

NOV 3 1959



Weekly News Letter

Oct. 30, 1959
Vol. 1—No. 40

C. J. HAGGERTY
Executive
Secretary-Treasurer

Published by California Labor Federation, AFL-CIO



Notice to All Unions

This office has learned today that the Department of Employment last week sent out several thousand "Notices of Overpayment" which in many instances should be waived. These overpayments occurred because, through errors in local offices of the Department, last year's (federal) T.U.C. claims were improperly dated, with the result that the records show an overpayment of one or two weeks on regular unemployment insurance claims for 1958.

The Department of Employment is now sending out appropriate instructions to local offices on this matter.

If members call to your attention a "Notice of Overpayment" on a 1958 claim which they do not understand, we suggest you contact the manager of the local office of the Department of Employment to see whether the overpayment can be properly waived or offset against a T.U.C. claim filed last year.

'Worker D. I. Contributions Being Dissipated'

Worker contributions into the state Unemployment Disability Insurance Fund are unnecessarily being dissipated at the rate of \$2 million a year, it was revealed last Friday before a State Assembly Interim Subcommittee on Social Insurance headed by Jerome Waldie (D, Contra Costa).

Under questioning by committee members Ron Cameron and Jesse M. Unruh (both Democrats, Los Angeles), Department of Employment representatives admitted that in order to meet an operating deficit in the State Disability Fund, the Department is selling long-term high-interest rate government bonds at a loss, instead of transferring monies in the Unemployment Fund

which are available for disability compensation and drawing low interest from government bonds in Washington.

The disclosure came as lower house legislators were prying into the operating deficit of the State Disability Insurance Fund and the question of whether or not so-called voluntary plans permitted under the state program are carrying their fair share of unemployment disability benefit costs.

Under the \$65 per week benefit structure won by the California Labor Federation at the 1959 session of the legislature, the State Disability Fund is operating at a substantial deficit which will increase annually, according to Department of Employment estimates.

When the \$65 a week benefit was enacted it was known that an operating deficit would result. The legislature, however, decided not to increase worker contributions because of the large reserves in the D.I. fund which have been accumulated over the years of lower benefit payments.

In order to make up the operating deficit, the Department of Employment has been selling long-term 4½% federal government bonds in which a large portion of the D.I. fund reserves are invested. In addition to losing the 4½% interest rate, the market value of these bonds has also dropped below par as a result of the high interest rate policies of the Eisenhower Administration, thus producing a net capital loss to the Fund as the bonds themselves are sold.

Haggerty Urges Action for Aged Before U. S. Senate Committee

The nation can expect an unprecedented boom in our skidrows if the severe problems pressing upon our older generations are not squarely met, Secretary-Treasurer C. J. Haggerty of the California Labor Federation, AFL-CIO, warned a U.S. Senate Subcommittee on the Problems of the Aged and Aging this Wednesday.

The subcommittee, meeting in San Francisco on October 28, was advised that our present total of about 16 million people over 65 years of age could skyrocket to as many as 40 million by 1970 due to recent economic and medical advances.

The Federation official testified that an Industrial Welfare Commission study indicated a \$2,257.74 annual income was needed by a single working woman in January 1959 in California cities to maintain living standards adequate for proper health and welfare. He contrasted this with the average Social Security income for widows of retirement age of about \$650 annually in June of this year. The average worker retiring under Social Security was receiving about \$866 annually, about one-fourth of his pre-retirement take-home pay.

Haggerty observed that although our senior citizens make up 9% of

our population, they receive only 3.6% of our national income through our Social Security and private pension plans. For many of our retired, this has meant living in a slum. It has meant poor diet, no extras, and inferior medical attention at the time in life when the best is needed.

Full Employment Necessary

Negative fiscal policies were pointed out as the cause of the shrinkage of our economy's average annual growth rate from 5.3% for 1950-53 to 1.3% for 1953-1958. Noting that this represented a decline of about \$150 billion in our production of goods and services, the union spokesman compared this loss with the total Social Security expenditures of \$33 billion during the six-year period as an indicator of the potential for improvement.

Haggerty called for the adoption of fiscal, tax and related measures

(Continued on Page 2)

(Continued on Page 2)

Haggerty Urges Action

(Continued from Page 1)

designed to initiate and maintain rapid economic growth which would maximize job income opportunities for older workers, thus safeguarding their ultimate pension benefit levels.

By swelling governmental revenues, he added, such a program would simplify the financing of housing, hospitals, nursing homes and other community facilities vitally needed by the aged.

Support Forand Bill

The Federation spokesman reiterated organized labor's commitment to the principle that the condition of a person's health rather than of his pocketbook should determine the care he receives.

They reminded the Subcommittee that Canada, on the basis of extremely successful pilot programs, is in the process of joining the many nations which have a health insurance program for their residents.

Enactment of the Forand Bill was urged. On the basis of a contribution of one-fourth percent of earnings by employers and workers through the Social Security system, this bill would provide elderly citizens with adequate health, hospitalization, and nursing care protections. Inclusion of preventive medicine features was advocated by Haggerty.

Such legislation was seen as a critical need. A study of union-management negotiated health and welfare plans in California covering over 850,000 workers revealed that benefits cease upon retirement in 93% of the cases, except where limited conversion rights permit employees to retain the policy at their own expense and with reduced benefits.

The AFL-CIO official demanded statutory regulations to prevent widespread criminal victimization of policyholders. He cited the need for stating age limitations in bold type on the face of the policy, for restraints upon insurance companies' powers to cancel or refuse renewal of policies, and for restoration of the Federal Trade Commission's power to prevent misrepresentation in insurance advertising. He called for federal programs of long-term institutional care for the aged, health services to be provided in the homes of invalids, and train-

ing of personnel working with the aged.

Employment Discrimination

Haggerty stated that beliefs left over from another age, when muscular strength was at a premium, formed the basis of discrimination against workers over forty in modern hiring practices.

A change in hiring attitudes is possible and economically sound from industry's standpoint, he stated, because older workers' attributes are now much more in balance with the economy's needs. More mature qualities such as judgment, reliability, responsibility, dependability, breadth of experience, and higher educational levels were cited as older worker assets needed by industry today. Haggerty pointed to a number of authoritative studies which found older worker performance to be superior in all areas.

He urged federal spearheading of an educational campaign to uproot discriminatory practices, and enactment of legislation prohibiting discrimination based on age.

OASDI Improvement

The need for gearing our Social Security system to decent living standards rather than to mere subsistence levels was stressed. The California labor official asked for lifting the earnings ceiling on which contributions are made from \$4,800 to \$6,000 annually. He advocated raising Social Security benefits for those working beyond their 65th year and the retirement of women at sixty years of age.

Haggerty urged adjusting the size of retirement benefits to fluctuations in the Consumers' Price Index. Increased federal matching grants to public assistance programs were supported along with the abolition of residence requirements.

By raising the rate of interest the Treasury Department pays the Social Security Fund from the current 2½ percent to that prevailing in the private money market, a savings of close to half a billion dollars annually would be effected for the program.

Other Action

Haggerty saw enactment of a national Fair Employment Practices Commission as crucial for a substantial portion of our older workers. The retirement prospects of workers belonging to minority groups are dimmed by discriminatory employment policies which adversely affect not only their savings but

Worker D.I. Contributions

(Continued from Page 1)

On the other hand, the Assembly committee was told that there are some \$103 million on deposit in the Unemployment Fund from worker contributions made during 1944-1945 before the establishment of the disability insurance program in 1947. At the time of the establishment of the disability insurance program, these worker contributions, under a permissive federal law, were made available for payment of disability insurance benefits.

The \$103 million is on deposit in Washington to the credit of the state and has earned another \$28 million. The funds in turn are invested in low-interest bearing government bonds.

Questioned by Jesse M. Unruh, M. P. McCaffrey, principal counsel for the Department of Employment, said that there is no question about the Director of the Department having the authority to transfer the earmarked worker contributions for use in the payment of disability benefits. According to McCaffrey, "there is no legal impediment."

It was pointed out that the transfer and use of the low-interest bonds to meet the operating deficit would not only make it unnecessary to sell the 4½% bonds in the State Disability Fund, but would also preclude their sale at a net loss to the Fund.

Assemblyman Cameron injected: "\$2 million a year in interest is being lost to workers by not transferring the funds available for disability insurance payments."

In the past, employers have consistently opposed transfer of the \$103 million, plus \$28 million in interest, because of their desire to

(Continued on Page 3)

also their credits toward retirement benefits.

The Federation supported reduction of the work week, improvement in the minimum wage law, establishment of a liberal food stamp plan, and housing research and construction programs as beneficial to older workers.

Haggerty concluded by warning that failure to attend to the needs of our older generation would encourage antagonism towards younger groups and create artificial divisions within our national and local communities.

Worker Contributions

(Continued from Page 2)

eventually use these funds for the payment of unemployment insurance benefits financed by employers.

The California Labor Federation has long sought the transfer because the money represents workers' contributions made prior to the enactment of the disability insurance law, and was made available specifically for payment of D.I. benefits.

Federation Testimony

On the broader issue of the financial status of the disability insurance program, the Federation's general counsel, Charles P. Scully reviewed the basic position of the California Labor Federation, AFL-CIO.

Scully reiterated that the Disability Fund is now operating at a deficit because the legislature this year agreed that there should be no increase in worker contributions until the "unreasonable" reserves in the Fund have been worked down to an "actuarially sound" level.

"There should be no fright over the present calculated purpose of running a deficit in order to bring down present high reserves," Scully said.

Once an actuarially sound reserve is reached, it was noted that the legislature should then seek means of making ends meet. When this time arrives, Scully declared, California labor believes that if an increase in contributions is necessary, it should be "by raising the present ceiling on taxable wages above \$3,600, instead of increasing the 1% contribution rate."

On the related issue of whether the State Disability Fund is, in effect, subsidizing the so-called voluntary plans, Scully said attention should be given to the "adverse risk" to the Fund which results from "voluntary plan" selection of high-wage groups.

Legislation is necessary to prevent this type of "adverse risk" and also to improve the State Disability Fund position in regard to extended liability benefits, Scully said.

Extended liability benefits are those paid to disabled persons after they become unemployed.

The State Disability Insurance Fund has lost millions of dollars in extended liability benefit payments because of accounting procedures

CONSUMER COUNSEL TO REVIEW HOUSING INTEREST RATES

Helen Nelson, the state's Consumer Counsel, has been assigned by Governor Edmund G. Brown to study and make recommendations on home loan interest rates, it was reported this week.

The request was made recently at the Governor's monthly meeting with department heads in the state government.

High interest rates are generally recognized as the major factor in the inability of present housing programs to meet the needs of middle income families. A fractional increase in interest rate can add \$1,000 to the cost of a family home.

Mrs. Nelson indicated to the Governor and department heads that high interest rates on home loans, and the "point" system of paying additional premiums for home loans were among major interests in her new job.

In urging the Consumer Counsel to make recommendations on how to correct the unhealthy situation, the Governor commented, "The reason I say that, is that we give a monopoly to savings and loan companies. What we are doing is giving them a license to lend money at high interest rates."

The Governor was reported to have said that when the Administration raises taxes, it has to justify them, and "I'd like to know what is the increase in taxation" from the

followed in the calculating of extended liability payments chargeable to voluntary plans.

Scully noted that improvements in the disability insurance law in these areas would reduce the present operating deficit in the State Disability Insurance Fund, and thereby postpone the day when contribution rates will have to be increased after the reserve fund has been worked down to an actuarially sound level.

so-called "point" system on home loans.

In a tight money situation, Mrs. Nelson responded, the loan companies are using a system of collecting premiums for the loans on the basis of points. She added that each point is equal to 1% of interest.

"Some of the money the consumer would put out for productive expenditures is being drained off by interest," she said.

The new Consumer Counsel also informed the Governor that she would be making recommendations in the fields of weights and measures.

Informally, the Governor was reported to have said in this regard, that while the Consumer Counsel was talking to the Department of Agriculture about weights and measures, she might also talk to them about milk prices.

The effect of milk pricing procedures on consumers was described as being of keen interest to the Brown Administration.

Jewish Labor Committee To Honor California AFL-CIO

U. S. Senator John A. Carroll (D., Col.) will deliver the keynote address at a testimonial luncheon honoring the California AFL-CIO, tendered by the Jewish Labor Committee, in the Cocomat Grove of the Ambassador Hotel in Los Angeles on Sunday, November 8.

Secretary-Treasurer C. J. Haggerty and President Thomas L. Pitts of the California Labor Federation, and W. J. Bassett, secretary-treasurer of the Los Angeles County Federation of Labor, will speak in response to the citations honoring organized labor for "leadership in the successful fight for enactment of state civil rights legislation."

The luncheon will be the high point of the three-day annual Cali-

(Continued on Page 4)

New Labor Law Conference

Mail your advance registration forms
to the Federation office NOW!

California Labor Federation, AFL-CIO
995 Market St.
San Francisco 3, Calif.

Industrial Relations Librarian
Institute of Industrial Relations
214 California Hall
University of California
Berkeley 4, Calif.

NON-PROFIT
ORGANIZATION
U. S. POSTAGE
PAID
Permit No. 7085
San Francisco, Cal.

FORM 3547 REQUESTED

Catholics Told Not To Ignore Braceros

The Mexican bracero — lured from his home by the promise of better wage opportunities in California's fruit orchards and farmlands — poses a problem Catholics turn away from, Bishop Hugh A. Donohoe, V.G. told the seventh annual Latin-American Conference at St. Mary's College recently.

The Bishop's warning was further evidence of the growing demand on the part of religious groups for action to stop the exploitation of Mexican Nationals being used on California farms to keep wages at miserable rates and drive domestics from the fields.

In a religious appeal for action, Donohoe said: "We cannot see our Mexican Catholics come to this country and pay for it by the loss of their faith."

Bishop Donohoe described the economic problem as follows:

"According to the growers or those who employ Mexican Nationals, the bracero program gives to field workers an opportunity to earn more money than they could ever earn at home.

"Our appreciation of the program stems from one basic fact: Our growers are neither philanthropists nor dedicated to the cause of social reform for Mexicans who come to the United States.

"They employ Mexican Nationals primarily because they can pay them less than native born workers. It is the belief of Archbishop Lucey that we do not need the 500,000 alien workers to harvest our crops. This program depresses wages 'to incredibly low levels.'"

The Bishop added:

"Despite opposition by Catholic spokesmen and others (including organized labor), President Eisenhower signed legislation extending this program to June 30, 1961. Wherefore that which has been variously described as 'The American Badge

of Infamy' or as a 'none-too-subtle substitute for slavery' is destined to continue for some 20 more months at least."

The largest crowd ever to attend the day-long meeting at Moraga also heard Norman Smith, California director of the Agricultural Workers Organizing Committee, describe how the use of Mexican contract workers has resulted in unemployment among U. S. field workers, and how their importation is hurting the small grower who is undersold by the large grower, and the economy of the state as a whole.

In answer to the growers' contention that braceros are doing the stoop labor because the U. S. workers will not do it, Smith said, "A job that is paid a decent wage, people are going to do."

Among other speakers at the conference were:

John Henning, state Director of Industrial Relations and chairman of the conference, who announced that the Industrial Welfare Commission of the state had voted the previous week to establish a wage board to make recommendations on minimum wages, maximum hours, sanitary facilities and safety for women and minors who work in the fields.

Fred Van Dyke, San Joaquin Valley grower, said that by tightening up the "void between grower and consumer," the average annual wage of the U.S. farm worker can be doubled.

Van Dyke, who has the unique distinction of being the only grower who signed a contract with the union, was asked whether he felt his good labor relations would be an example to other growers. His answer was that the good results experienced under contract with the union would serve as a stimulus to other growers.

Jewish Labor Committee

(Continued from Page 3)

fornia state convention of the Jewish Labor Committee, held on the occasion of the twenty-fifth anniversary of its founding.

Representing 500,000 workers in the labor movement, the JLC cooperates with the AFL-CIO in promoting human rights and eliminating all forms of discrimination based on race, color, creed or ancestry. It conducts a program of action through education, legislation, and information.

The public has been invited to attend the luncheon. Reservations are \$3.50 per person, and may be arranged by communicating with the Jewish Labor Committee, 590 N. Vermont Ave., Los Angeles 4, Calif. (NO 2-1148).

Topic of Senator Carroll's address will be "A Year of Decision—Civil Rights in 1960." As a member of the Senate Judiciary Committee and of its Constitutional Rights subcommittee, Carroll has been a consistent and vigorous supporter of far-reaching civil rights legislation. He has also cooperated with organized labor in advancing other economic, social welfare and security programs.

The JLC convention deliberations will be devoted primarily to reviewing state and national programs to advance civil rights, foster desegregation in the South, revise and improve present immigration laws, and provide for the rescue and rehabilitation of the victims of Communist totalitarian governments.

Particular emphasis will be placed on action to implement the legislation passed in the 1959 California legislative session, including:

—The measure establishing a Fair Employment Practices Commission.

—The law prohibiting discrimination in publicly assisted private housing.

—The act forbidding discrimination in the services or accommodations furnished by "any business establishment whatsoever."