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Union leaders opposing private accounts act from self-interest

By John Castellani

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WASHINGTON, D.C. — The blanket hostility of union leaders to vitally needed Social Security reforms cavalierly disregards the overwhelming desire of their members for a larger stake in America's emerging ownership society.

A recent national survey commissioned by the Coalition for the Modernization and Protection of America's Social Security (CoMPASS) shows that union members strongly support action by Congress to fix Social Security now.

In fact, three-fourths of those surveyed say they believe Social Security is not financially sound and needs significant changes. Even more eye-opening, these union members believe by a nearly 4-to-1 margin that it would be irresponsible for Congress not to make significant changes.

The survey also found that, by more than a two-to-one margin, labor union members think offering optional personal retirement accounts to workers under age 55 is a good idea.

Like most Americans, union members know that the looming crisis must be addressed. The facts do not lie; the system is in dire straits.

When Social Security started, more than 40 workers paid in for every retiree receiving benefits. That ratio is falling, and soon just two workers will pay for every one retiree's benefits.

In just 12 years, Social Security will begin paying out more money than it takes in, and the program will be bankrupt as early as 2041. Unless action is taken, our children and grandchildren will face a weak or nonexistent Social Security system. Even worse, if we don't fix Social Security now, they may face unprecedented tax increases and cruel benefit cuts.

It's not surprising that six out of ten union members showed interest in creating a personal retirement account of their own, if given the choice. The option to invest a portion of one's payroll taxes in personal accounts will enable working people to meet their own retirement needs and build the kind of extra wealth that can be passed on to their loved ones.

What accounts for the financial myopia of the Big Labor chiefs in the nation's capital? Why are they so vigorously intent on pushing policies that most of their members reject? And why are the heads of huge public service unions like the American Federation of State, County and Municipal Employees' Gerald W. McEntee opposing reform when most of their members are exempt from Social Security taxes and benefits?

The reason is clear: Union leaders fear losing the bargaining power they have through their pensions, and ultimately fear that the entire union model could become obsolete.

Unions have \$400-billion invested in pension plans in this country. As we've seen in the recent corporate governance debate, these funds have been the union's greatest instrument for exerting influence. They have used their pension fund clout to push special interest agendas, while attempting to oust responsible board members with records that meet the highest governance standards, simply because they don't share their views.

McEntee and others pursue such tactics when they should be focusing their time and resources on helping to improve the value of those union pension funds.

How ironic that union bosses are trying to demonstrate their relevance by opposing Social Security reforms most of their members crave.

While the labor bosses never miss a chance to brand personal accounts a "risky" gamble, they permit many union pension funds to make far riskier investments supporting political and social causes that often are an anathema to their members.

Not surprisingly, skepticism about the real motives of union leaders is spreading among the membership.

Their concerns are well-founded. Members of Congress recently asked the Department of Labor to investigate whether unions' "concerted efforts" to pressure financial firms and brokerage institutions to withdraw their support for Social Security reform constitutes a violation of federal labor and pension laws.

Instead of resorting to such strong-arm tactics, the AFL-CIO would achieve more for its 13-million members by participating in an open and honest discussion on the best ways to strengthen Social Security for the long term.

The bottom line is that all workers want a healthy, vibrant Social Security system. Doing nothing does not solve the problem. Union and business leaders should work together to forge a viable compromise that allows future generations of hardworking Americans to truly enjoy the Golden Years they so richly deserve.

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