. The course is designed for representatives with no previous training in statistics. Sessions are held from 4 to 6 p.m. once a week. The fee for the course is \$30.

Jobs for Older Persons

The Institute will participate in a major conference on "Employment Opportunities for Older Persons" on May 21, at Dunsuir House, in Oakland. The geographical focus of the conference will be on the East Bay. Cosponsors of the conference include the California Department of Employment, the Oakland Industrial Development Commission, the California Citizens' Advisory Committee on the Aging, and various labor and management organizations.

Social Security and Workmen's Compensation

(Continued from page 3)

The 'opening wedge' problem

The fear expressed by proponents of new offset legislation is that the compensation of disability through social security somehow threatens the continued existence of the state workmen's compensation system. The repeal of the original offset provision and various amendments liberalizing the OASDI program feed this fear, but when one considers all the realities in which social insurance policy has been made in the United States, it becomes difficult to take the "opening wedge" danger seriously.

The experience with the model bill experiment is excellent evidence. When the U.S. Department of Labor in 1952 attempted to stir interest in workmen's compensation with a discussion draft of a proposed model state workmen's com-

Herbert A. Perry Joins Institute Staff

Herbert A. Perry, Director of the Labor Education Center, University of Connecticut, will join the Institute staff on July 1 as Associate Coordinator of Labor Programs.

A specialist in training and apprenticeship programs, Perry is well known to labor groups in Northern California as well as nationally. During 1956-1957 he was Assistant to the Director of Research and Education, International Brotherhood of Electrical Workers, AFL-CIO, in Washington, D.C. He left that position to serve as Apprenticeship Consultant, Division of Apprenticeship Standards, California Department of Industrial Relations. Upon completion of that assignment, Mr. Perry worked for one year as Assistant Coordinator of Labor Programs at the Institute, leaving California to become Director of the Labor Education Center at the University of Connecticut. In this position he has earned a national reputation as an educator who has revived and expanded the labor program at Connecticut.

pensation bill, objections to federal legislative interest in this jealously guarded state legislation were so strong that Congress admonished the Department and told it to study other problems. There is more evidence (the reaction to the Zelenko bill, e.g.) that this political situation has not changed during the last twelve years.

The fact is that most people who study American social insurance, including the private insurance carriers, conclude that the major danger to workmen's compensation is from within: that is, from failure to perform its own functions well.

(For a full study of this problem, see the article by Earl Cheit, "Workmen's Compensation, OASDI: The Overlap Issue," in the February 1964 issue of INDUSTRIAL RELATIONS, obtainable from the Institute of Industrial Relations for \$1.50.)

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