

Harry Becker, Director
UAW-CIO Social Security Dept., Detroit

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LABOR'S STAKE IN EMPLOYMENT AND RETIREMENT

All workers are confronted with the problem of income maintenance for themselves and their dependents when they can no longer work because of age or incapacity. And this problem cannot be met by individual workers acting alone. Workers know that the time will come when they will be unable to work and they worry about this fact.

Because of the concern that workers have for their social and economic security, and for that of their families, retirement income programs have emerged as major collective bargaining and legislative issues. The worker is as concerned about protection against the time when he will be unable to work as he is about other aspects of his employment and his economic life. Workers want to find a way, consistent with the principles of a free and democratic society, to assure themselves protection against this common hazard of life -- the time when they will be too old or too ill to work.

Labor leaders, because of the insistence of their membership, are seeking a substantial measure of security for old age and for periods of illness through programs established under collective bargaining and through an extension and strengthening of the Federal Social Security Act. Workers and their representatives are concerned because they see that providing security for old age is an obligation not only to themselves, but to the family, the community, and the nation. We must recognize this concern as reflecting maturity and social responsibility.

The problem of insecurity for the aged or incapacitated worker has grown with the expansion of industrialization. Today personal insecurity is a major threat to our democratic society. It is becoming ever more serious. There are more and more people in the older age groups; an increasing number of aging persons has been forced out of employment; and older workers are the group which has the most difficulty in securing re-employment. The Detroit Public Welfare Department, for example, has been forced to consider all persons over 60 as unemployable because of their inability to place such workers through the employment services. According to a recent statement of the Executive Director of the Michigan Unemployment Commission, "virtually no employer orders are received for older workers".

Few, if any, workers' families are able to save sufficient money out of current earnings to assure themselves a modest standard of living after retirement -- even though these savings may be supplemented by Old Age and Survivor's Insurance benefits. In order to receive \$100 a month income at age 60, the workers' family would have to buy an annuity at age 30 and to make payments of about \$36.00 per month for 360 consecutive months. This means a total savings of approximately ~~\$19,000.00~~.

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The problem of saving enough money each month to assure an income on retirement is made even more difficult by circumstances which the worker cannot control. The worker knows in advance how much the weekly cost of groceries will be for his family. He can price food at the local market and decide where he will save and where he will spend. He can exercise self-determination in selecting the price he is going to pay for his suit of clothes or for a house, or a car. However, he cannot decide whether or not he will have an illness, or how much it will cost, or how long it will last. He would like never to have to stop work for reasons of incapacity or old age but he knows that he may sometime be unable to work for these reasons.

Workers who are able to accumulate resources to help meet the problem of income maintenance after retirement, often lose their savings or property accumulations in a single illness, or one period of unemployment, or one accident.

The tradition of the economic independence of the individual persists, although today it is a myth. Changes in the social and economic organization of our society have negated the validity of this concept. Both employers and insurance companies have recognized the lack of validity in the concept of individual economic independence. They have accepted the fact that workers acting individually are unable to meet the cost of an adequate and comprehensive program of protection and have in many cases made available various forms of group protection. However, when such private group insurance is financed through payroll deductions, it has been necessary to keep premium payments low to assure that a sufficient number of workers would participate. Hence even for those who participate, benefits available on a payroll deduction basis are insufficient to provide adequate protection.

The current Old Age and Survivor's Insurance benefits are completely inadequate in amount to meet the worker's need for retirement income. An elderly couple living in Detroit needed approximately \$143.00 a month for a modest standard of living in March 1949, according to studies made by the Bureau of Labor Statistics and the Division of Research and Statistics of the Federal Security Administration. The Federal OASI benefit for an elderly couple averaged \$42.39 in Michigan in January 1949. For couples where the spouse is not eligible for benefits the amount currently received is about \$26.00. And these amounts are somewhat higher in Michigan than in many States.

Workers should not have to look to poor relief and to charity as their principle floor of security when they are unable to work. Yet this is, in fact, the case. For the country as a whole, in June, 1948 -- a period of high level employment -- there were 216 persons receiving public assistance for every 1000 persons over 65. Even in Michigan, where industrialization permits broader coverage under the Federal insurance system than in many other States, more than 20 percent of the persons over 65 were depending on public relief for security in their old age. In Wayne County (Detroit), Michigan, 25 percent of the population over 65 is receiving public assistance. This does not include those additional persons receiving poor relief and private charity. These persons are without other resources because savings and property were liquidated before they subjected themselves to the indignity of the "means test".

The UAW-CIO has extensive data on the problem of the aged and infirm worker in meeting living expenses after leaving employment. Hundreds of case

stories have been obtained which show the gradual destruction of personality when the worker realizes that he cannot work any longer, exhausts his resources, faces the public relief office, becomes ill and struggles unto death with the problem of how to provide himself with the barest essentials of life. In the abstract these facts do not have the same meaning as they do when we know the individuals affected.

The social service department at the UAW-CIO medical clinic in Detroit has recorded many stories about individual workers which show this pattern of lost morale and human waste. During the 1930's these workers exhausted all of their resources either because they were unemployed or because members of their families were unemployed. With the full-employment years during the war the older workers, particularly, attempted to save. Many made down-payments on homes and paid accumulated debts. Illness struck, as it often does especially with older people, savings disappeared, homes were lost, and finally public poor relief was applied for. In other instances, premature superannuation occurred because of the anxiety of workers who were approaching the time when they feared they would no longer be able to work. Over half of the more than 1,000 workers seen each month at the UAW-CIO clinic have illnesses which the doctors say have been caused or made worse by basic feelings of insecurity.

A "means test" program should not be the answer to the economic needs of the worker when he is "too old to work and too young to die". Charity is not the democratic answer to this need. Public poor relief as the basic program of security is inconsistent with the principles of a democratic society. It is time that we substituted income maintenance benefits as a matter of right for charity programs.

All workers want to look forward to an old age that is not fear-ridden because of economic insecurity. Jobs can be abundant, as they were during the war and postwar period with a resulting high level of employment; wages can be reasonably sufficient for family living standards consistent with our American standard of production; and yet there can be fear of economic insecurity in the hearts of working people. Full employment and high wage standards do not in themselves meet the problem of providing security against the hazards of sickness, old age and death. A healthy society and a socially mature society has not been realized until we have taken the steps which are needed to remove the fear of the economic consequences of these unpredictable hazards. Labor unions look to collective bargaining and to legislative programs to give this assurance of security.

The UAW-CIO, and other Unions, have all been giving serious consideration to the type of retirement income program that should be established under collective bargaining agreements. Most non-governmental retirement programs have been established prior to the current trend of considering pension plans an aspect of wages and working conditions and therefore a matter for collective bargaining. With the advent of the collective bargaining approach to the problem of establishing retirement programs it becomes necessary to rethink many of our earlier conclusions with respect to the desirable characteristics of pension plans. Some of the principles established for earlier pension plans are still sound, others upon examination are found to lack validity for plans which are a part of collective bargaining.

Principles which are essential for programs secured through collective bargaining are: (1) Universal coverage, (2) a flexible retirement age, (3) employer-financing, and (4) joint union-management administration of the program through a board of trustees on which labor and management have equal representation.

Why is universal coverage essential? When a retirement income program is won through collective bargaining it is in lieu of other alternative economic gains and is won on behalf of all workers. Therefore, every worker in the bargaining unit must be covered. To restrict coverage to certain classes of workers is neither justified nor feasible.

Restrictions on coverage in pension plans have been developed largely because of the employer's desire to reduce the cost of the plan. Restrictions in pension plans outside of collective bargaining have tended to exclude older workers, to provide for a waiting period, or to establish earnings qualifications. A program under collective bargaining is intended to accomplish protection for all the workers. To exclude the older workers delays the effectiveness of the program and fails completely to meet the immediate problem.

The requirement of a waiting period before a worker may participate has no validity for plans developed through collective bargaining. Under these plans workers earn old age security during their working life as a part of their compensation. Hence they should receive credit from their first day of service, and a waiting period is inequitable.

Similarly, an earnings qualification is not justified in a retirement program established through collective bargaining. Workers in the lower wage brackets need a pension plan even more than the higher wage group; it is more difficult for the lower income groups to save.

Furthermore, coverage of all workers has the practical advantage of contributing to the stability and actuarial soundness of the program and permitting many economies in administration.

A plan developed jointly by labor and management should provide for the retirement of workers at the point at which workers become superannuated or for other reasons wish to retire. Workers should not be required to retire at a fixed age. The proper point for retirement differs for each individual and the reasons for retirement likewise vary from individual to individual. For these reasons one of the most important considerations in formulating a retirement income program under collective bargaining is to establish sufficient flexibility with respect to retirement age to permit each worker to retire on an individually determined basis. This means that retirement should be permitted throughout the span of years in which workers most frequently become superannuated.

A flexible retirement age is needed because superannuation is only in part related to the individual's chronological age. The onset of disqualification because of old age and infirmity is also a function of the original equipment of the individual, of the effects of environmental factors, and of the appearance of chronic conditions. A worker may become superannuated before 65 as well as after 65. Age 65 has been most often adopted as the retirement age because it has been thought that persons tend to outlive their usefulness on the job at about this age. Age 65 has been generally accepted as the average age for retirement of salaried or office workers.

If it is desirable to permit retirement for sedentary workers at 65 it follows that persons engaged in physical work should be permitted to retire somewhat earlier, if they so desire. There is considerable support for age 60, or even an earlier age, as the point at which retirement may be permitted. For some individuals, however, superannuation may not occur until some years after 65. This variation between individuals as to when superannuation takes place is reorganized in Labor's thinking about retirement age.

Special care should be given to avoid forcing workers to leave the labor force prior to the time that they are ready for retirement. A worker gainfully employed and earning his usual wage is a happier and more productive person than one who is forced to retire while still able and desiring to work. Old people are people too, and should not lose -- because of age -- their right of self-determination with respect to their opportunity for useful and gainful employment and for a subsequently higher standard of living than would be possible on a retirement income.

A pension plan is not complete unless provision is also made for retirement of workers who become incapacitated for work. Unions feel that retirement for reasons of incapacity should be recognized in the same manner as retirement for reasons of age. The problem of retirement income is even greater for the worker who must retire prematurely from the labor force than for the worker who retires at the established normal retirement age.

Union developed retirement income programs generally provide that the program shall be employer-financed. Labor believes that employer-financed programs are sounder than programs requiring employee contributions. A pension program is a legitimate cost of doing business. It is the same kind of cost of doing business that the employer and the tax laws recognize when funds are set aside to meet the cost of the repair and replacement of machines. Pension plans are a form of compensation to employees and the question is primarily whether the money to finance the program shall go directly from the employer to the pension trust fund or whether it shall first go to the employees and be deducted from wages. The best arguments in support of direct employer payments is found in the statement by Mr. Esmond B. Gardner, Vice-President and Director of the Chase National Bank, New York City, in his paper, "Trusteed Plans", (American Management Association, Insurance Series No. 73, 1947, p. 11).

"As a matter of fact, there is an economic waste in employee contributions to a retirement plan under the present tax laws. If the employer pays a dollar direct to a retirement plan, that money will provide a dollar's worth of retirement income. If that dollar is paid to the employee, he will have to pay an income tax on it and only the balance of the dollar will be available for the retirement plan. Assuming the lowest tax rate of 19 percent, this leaves 81¢. Employee money used in a retirement plan is almost invariably applied on a basis of return in case of death before retirement. On this basis approximately two-thirds of such money is used for strict retirement income and the remaining one-third for the refund benefit. Consequently, the same amount of retirement benefit can be supplied by not more than 54¢ of employer money paid direct to the retirement plan. And this estimate does not even take into account the administrative cost of deducting employee contributions and maintaining cumulative records of them."

The fourth principle essential for programs secured through collective bargaining is joint union-management administration.

Labor believes that worker representation in program administration is equally as important to the successful and satisfactory operation of a retirement program as the retirement provisions and the method of financing. Workers are the group most directly concerned with the proper functioning of the program and where they have an effective voice in its administration a better program results.

Representation of workers in program administration can best be accomplished by the establishment of a board of trustees on which labor and management have an equal number of representatives. As collective bargaining is a democratic process so is joint union-management administration a democratic process.

It is not practicable to work out all the details of a pension plan in collective bargaining. After agreement has been reached on the general specifications for a retirement program, responsibility for developing the program can be delegated to the joint board of trustees.

The primary role of the board is to review the program regularly and to give direction to its activities. Only through the board of trustees administration can the purposes for which the program was established be effectively accomplished.

Acceptance by management of workers' security programs established through collective bargaining is recognition that workers have a right to security. It means that management recognizes that its workers cannot buy this security out of current earnings. It means also that management accepts the fact that in our modern society the need for security does not reflect deficiencies within individuals but is a common, universal need which must be met through methods appropriate to the economic realities of our time.

Is there a danger that when Unions ask for workers' security programs through collective bargaining they will hinder the much needed improvement and expansion of our Federal social security system? Unions are committed to public programs for old age retirement benefits, for permanent and temporary disability benefits, national health insurance, and increasing the amount of survivor's benefits. Labor does not want to slow down the progressive development of our public social insurance system.

We know that the solution to the problem of security for all of the people, wherever they may live and whatever their occupation, belongs to government. It is like our need for education of our children, for police and fire protection, and for a pure water supply -- needs which we as individuals cannot meet but which can be met by collective effort through use of the instrument of our government. It is only through government that we can tax all the people equitable for the support of universally needed public programs.

Unions are making a two-way drive for social security: through government and through collective bargaining. But the sad fact is that the most optimistic expectations for governmental social security programs are not encouraging when considered in relation to the existing needs of workers. Living costs have doubled since the Federal social insurance program was initiated and the benefits established in 1935 are even more meager today. Government pro-

grams should represent a floor of security for all people. They should represent minimums below which no person need fall. But the basic minimums guaranteed by government will need supplementation for many years to come. The most liberal recommendations which have been made to the 81st Congress would not bring the public insurance system up to the standard necessary for a modest standard of living.

During the past decade, opposition to the expansion of the Federal Social Security system to provide more adequate grants and to include other types of benefits has come largely from employer groups and the insurance companies. Although recently the U.S. Chamber of Commerce and National Association of Manufacturers have supported extension of coverage to all gainfully employed workers "as soon as adequate administrative methods can be developed" they have not supported the increases in benefit levels thought necessary by the Senate Finance Committee's Advisory Council on Social Security. And they have also strongly opposed increases in taxes which would finance more adequate benefits and extension of program. These same groups have opposed disability insurance proposals even more positively.

There is no reason to believe that Congress is going to enact a program that is going to provide fully adequate benefits for workers living in the high cost of living industrial areas. We can expect for many years to come that the Federal Social Security program will be geared primarily to the needs of workers in the low cost of living areas.

The workers' security plans under collective bargaining are intended to provide supplementary benefits which more nearly approximate the needs of workers in industrial and high cost of living areas. Programs under collective bargaining are also adapted to meet the needs of particular groups of workers and to provide the flexibility not possible under Government programs designed to establish overall and uniform minimums. This flexibility in the collective bargaining program makes it possible for demonstrations and pilot plans which can provide the experience for expansion and extension of much needed public programs. This is particularly true in the field of medical care where Government experience is still very limited.

The question is sometimes raised as to the real cost of retirement programs in terms of lost productive effort. This cost is frequently exaggerated. The true measure of the economic cost is the amount of inactivity which would not have occurred in the absence of the program.

In times of full employment the amount of voluntary inactivity induced by retirement provisions will be much less than is often suggested. Many older workers will continue at work because they will prefer to work for the higher current earnings rather than to retire and curtail expenditures. Furthermore, the rate of retirement would be reduced by the fact that some older workers who were unable to keep working at very strenuous jobs would be able to transfer to other useful but less exhausting employment with less sacrifice in income than if they retired. Past experience under conditions of full employment indicates that many previously retired workers who are able and willing to work return to active employment when jobs are plentiful.

On the other hand, if we have periods of less than full employment, inactivity of a part of the labor force exists irrespective of retirement programs. The real cost of retirement programs under such conditions -- in terms of lost

productive effort -- is probably extremely small.

Is it not more desirable to have voluntary unemployment of older workers than involuntary unemployment of younger workers? The retirement of older workers on incomes adequate for a modest living standard has less depressing social effects than the forcing of younger workers into idleness even if unemployment compensation is available to them. Furthermore, to keep younger workers employed permits the maintenance and development of skills which are essential to maintain an increasing level of national production.

The overall economic situation, probably will determine labor market participation on the part of older workers far more than the existence of retirement income programs. The existence of these programs will in fact permit some elasticity in a sector of the labor force where expansion and contraction are least harmful.

Labor must view a program for retirement income because of age and incapacity as one part of a workers' security program. An equally important part of labor's program for workers' security through collective bargaining is assurance of family income maintenance during periods of temporary disability of the wage earner, and removal of the existing economic barriers to necessary hospital and medical care for the worker and his family. As part of this health security program there must be a carefully developed rehabilitation program to avoid unnecessary waste of human values and resources. A program of preventive health services for the worker which will not only prevent unnecessary ill health but will promote positive health and well being is an equally essential aspect of the health security program.

The workers' security program -- retirement income benefits and health security -- will have good economic effects because by increasing the vigor, health, and security of individuals it will help to increase the level of national production, and hence the standard of living for all people.

As labor moves into workers' security programs under collective bargaining and fights for a broader and more comprehensive public social security system for all people, even more important than the economic effects are the social and humanitarian values. Programs for security in old age and at the time of sickness and premature death recognize the needs and rights of people to a basic protection against the common hazards of life in order that the working man may not feel himself alone facing an indifferent, a hostile, and an overpowering world.

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