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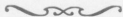
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**SOCIAL AND ECONOMIC  
IMPLICATIONS OF THE PENSION  
DRIVE**

before the

**308th Meeting  
National Industrial Conference Board**



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We have received so many requests for copies of President L. S. Buckmaster's recent address on the Pension Drive that we have had his remarks printed in this pamphlet. Additional copies may be obtained

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## SOCIAL AND ECONOMIC IMPLICATIONS OF THE PENSION DRIVE

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Among primitive nomadic tribes it was frequently the custom to kill off the older people. Sometimes this was accomplished by letting the old drop out by the wayside and die from exhaustion. The Hudson Bay Eskimos strangled the old who were dependent on others for their food or left them to perish when the camp was moved. The Central Eskimos kill the old because they believe that all who die by violence go to the happy land. The Hottentots used to send old people out into the desert where they were left in a small hut prepared for the purpose with a little food.

These primitive people saw nothing cruel or inhuman in killing off the old, who were no longer able to hunt, fight or do necessary work. Indeed, they considered it humane and the practice was consistent with their religious beliefs.

How to provide for older people has long been a problem with civilized man. During the first century or so in this country as we expanded our frontier, we did not have to devote much attention to the problem of older people because every person of every age was useful and could find important work to do in the family or in the community. But industrialization and its related developments created new social and economic conditions. Instead of making our living and producing most of the necessities of life at home, today we buy them from others using money which we have earned as employees. Our interdependence has increased. Efficiency has become a catalyst of progress. Older and less efficient workers are not wanted in industry. Neither are they wanted in their childrens' homes as doting "in-laws."

As a nation today, we do little more for our older people than the tribe that sent its elders into tiny shacks in the desert. We are, in a shocking measure, condemning our aged people to live in poverty and squalor in the awesome loneliness of big cities.

It is for this reason that we are conducting many meetings such as this one, and I am sure that we are all resolved to do something to solve these problems.

## Historic Role of Labor on Old Age Security

The growing concern of labor unions in this matter is not new. The very first organizations of workers in the United States and Great Britain were generally mutual aid associations such as loan, sick benefit, or burial societies. Many of these societies initially just expanded their activities to become labor unions as we now think of them. The Philadelphia Typographical Society, for instance, was organized in 1802 as a benevolent group, but in 1833 it gave way to a similar organization whose primary and paramount intention was the "determination and support of adequate wages for journeymen printers." In later years groups which were originally organized as labor unions expanded their activities to include welfare programs. These welfare and mutual aid functions of early labor unions gave them a stability and common friendliness. Some of the early fraternal customs still exist in labor unions today, such as the practice of addressing fellow members as brothers and sisters.

As labor unions increased in size, however, they began to experience administrative difficulties with their benefit programs which caused an appreciable decline of interest in them by the end of World War I. Between 1900 and 1930, however, the number of welfare plans sponsored by employers increased substantially. The railroad companies were the first to set up formal plans for old age and disability relief. Labor again turned its attention to benefit programs when, in the great organizing campaigns of the early 30's, it was found that many workers were reluctant to join the new unions because their old company unions were providing them with various forms of health and welfare plans which the new unions were not immediately prepared to offer. So, the new unions had to promise a continuation of these benefits to workers.

The CIO Convention in 1939 went on record as urging a minimum pension of \$60.00 a month for single persons 60 years old and over with a supplementary allowance to wives so as to make the minimum \$90.00 a month for couples. On the whole, however, progress was slow during the 30's and at the beginning of World War II there were relatively few union agreements which made provisions for health and welfare programs or old age pensions. It was during the second world war that major impetus was first

given to those programs as a part of collective bargaining agreements. Wartime regulations limited the amount of wage increases which employers could grant, but at the same time permitted the adoption of reasonable employee insurance and pension benefits with the result that the number of these programs achieved by collective bargaining was increased. After the war, the major unions became increasingly concerned with the problems of pension and health and welfare benefit plans, and, in fact, quite a few such plans were inaugurated through collective bargaining. Recently the U. S. Supreme Court ruled, in effect, that pensions are wages, and are therefore a proper subject for collective bargaining. This year adequate pension programs became the major goal of most CIO unions. This interest in pensions was intensified as a result of the Presidential Steel Board's report and recommendations.

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### **Pension Demands Reflect Membership Desires**

The increasing concern in recent years of the major labor unions for the inclusion of pension programs in their collective bargaining agreements stems somewhat from the nature of our unions themselves. The labor organizations of this country as democratic institutions are not wedded to any particular kind of economic system. We are charged with the responsibility of serving the needs and best interests of the people we represent. At the same time we are not fanatic revolutionaries nor are we seeking change just for its own sake. We recognize and appreciate the great success which American industry has had under capitalism and we are ready and willing to try and make it work.

When we are confronted with problems like that of the welfare of our older people we are compelled to seek some adequate solution. Occasionally that solution involves some trespassing on managements' ideas of economic theory or their cherished notions of an individual's obligation to himself. We have what might be called a "problem oriented" approach and we believe it to be socially and economically healthy.

When we saw an increasing number of our members being retired on pitifully inadequate incomes, we realized that here was a

problem demanding our attention. We saw that in many cases they had to appeal to charities for assistance. We saw other older workers being forced to stay on the payrolls far beyond 65 in order to assure themselves of an income. Certainly the present stage of our technological knowledge does not require that every man work till the day he dies. In many cases, these superannuated employees prevent younger people from finding jobs. Thus the effects of an inadequate retirement program are felt throughout the working force.

Looking more broadly into the situation, we found that the problem was increasing in size and importance. Whereas in 1900 only 4.1% of the 76 million persons living in the United States were 65 years of age or over, it has been estimated that by 1950, 7.7% of the total population or more than 11 million people will be in this age bracket. The average person at 65 may now expect to live to be 78, two years longer than in 1900, and the upward trend is expected to continue. Today, only about 25% of the men and women over 65 hold jobs.

The Federal Social Security program has done a woefully inadequate job of alleviating the needs of older people. I read in the newspaper recently that almost one in every four aged persons in the United States is now on the public assistance rolls. This is not the old age insurance program, to which employees and employers jointly contribute. This is sheer charity. It is demoralizing and open to grave political abuses. More than that, it is a sad commentary on the attention which we as a nation have given to the people who deserve our respect and esteem. Looking at the federal plan known as old age insurance, we see more inadequacies. The old age insurance benefits speak for themselves to anyone who appreciates the cost of living today. The average pensions are about \$25.00 a month for a retired worker and about \$40.00 a month for an aged couple. Union members and all American workers are more than statistics and more than machines producing dollars for corporate tills. They want the small but necessary comforts of home and they want them now, not in some happy hunting ground of the future. Under the present law, full social security benefits will not be realized for more than 17 years. Even then the full benefits will be available only to that small fraction of the population who will have had an average yearly income of \$3,000

for 30 years, starting in 1937. Anybody who is now 50 years old will never be able to receive the full benefits even if the Social Security program as it is presently constituted were to be expanded today. So, 17 years away, for a few fortunate people, there are misty promises of a small measure of security, but if prices continue to rise and the dollar continues to buy less, even that meager vision will fade.

The picture which we saw when we looked at the unfortunate circumstances of our older workers became a problem to us. It is a problem that demands an immediate solution. The union which I represent and other CIO unions are meeting the challenge in two ways. The need is so urgent that we cannot wait for legislative processes to develop adequate federal or state programs. We are presently urging and we are obtaining the inclusion of pension programs in our collective bargaining agreements with employers. We are also urging in the legislative halls in Washington and throughout the nation an expansion of Federal old age insurance plans which are so inadequate in coverage and benefits. We in the CIO are today trying to make American business and the Federal Government recognize these inadequacies. We sincerely hope that our efforts will engender an enlightened attitude on the part of American business and the Federal Government so that we may all work together for a broad program of adequate retirement benefits for the American people.

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### **Contributory vs. Non-Contributory Pensions**

I have been asked to comment in this discussion of labor's interest in pension programs on the question of contributory versus non-contributory plans. As we all know, the recent steel strike largely revolved about that issue.

Many of the opinions concerning the financing of retirement benefits were formulated in earlier periods when employer contributions were considered as paternalistic and gratuitous payments to the employees. This notion has fallen by the wayside in the course of more recent social and economic developments and the emergence of labor unions as national institutions directly repre-

senting the interests of employees. It is our position, and it is basic to this question, that a worker's health and retirement security is a legitimate responsibility of industry. Retirement benefits are a deferred compensation by the employer for service rendered by the employee. This principle has been recognized, and in recent years the trend in American industry has been towards those programs which are financed entirely by companies. The Steel Board's report quoted a study by the Bureau of Labor Statistics which showed that most of the collective bargaining plans in effect by mid-1948 and covering over three million workers were financed entirely by the employer. In a carefully reasoned analysis, the steel panel also endorsed the non-contributory plan.

The President of the CIO, Philip Murray, has frequently in recent months illustrated labor's position on this important question by the following example. In many factories around the country today you will see a man and a machine standing side by side. The employer each year lays aside out of his operating costs a certain amount to care for the machine to keep it working in tip-top shape and indeed to replace it when it must be discarded. But at the same time, many employers who so diligently take care of their pieces of metal refuse to give one cent to the welfare of the man. It is our position that the welfare of the man and provision for a suitable retirement benefit is a legitimate cost of operating a modern industry. These payments by the employer are not gratuitous. The worker, by the performance of his job, earns a retirement income and other security benefits as a deferred part of his compensation. It is a certainty that employers will integrate pension costs, even where they are now set up on a non-contributory basis, into their wage structure. They will argue in the future against wage increases on the very grounds that their expenditures for pensions must be considered as a part of wages.

It is incorrect to say that employee contributions are necessary to maintain their dignity and self respect. Non-contributory plans are not paternalistic or gratuitous. We, of course, believe that workers should understand and take an active interest in their retirement plans, but we believe this to be best accomplished by democratic participation in the administration of the program. In fact, when workers have an equal voice with management on a board of trustees under such a plan their interest is likely to be



more effective and meaningful to them than under contributory plans.

There are, of course, many detailed considerations on the question of contributory versus non-contributory plans, but I believe the important thing for us to realize here is the comparatively new but very fundamental idea that I have conveyed to you—that retirement benefits are earned by a worker in the course of his employment and are received as a deferred compensation. It is this idea which we ask management to recognize and by so doing, to face squarely their social and economic responsibilities today.



### **Union-Management Pension Plans in Relation to Social Security**

We have made a slight digression in the discussion of the non-contributory feature from the broader aspects of the pension problem, to which I would now like to return with a few words about labor's attitude towards union-management pension plans in relation to Social Security.

I would like to make it clear at the outset that organized labor is in favor of a basic public social security program. We are urging such a program now as we have done historically for several fundamental reasons. First, a public program is necessary to assure complete coverage, not only for organized workers whose unions are strong and interested in social security programs, but also for unorganized workers and other people who are not in a position to enjoy privately sponsored programs.

The mobility of our working force is an important factor if we are to maintain a dynamic industrial growth, and this also is most easily assured under a public plan. In addition, a comprehensive federal program is administratively more efficient and financially less costly than comparable private programs. This is true even under the present low scale of social security benefits.

For example, under a rubber company's pension program with which I am familiar, where the worker and his employer share the costs as they do under the federal program, the benefits paid to an employee who has earned an average of \$3,000.00 a year for a

period of 20 years amounts to only \$37.00 a month. Under the federal program, this same employee receives \$48.00 a month in benefits. Significantly, the cost for the \$37.00 a month under the private program amounts to almost 6% of the employee's earnings, whereas under the federal program the cost of the \$48.00 pension amounts to only 2%.

We cannot submerge the realities of the present situation, however, and we recognize that a public program must be supplemented by private plans in order to provide older workers with an adequate retirement income. As Social Security Commissioner Arthur Altmeyer said in 1947: "Even if the old age and survivors' insurance benefits are liberalized in accordance with the recommendations of the Social Security Administration, they will still be small and there would remain ample room for provision of additional benefit amounts through voluntary plans."

As I pointed out earlier when discussing why unions are seeking pension programs under collective bargaining agreements, the present social security setup is like a teaspoonful in a bucket when present living costs and the needs of people are considered. If this point needs any re-emphasis, it can be found in the fact that public assistance and not old age insurance has become the major part of our present national program. In 1940 when old age insurance primary benefits were \$22.00 a month, they were slightly higher than the average public assistance benefits of \$20.00. However, since 1940 the cost of living has gone up about 70%. Old age insurance primary benefits, on the other hand, have gone up only \$3.00 or about 14%. Public assistance benefits have increased 110% in the same period of time. We are today meeting the problem of old age security largely through charity. Even if Congress acts favorably on the present social security legislation, retirement benefits will still be far from adequate.

American business has consistently shirked its responsibilities in this matter. When organized labor was out urging in Congress the passage of adequate social security programs, business not only was not helping us—it was actively opposing us. American business has likewise been remiss in meeting the need which Commissioner Altmeyer pointed out for adequate supplementary benefits through voluntary plans.

The CIO has stepped into this breach and is vigorously promoting old age security in two principal ways. First, we are urging the improvement of the national social security program. Secondly, and this is a compelling need at the present time, we are driving for pension programs under collective bargaining agreements. Our basic position is a simple one. It is that federal social security programs should establish a minimum floor of retirement benefits for workers and for the rest of the American people. In addition to this minimum protection, a worker is also entitled to receive deferred compensation for his employment by a company over a period of years in the form of supplementary retirement benefits.



### **Need for Planning for Old Age**

It is not too frequently that I have an opportunity to talk before a group of people about some of the broader aspects of such a fundamental question as this one. I am grateful for this opportunity to do so and I would like, in my closing remarks, to step aside, in a sense, from the main highway of old age security to look at the scenery a bit and to glance ahead on the road which we seem to be traveling.

I believe that one of the most significant factors in modern living is our rapid change from an agricultural to an industrial civilization. Too often in our daily affairs we do not have the time or make the effort to appreciate the fact that many of our ideas and institutions originated in rather distant periods in history. We are faced with a fact of modern life that we must orient our affairs and our attitudes toward change. Indeed, we must even find certainty in the change which is occurring all around us, and within ourselves.

Our American labor unions are so constituted in their structure and their orientation that they reflect more quickly than almost any other institution in our society, the changing social and economic needs of our people. Union officers, like myself, who must stand for election every year, must remain constantly alert to the social and economic environment as it is reflected and ex-

pressed by the workers in ways ranging from simple grievances to major economic demands. We are dedicated to constructive change and we are dedicated to the democratic rules of the game by which such change is achieved in this country.

Labor's early recognition and attack on the problem of old age security illustrate well our sensitivity and responsiveness to social and economic flux.

In handling this problem, however, we quickly saw that it is broader than merely economic security in old age, although this is an immediate requisite. The deeper question of the role and significance of the older people in our nation is involved. It is not sufficient merely to provide our millions of aged people with the bare necessities of life—food, clothing and shelter. We want these people to continue to play an important role in our society. We want these people to be healthy in mind as well as healthy in body. We want these people to feel that their role in society is a meaningful one for themselves and for their fellow men.

In order to see that these goals are realized for these 11 million people we will have to re-evaluate our current institutions. For example, is our educational system today geared in any measure to the needs of a growing adult population or is it still largely limited to the education of children on the all too simple theory that "you can't teach an old dog new tricks"? Do our present health facilities provide an adequate program of disease prevention and medical care? We in the CIO are now advocating a national health program which will insure that 11 million persons will not be aged and infirm but aged and able. Do our political institutions and our community organizations absorb and utilize the skills, knowledge and wisdom that this large segment of our population will offer?

I do not know just now what specific action labor may take on these and other social problems, but I feel confident that our approach will be consistent with the ideals which I have mentioned—constructive change achieved through democratic procedure.

The immediate forecast in old age security is for labor unions

to devote much of their time to securing enactment of an adequate national Social Security program and supplementary retirement benefit programs through collective bargaining agreements.

The broader role for labor, as an institution of our society, promises to be like that of a cock crowing in the morning. It is our role to awaken and develop an intelligent interest in these vital problems. It is our role to advance this interest by constructive actions within our nation and our society.

Thank you.

