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The Finances of American Unions, 1962–1969

ABSTRACT: The central purpose of this study is to present a systematic account and analysis of the financial resources of unions, their wealth, investment policies, and sources and uses of funds over the period 1962–1969. The data—until now largely unavailable in systematic form—cover the consolidated union movement, local unions, intermediate organizations, and regional, national, and international unions and affiliations. An examination is made of the investment policy of the consolidated union movement, and selected receipt and disbursement items are reviewed to assess the importance of different sources of income and expenditure. ¶ In general, the result of this study is to establish parameters on the size and significance of unions as financial institutions. These parameters indicate the extent to which unions supply funds to various money markets, how they allocate their financial resources, and the main sources and uses of their funds. ¶ Union wealth is too small for unions to be regarded as significant suppliers of loanable funds. The wealth of unions during the 1960s is traced, and I identify some of the principal factors responsible for changes in the consolidated balance sheet of unions. The shares of union wealth held by the three major components of the union movement are measured, and an assessment is made of the significance of the distribution to the structure of organized labor. The most striking structural characteristic of union wealth is its almost equal division between local and parent organizations. Unions' investment policy is best described as passive. ¶ The consolidated receipts of American unions are measured and categorized as recurring or nonrecurring income, so as to determine whether income from members alone would be adequate to finance the recurring financial activities of unions. Recurring receipts from members and property were sufficient to finance unions' recurring expenses, but income from members alone would not have covered these costs. Receipts by type of union are examined to ascertain the relative importance of various income streams to each type. Total disbursements and uses of funds for the consolidated union movement and by type of union are also examined. ¶ The survey is concluded by a review of the sources, coverage, and methods of analysis of the data. These consist of U.S. Department of Labor tapes derived from union reports made in compliance with the Labor-Management Reporting and Disclosure Act of 1959 (Landrum-Griffin Act), supplemented by data on unions of government employees. The finances of local unions of state and local government employees not subject to the act are excluded. Also excluded are the assets and income of Canadian unions affiliated with internationals headquartered in the United States. My results are compared with a U.S. Department of Labor report on union finances that covered part of the same period as my study.

INTRODUCTION

The central purpose of this study is to present a systematic account and analysis of the financial resources of unions, their wealth, investment policies, and sources and uses of funds over the period 1962–1969.

The data cover the consolidated union movement, local unions, intermediate organizations, and regional, national, and international unions and affiliations. An affiliation total is a combination of the resources of all organizations associated with a single national or international union, net of intraorganizational transactions. An examination is made of the investment policy and the distribution of investments in U.S. Treasury securities, mortgages, equities, and fixed assets of the consolidated union movement and selected organizations. Union investments in mortgages are examined with more than average interest because some union officials and supporters have long urged unions to commit their funds extensively to the housing market in order to provide houses for workers and jobs for members. Selected receipt and disbursement items are reviewed to assess the importance of different sources of income and expenditure. Among the receipt items examined are dues, interest, dividends, and rents. On the disbursement side, payments to officers and employees, office and administrative expenses, outlays for education and publicity, and benefit payments are discussed.

In general, the result of this study is to establish parameters on the size and significance of unions as financial institutions. These parameters indicate the extent to which unions supply funds to various money markets, how they allocate their financial resources, and the main sources and uses of their funds. The financial statistics on unions should also prove useful for purposes which can only be noted or touched upon here. Unions are multipurpose organizations, and data on their finances are an important measure in assessing their performance in the labor market, in assessing the ebb and flow of union membership, in political analyses, and in union administration. For example, union financial data could be used as part of a cost-benefit analysis of labor union actions to raise members' real income. There have been extensive analyses of the unions' impact on wages, but data on the unions' finances have not been available as an explanatory variable. Also absent from those studies has been any measure of the direct financial cost to members of belonging to a union. Finally, but not least in importance, is the application of the data presented here in assessing the management of the union purely as an administrative institution. Unions administer large sums of money and serve the interests of millions of members in many ways, but how they perform these tasks has yet to be assessed. Union financial involvement in political activities cannot be measured by the data of this study because most of these funds are raised and channeled to special organizations set up for the purpose.

The vital statistics of the American union movement developed by public and private sources have grown in quantity and quality over the years. These have depicted the unions' size, composition, collective bargaining relationships, market power, and the like. However, information on the financial side of union activities has up to now been sketchy. The main reasons for this have been union practices and, until 1959, the absence of a central public depository of their financial reports. The Labor-Management Reporting and Disclosure Act (the Landrum-Griffin Act), enacted in 1959, included a requirement that unions submit financial reports to the U.S. Department of Labor and that these be available to the public. As we shall see, the law encompassed most unions and union financial resources.

Historically, the union movement never provided a central depository of financial reports or a central treasury for the many thousands of organizations. Neither the American Federation of Labor–Congress of Industrial Organizations (AFL-CIO), nor its predecessor federations ever held the funds of its affiliates in a central treasury. Instead, each individual organization, large or small, has administered its own financial accounts, reflecting the historical autonomy of each union. In addition to lacking a constitutional basis for a common bursary, parent unions, with rare exceptions, either lacked information or simply did not disclose the finances of their affiliates. Whatever the reason, the lack of information contributed to the mystery of union financial activities and strength. Because so little was known about the unions' wealth, it was usually greatly exaggerated. Compounding the exaggeration was the confusion between the unions' own funds and the vastly larger pension and benefit funds set up by collective bargaining after World War II.

After passage of the Labor-Management Reporting and Disclosure Act of 1959, it became possible to document and analyze the finances of unions. Beginning with the reports of 1962, the finances of unions have been transcribed annually to computer tape. Summary reports on the unions' finances have been made by the Labor Department, but these differ in coverage and in detail from this report. My study includes national unions of government employees not on the tapes of the Labor Department and financial totals for the union movement as a whole. Requests for details in printouts and unpublished tables on the assets, liabilities, receipts, and disbursements of unions and affiliations should be addressed to me at Department of Economics, NCAS-Rutgers, Newark, N.J. 07102.

This investigation of the finances of unions originated in a study on institutional investors in securities markets directed by Raymond W. Goldsmith and financed by the Securities and Exchange Commission. Unions were among the possible sources of funds which might be flowing into the securities markets, and there was no firm knowledge of their quantitative importance. Results of my initial investigation filled that gap, and summary data on the consolidated assets of unions were published in the NBER's institutional investor study.[1]

This study also owes its origins to a research project on union membership (as yet incomplete), based on the financial tapes of the U.S. Department of Labor, which was initiated and supported by John T. Dunlop of Harvard University. Although the membership project relied on only a small part of the financial data, Dunlop's support made it possible for me to obtain a great deal of valuable experience in automatic data processing and in editing tapes, procedures which were essential to this study.

I also wish to acknowledge the unstinting help and critiques given by Herbert J. Lahne and Vincent A. Cicconi, both of the Office of Labor-Management Policy Management, U.S. Department of Labor. I am greatly indebted to Robert E. Lipsey, Vice President-Research of the National Bureau, for his careful reading of the manuscript and his advice and patience; and to Mahlon Strazheim, Masanori Hashimoto, and Jacob Mincer, also of the National Bureau, and to Vivian Henderson, Rudolf Oswald, and Lloyd Reynolds of the Directors' reading committee for their comments. I wish to thank George Bain, acting Director of the Industrial Relations Research Unit, University of Warwick (England), for his many valuable suggestions. I also thank Ester Moskowitz, who edited the manuscript, and H. Irving Forman, who expertly drew the charts. I wish to express my appreciation to Ethel Franz, secretary of the economics department, NCAS-Rutgers, and Connie Bussman of the Industrial Relations Research Unit, University of Warwick, for their typing. Finally, I wish to acknowledge the grant of the United States–United Kingdom Educational Commission in 1973–1974, which afforded me time to revise this manuscript.

SUMMARY OF FINDINGS

The modern union movement in the United States dates from the founding of the American Federation of Labor in 1886. A number of contemporary international unions can trace their origins from the middle of the nineteenth century and a few locals to an earlier time. However, until World War II, membership was small in numbers and in relation to the work force. Unions also experienced wide and frequent swings in membership, touching a low in 1933. Such a history doubtless prevented any sizable accumulation of assets before the 1940s.

The present position of organized labor in the labor market began to take shape with the resurgence of unionism under the New Deal and was attained shortly after World War II. In 1947, over 14.5 million people belonged to unions, a phenomenal rise over the 2.9 million of 1933. In the decade of the 1960s, which is the period covered by our financial data, unions had about 2 million to 3 million more persons enrolled than in 1947, but these numbers represented smaller proportions of the civilian labor force and of nonfarm employment.

The American union movement is the richest in the free world, with assets of \$2.6 billion in 1969. For comparative purposes it may be noted that the consolidated assets of the British union movement, the oldest in the free world, came to some \$300 million in 1969. Although the wealth of American unions is substantial in comparison with other union movements, it is small when compared to leading industrial corporations and to nonprofit institutions (about 2 per cent of their total assets).

The consolidated assets of unions increased in each year reported in this study, 1962–1969, reaching a peak in 1969. This is also very likely the historical peak to date. Per capita net assets (the "equity" of union members) gained in most years in the 1960s and also touched a high in 1969. Adjusted by the Consumer Price Index, the purchasing power of union assets was almost one-fourth higher in 1969 than in 1962; and net assets per capita, 4 per cent more. Annual increases in assets over the period 1962–1969 are attributable to net receipts, investment transactions, and increased membership.

Most assets and most of the increase in assets, 1962–1969, are accounted for by the top twenty affiliation groups. The richest affiliation is the International Brotherhood of Electrical Workers, and the international itself is the wealthiest union in America. The most striking structural characteristic of the wealth of American unions is that it is nearly evenly divided between locals and parent unions. The division is an indication of the very strong position of local unions in the American industrial relations system, and its development parallels the decentralization of collective bargaining in America.

Each union, irrespective of type, holds its wealth autonomously. Within each type of union, wealth is concentrated among a small number of unions, and the trend is toward increased concentration. In general, this feature complements the financial autonomy of local and intermediate unions, at least among the wealthiest organizations. Because of their wealth, the richer unions can be expected to resist moves to reduce their autonomy. Mergers between financially weak and strong unions can also be expected to sustain the autonomy of the new union.

If it is possible to characterize the nearly 50,000 autonomous units of the American union movement as having an investment policy, it is best described as a passive policy; that is, most unions keep an extremely large proportion of their assets in cash. Unions defend this policy principally on the grounds that they are not "profit-making institutions" and that they need liquidity in case of strikes. The marked preference of American unions for liquidity parallels the behavior of British unions. The current ratios of the consolidated union movement, 1962–1969, are extremely high, reflecting in yet another way the unions' strong preference for liquidity. Although unions held much of their wealth in cash over the 1962–1969 period, they did increase their holdings of marketable securities. However, allocations to U.S. Treasuries fell. Investment in housing mortgages has been modest, despite the special efforts of the AFL-CIO.

Contrary to some opinion, American unions as a group own relatively little stock. For the period 1962–1969, about 8 per cent of their total assets can be estimated to be in stock. Moreover, there is no indication that unions have sought to gain control over any leading corporation. Stock ownership is markedly higher among national and international unions than among local and intermediate organizations. The union with the largest investment in stock is the International Brotherhood of Electrical Workers.

Mortgage investment also varies in importance among the three types of unions. Again, parent national and international unions are more active investors and account for 80 per cent of all mortgages held by unions. One international alone, the International Brotherhood of Electrical Workers, accounts for the bulk of union investments in mortgages. Surprisingly, building trades unions as a group have not invested substantial funds in mortgages.

The differences in investment policies among the three types of unions can only partly be attributed to differences in wealth. Wealthy locals invest more than poorer locals, but they do not invest proportionately as much as wealthy national and international unions. The principal reasons appear to be the national and international unions' greater reliance on professional advice and the fiduciary requirements of the Labor-Management Reporting and Disclosure Act. For most officers of local and intermediate unions, buying U.S. Treasury securities and keeping large sums in checking and savings accounts may be the simplest and safest way to meet the law's requirement that the unions' money and property be held solely for the benefit of the members.

American unions derive their receipts from income regularly received from members, from income-yielding assets, and from a number of nonrecurring sources. The nonrecurring receipts—borrowing by the unions, receipts from the repayment of loans, and the sale of investments and fixed assets—provide a limited source of supplemental revenue. Typically, unions probably depend on recurring sources for 85 to 90 per cent of their income. Together, the various sources of union receipts produced an income of $1.3 billion in 1962 and $3.2 billion in 1969.

While recurring income rose by more than 50 per cent between 1962 and 1969 in current-dollar values, adjustment for prices reduced the gain to 33 per cent. Per capita union membership payments also rose over 50 per cent, from $54 in 1962 to $82 in 1969. However, adjusted for price rises, the increase was only half as much.

Membership payments were about 1 per cent of the annual earnings of unionized workers and 8 per cent of the difference between union and nonunion workers' annual earnings in 1969–1970. The differential is not necessarily attributable to unionization and may also reflect occupational composition, skill, and education.

While unions of all types depend primarily on membership receipts as the basic source of income, they differ in their reliance on the various sources of income. Locals derive more from membership than do the other types of unions because the preponderance of members belong directly to them and because their dues rates are higher. On the other hand, national and international unions obtain more receipts from interest and dividends than do locals and intermediates, reflecting the parent unions' more active investment policy.

Local unions take in most union income, and this reinforces their financial and administrative autonomy. Union income, like the balance sheet items, is concentrated in a small number of affiliation groups, locals, intermediates, and parent unions.

In most years covered by this study, unions' total receipts exceeded total disbursements. However, in two years the unions did disburse more than they received: about $3 million more in 1963 and almost $45 million more in 1969. Most union expenditures are recurrent ("mandatory"), and of these the bulk are for the services of officers, employees, professionals hired from outside the union movement, and educational and publicity services. Another important union expenditure is for benefits. These consist of strike, pension, union welfare, and death benefit payments made to members, officers, and employees. Other expenditures, here referred to as discretionary, go primarily toward the purchase of investments and fixed assets.

Recurring receipts from members and property were sufficient during the 1960s to finance the recurring expenses of unions. However, income from members alone would have been insufficient to meet their recurring disbursements. The margin has been provided by income from property: interest, dividends, and rent. Investment income has thus been essential to balancing the unions' income and expenditures.

The importance of expenditure items varies by type of union. The single largest expenditure of local unions is for payment of per capita membership dues to the intermediate and parent unions with which they are affiliated. Local unions pay more to officers than the other types of unions. On the other hand, national and international unions disburse most of the benefit payments to members, employees, and officers.

THE WEALTH OF UNIONS

The Organization and Financial Structure of American Unions

The consolidated assets of unions are the sum of holdings of three types of union organizations: local unions, intermediate organizations, and regional, national, and international unions distinguished in the Labor Department file (see Appendix). Local unions are the basic units in the structure of organized labor, and nearly all members belong to them. A few are members-at-large, that is, they belong directly to a national or international union. The local may embrace one or more employers and may be based on an occupation, industry, or a geographic area. Historically, it is the oldest form of union organization. Most locals are affiliated with a regional, national, or international union. Those that are not are classified as independent or unaffiliated local unions. Of the nearly 45,000 locals whose reports are covered in this study approximately 1,300 are independent.

Another group of local unions are those directly affiliated with the

American Federation of Labor–Congress of Industrial Organizations. They are few in number and membership,[2] are established by the AFL-CIO itself, and are eventually assigned to an affiliated national or international union.

The second tier in the structure of organized labor is the intermediate union. It encompasses a diverse population and in order to explain the structure of the union movement and the financial relationship between unions I distinguish three subgroups. Most intermediates are associations of locals in geographic proximity and are affiliated with the same parent national or international union for purposes of collective bargaining. In 1966, 30 of 72 national and international unions with 40,000 members or more had constitutional provisions which granted intermediates the authority to bargain.[3]

The second set of intermediate unions comprises locals in a given city, region, or state belonging to different affiliations but sharing occupational, industrial, and general interests. The third consists of the departments of the American Federation of Labor–Congress of Industrial Organizations, the AFL-CIO itself, and other minor federations with which some local independent unions are affiliated. The major departments of the AFL-CIO are building and construction trades, the industrial union, maritime trades, metal trades, and railway employees. Some of the departments and the AFL-CIO itself have state and local counterparts such as the councils in the building and construction trades and state and local federations of labor.

Union members are related to an intermediate organization only indirectly. Members are associated with the first two groups of intermediates through their local union, that is, the local, not the members, belongs to these intermediates. In the case of the AFL-CIO and its departments, the members' association is yet further removed. Members are related to the AFL-CIO only if their local belongs to a regional, national, or international union which, in turn, is affiliated with the AFL-CIO. Those regional, national, and international unions that belong to the AFL-CIO are said to be affiliated unions, while those that do not are described as independent or unaffiliated unions. Most regional, national, and international unions are affiliated with the AFL-CIO. and these also account for the bulk of union membership in the United States.

Regional, national, and international unions, the third group in the structure of organized labor, consist of affiliated local and intermediate bodies and are the center of administrative power of the union movement. At times in this study, the constituents of this group are referred to as parent unions or headquarter organizations. Regional unions, a distinction that has been made for this paper, have locals limited to a few states or to one area of the country. Examples of regional unions are the Southern Labor Union and the Packinghouse and Dairy Workers. Parent unions with locals more broadly distributed throughout the country are classified as national unions. The distinction between regional and national unions is not strictly quantitative. To some extent, it is a matter of judgment, since the distinction exists partly in a conceptual sense. Currently, most national unions are of government employees.

International unions are distinguished from national and regional unions because they have chartered locals or have members-at-large outside the United States. Nearly all locals and most members of American unions outside the United States are located in Canada. In my treatment here of union finances, the funds of locals in Canada have been deducted. The richest and largest of the three subsets of parent unions are the internationals, followed by the national and the regional unions in that order.

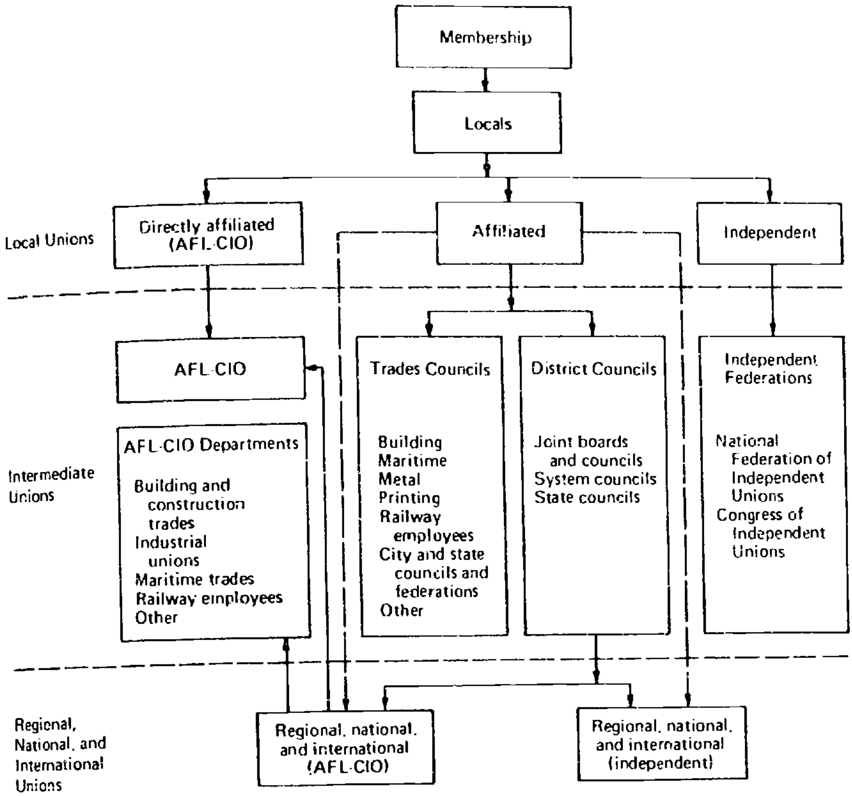
The most numerous labor organizations are the locals. Next are the intermediate organizations, while the parent unions are fewest in number. For reasons discussed in the section on methods, the number of locals and intermediates in this study was held constant, the locals at 44,882 and the intermediates at 2,746. The number of parent organizations was obtained as a count of those actually functioning, and ranged from 202 organizations (in 1963) to 229 (in 1962).

The typical flow of funds between the three types of unions is illustrated in Chart 1. Most union members pay dues and other membership fees to a local, usually through a checkoff, while those who are members-at-large pay directly to the headquarters union. If the local is affiliated with a parent and one or more intermediate organizations, a portion of the members' dues and fees is transmitted to these units. Intermediates that belong to a parent union or to other intermediate unions pay a per capita tax based on their membership. To simplify Chart 1, some transactions involving intermediates have been omitted.

Regional, national, and international unions affiliated with the AFL-CIO pay affiliation fees to the AFL-CIO, while independents do not. If an affiliated parent union belongs to one of the AFL-CIO departments it also pays a per capita tax to that department. As a result, parent unions affiliated with the AFL-CIO may pay affiliation fees not only to the federation itself, but also to one or more of its departments.

It is evident from the foregoing, which does not exhaust all possible relationships, that unions have a complex set of financial ties with each other and that membership receipts are shared in a variety of ways and by all types of organizations. After the members' dues and fees enter the union structure, most of the funds circulate within that structure. In a sense, the unions' funds circulate in a nearly "closed" economy since most exchanges and payments are made within the three-tiered structure and between unions and their employees, rather than between unions and units, personnel, or organizations outside the union movement.

CHART 1 Interunion Flow of Membership Funds



Some Comparisons

Total assets of all unions in the United States exceeded $2.6 billion in 1969, a record high in the history of American labor (Table 1). Despite the absence of comprehensive figures on union assets antedating our series, it is my judgment that the consolidated assets of unions, that is, the unduplicated assets of all unions (in current-dollar values) were never greater. Only for a single year (1953) has union membership been as high as in the mid-1960s, and in the most recent period membership and assets have expanded continuously. However, if consolidated assets are treated in constant dollars, using the Consumer Price Index, 1968 is the record year in the period covered and very likely over the history of organized labor. In constant-dollar values, total assets of unions increased nearly one-fourth between 1962 and 1969.

The wealth accumulated by organized labor in the United States makes the American union movement by far the richest in the free world. The British union movement, the oldest and one of the strongest union movements among Western countries, is probably second, with over $300

TABLE 1 Consolidated Total Assets, Total Liabilities, and Net Assets of American Unions, 1962–1969 (dollars in millions at end of year)

Year	Total Assets	Total Liabilities	Net Assets	Index of Total Assets, Constant Dollars (1962 = 100)
1962	$1,771	$212	$1,559	100
1963	1,876	228	1,648	105
1964	1,901	241	1,660	105
1965	2,025	244	1,781	110
1966	2,206	256	1,950	116
1967	2,388	287	2,101	122
1968	2,569	317	2,252	126
1969	2,647	361	2,286	123

SOURCE: Financial data from tapes of the U.S. Department of Labor, adjusted by the author, and individual union reports.

million in assets, and the Canadian unions third, with an estimated $220 million in total assets.[4] These sums are comparable in concept and practice with the figures reported here on the American union movement.

Union wealth is a modest proportion of the assets of all nonprofit organizations. In 1968, nonprofit organizations such as foundations, private schools, hospitals, unions, and church and charitable institutions had total assets of $124.6 billion and financial assets of $37 billion.[5]

Another useful way to gauge the unions' financial size is to contrast their consolidated finances with *Fortune*'s annual list of the 500 largest industrial corporations, ranked by size of assets, because such a comparison establishes the relative financial strength of two major institutions in the economy and society. If all unions were merged into a "conglomerate enterprise," in 1969 "Labor Incorporated" would have ranked twenty-seventh on the *Fortune* list.[6] Put another way, we can say that in 1969, any one of the top 26 on *Fortune*'s list of the 500 largest industrial companies surpassed the combined union movement in total assets. Based on the *actual* practice and structure of organized labor, that is, with each organization's funds autonomous, no single union would have placed on the *Fortune* 500 list in 1969.

Growth and Distribution of Union Wealth

Both total and net consolidated assets increased in each year from 1962 to 1969, the total rising from $1.8 billion in 1962 to $2.6 billion in 1969, as shown in Table 1. Assets and liabilities per union member also increased, as indicated in Table 2, but less rapidly. If the balance sheet items are

TABLE 2 **Consolidated Total Assets, Total Liabilities, and Net Assets per Union Member, 1962–1969 (end of year)**

Year	Total Assets	Total Liabilities	Net Assets	Index of Net Assets per Member, Constant Dollars (1962 = 100)
1962	$111	$13	$ 98	100
1963	116	14	102	103
1964	115	15	100	99
1965	119	14	105	103
1966	126	15	111	106
1967	132	16	116	107
1968	140	17	123	109
1969	143	19	124	104

SOURCE: Membership: 1962–1966 from Leo Troy, "Trade Union Growth in a Changing Economy," *Monthly Labor Review*, September 1969, Table 4, p. 6; 1967–1969 from preliminary estimates by the author. Financial and membership figures exclude Canada. Total assets, liabilities, and net assets: from Table 1.

treated in constant-dollar terms (by use of the Consumer Price Index) per capita assets rise slowly. Net assets per member, which may be regarded as the members' "equity," rose only 4 per cent in constant-dollar terms from 1962 to 1969.

The reasons for the growth in assets (in current dollars) can only be broadly indicated. Part of the gain in assets comes from net receipts. Increased membership also added to assets. Total membership in the United States rose from 15.9 million in 1962 to an estimated 18.5 million in 1969, a gain of 2.6 million members.[7] Other factors responsible for changes in assets are the sale of depreciated fixed assets above or below book value and the sale and purchase of investments. Because it is not clear how these are treated by various unions, they cannot be linked directly to changes in assets.

Most unions' wealth and most of the changes between 1962 and 1969 are concentrated in the twenty largest affiliations. Although unions comprising an affiliation are financially autonomous, nevertheless the grouping represents a "pool" of resources potentially available to a given population of members. The twenty largest affiliations held over 70 per cent of total assets in 1962 and increased this to more than 75 per cent by 1969. Unpublished membership data I have developed show that the twenty largest affiliations accounted for a substantially smaller proportion of total union membership, about 54 per cent in 1962 and 52 per cent in 1969.

The richest affiliation in the American labor movement (in total assets) is the International Brotherhood of Electrical Workers. In 1969 its combined assets were estimated at almost $310 million, including most, but not all, of the union's self-financed pension fund. Five other affiliations could count total and net assets in excess of $100 million in 1969: the Teamsters, the Auto Workers, the Carpenters, the Ladies Garment Workers, and the International Association of Machinists.

In general, the largest membership organizations are also the richest, although there are some exceptions. Thus, the Teamsters, which is the largest membership organization, with about twice the membership of the International Brotherhood of Electrical Workers, is second to that union in financial power. On the other hand, the United Mine Workers, although ranking high in financial strength, is not among the largest in membership.

The wealth held by individual unions and the several types of union organization is of primary importance in unions' relations with each other and "externally" in their bargaining relations with management. The complex three-tiered structure of unionism sketched above rests upon the financial autonomy of each of the nearly 50,000 unions included in this study. By financial autonomy I mean that each local and intermediate affiliated with a parent union has wide discretion in the use of its funds.

In practice as well as by law, the financial autonomy of affiliated locals and intermediates is a significant feature of union structure. The persistence of financial autonomy is a significant exception to the centralization of administrative authority in national and international unions which has proceeded steadily over a century of union history.

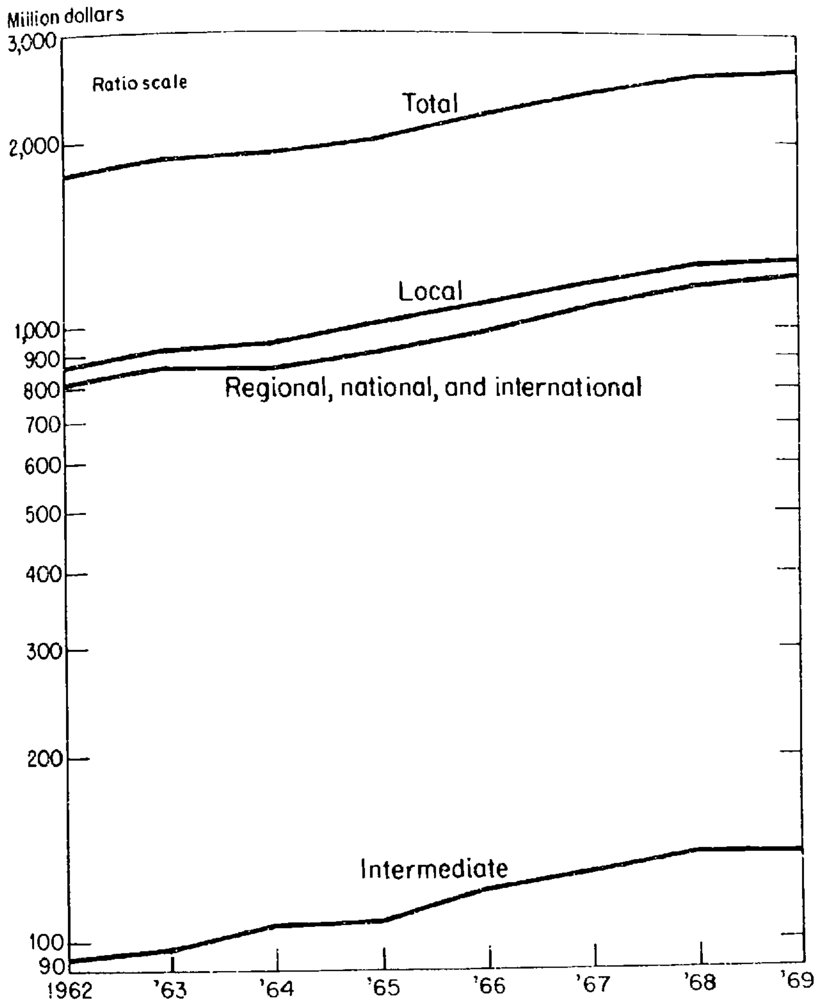
As is shown in Table 3 and Chart 2, local unions own the largest share of

TABLE 3 Total Assets of Unions by Type of Organization, 1962–1969 (millions of dollars)

Year	Local Unions	Intermediate Unions	Regional, National, and International Unions	Total
1962	$ 867	$ 94	$ 810	$1,771
1963	914	97	865	1,876
1964	936	106	859	1,901
1965	1,014	107	904	2,025
1966	1,095	121	990	2,206
1967	1,178	130	1,080	2,388
1968	1,260	139	1,171	2,570
1969	1,272	139	1,236	2,647

SOURCE: Same as for Table 1.

CHART 2 Total Assets of American Unions, 1962–1969 (end of year)



SOURCE: Same as for Table 1.

assets within the American labor movement. Over the period from 1962 to 1969, their share hovered at just under one-half the total. Regional, national, and international unions averaged about 45 per cent and intermediate unions 5 per cent of consolidated assets in the same period. By organization, then, the wealth of unions is nearly equally divided between about 45,000 local unions and some 200 parent unions, and this *organizational* division is the most significant structural characteristic of union finance. Not only does it indicate "the very strong position of local unions in the American industrial relations system,"[8] as John Dunlop has observed, but it also assures a continuing and important role for the local in union affairs.

UNION INVESTMENT POLICIES

Consolidated Portfolio

As I noted earlier, if the nearly 50,000 autonomous units of the American union movement have an investment policy, it is best described as passive. By this I mean that the administrators and officers of most unions have not actively attempted to augment the financial resources of their unions by acquiring financial instruments susceptible of capital gain or of yielding a sizable income. However, this generalization is less true of large local unions and national and international unions than of intermediate, regional, and most local unions.

Because their investment policy is generally passive, unions as a whole keep an extremely large proportion of their assets in cash. Cash, principally in checking accounts, has been the single most important asset in the consolidated balance sheet of unions in 1962 and 1969 (Table 4), as well as over the entire seven-year period. From 1962 to 1969, unions retained from 30 to 35 per cent of their total assets in cash. The forgone alternatives of this allocation are substantial, considering that the cash holdings ranged from over $500 million in 1962 to nearly $900 million in 1968.

Unions explain this liquidity preference on the ground that "profit-making" is of secondary consideration to a nonprofit institution and that liquidity is essential because strikes could require immediate and large amounts of cash. It is argued that "the leadership may feel that the union's assets must be kept in a form that will be readily available to meet sudden contingencies."[9]

Other explanations have been offered to account for the unions' passive investment policy.[10] In a few cases, union constitutions may limit or appear to limit investments to U.S. government securities, although there are no legal restrictions on unions' choice of investments. Some union administrators may be avoiding an active investment policy because they recall the collapse of the labor banking movement in the 1920–1933 period.

Although unions held over one-third of their wealth in cash in 1962-1969, they did make changes in the composition of some other important assets. Between 1962 and 1969 they decreased (in relative terms) their holdings of U.S. Treasuries and added to their portfolio of other marketable securities. The category "other marketable securities" listed in Table 4 consists of corporate stocks and bonds; state, municipal, and foreign

TABLE 4 Consolidated Balance Sheet of American Unions, 1962 and 1969 (end of year)

	1962		1969	
	Millions	Per Cent	Millions	Per Cent
Assets				
Cash	$ 534	30.2	$ 858	32.4
Accounts and loans receivable	100	5.6	111	4.2
U.S. Treasury securities	406	22.9	478	18.1
Mortgage investments	134	7.6	168	6.4
Other marketable securities	275	15.5	547	20.7
Fixed assets	267	15.1	388	14.6
Other assets	55	3.1	97	3.6
Total	1,771	100.0	2,647	100.0
Liabilities				
Accounts payable	19	8.9	44	12.3
Loans payable	33	15.7	37	10.2
Mortgages payable	18	8.6	45	12.3
Other liabilities	142	66.8	235	65.2
Total	212	100.0	361	100.0
Net assets	1,559		2,286	

SOURCE: Same as for Table 1.

government (mainly Canadian) securities; U.S. government obligations other than Treasury securities; and assets of subsidiary union organizations for which separate reports are not filed. The category also includes the assets of self-financed union pension and benefit funds. However, as I shall presently show, very little of the increase in investments between 1962 and 1969 was in corporate stock. Most, apparently, was in government paper.

The share of mortgage investments in consolidated union assets has been modest, averaging about 7 per cent of the total. Mortgage investments rose from $134 million in 1962 to $168 million in 1969. Since both housing and office building mortgages are included in the total the amount invested in housing is not large in relation to available assets.[11]

The current ratios of the consolidated balance sheet of the union movement are exceptionally high. Taking current assets to include cash accounts, loans receivable, Treasury securities, and other marketable securities and defining current liabilities to be accounts and loans payable, the current ratios for 1962–1969 range as high as 34 to 1. The largest liability is the miscellaneous item, designated as other liabilities.

American unions as a whole have not been large investors in common stock—certainly not to the extent some observers have believed. Stocks are not separately identified on the tapes, but are included with other marketable securities. However, by capitalizing the dividend income, we can estimate the unions' holdings of common stock. Based on the average yield of Standard and Poor's index of 500 common stocks, 1962–1969, the estimated value of the unions' holdings of common stock ranged from $125 million in 1963 to $250 million in 1969 (Table 5).

The estimated amount of stock owned by unions averaged about 8 per cent of total assets and 46 per cent of all marketable securities in 1962–1969. However, the stockholdings of unions are probably overestimated. Based on my experience with union reporting practices, I have concluded that part of the receipts reported as dividends are very likely interest from savings accounts and bonds rather than dividends from stock.

If we regard the estimates as limits, it can be said that unions as a whole have not followed an aggressive investment policy toward direct or indirect stock acquisition. Moreover, there is no indication that unions have attempted to gain control over any leading corporation. More important, perhaps, is the fact that unions do not have the financial resources to gain a controlling or significant ownership interest in corporations with which they bargain collectively in the basic industries and thereby transform the structure of industrial relations in this country.

Portfolios by Type of Organization

Although the consolidated union movement has been characterized as having a passive investment policy, there are differences in investment policies among unions. Most local, intermediate, and regional unions follow a passive investment policy, while national and international unions are more likely to attempt to augment their organizations' assets and receipts by acquiring financial instruments susceptible of capital gain or yielding an income from dividends or interest.

The contrasting investment policies of local and intermediate unions on the one hand, and nationals and internationals, on the other, are indicated by the amounts each group allocates to cash and to equity investments. Among locals and intermediates, cash ranks as the most important asset item, while among nationals and internationals, it has usually ranked third in importance. On the other hand, the amount of equities owned by parent unions is about three times the amount owned by local unions and nearly ten times as much as is owned by intermediates.

Differences in the financial policies of unions are also indicated by investments in mortgages. Over the period 1962–1969, almost 80 per cent of all mortgages held by unions were in the portfolios of national and international unions. Put another way, local and intermediate unions,

TABLE 5 **Estimated Value of Equity Investment of American Unions, 1962–1969 (dollars in thousands)**

	Dividend Yield (500-stock S&P index)	Dividend Income, Consolidated Union Movement	Estimated Equity Investments	Equity Investments as Per Cent of Marketable Securities	Equity Investments as Per Cent of Total Assets
	(1)	(2)	(3)	(4)	(5)
1962	3.37%	$4,347	$128,989	46.9%	7.3%
1963	3.17	3,973	125,325	43.7	6.7
1964	3.01	4,271	141,881	45.2	7.5
1965	3.00	4,729	157,639	47.0	7.8
1966	3.40	5,567	163,740	40.7	7.4
1967	3.20	6,525	203,912	41.1	7.9
1968	3.07	7,483	243,760	49.1	9.5
1969	3.24	8,103	250,078	45.7	9.4
Average				45.6	8.1

SOURCE: Col. 1 from *Economic Report of the President, 1970*, Table C-77, p. 267. Col. 2: Same as for Table 1.

although owning more than one-half of the consolidated assets of unions, accounted for only 20 per cent of union holdings of mortgages.

Although local and intermediate unions as a whole are not active investors, the richer among them do tend to hold more of their total assets in various types of investments, U.S. Treasuries, mortgages, and other marketable securities. A report by the U.S. Department of Labor on ten large locals at the end of 1966 showed that they held 42 per cent of their assets in cash and U.S. Treasuries; 32 per cent in mortgages, marketable securities, and other investments; and the balance (26 per cent) in other assets.[12] In contrast, the comparable distribution among the three categories for all locals in 1966 was 61, 13, and 26 per cent. Even though the richer locals (and intermediates) do invest more than poor locals, as might be expected, they lag behind wealthy parent unions. In 1969 there were over 3,000 locals with total assets in excess of $100,000, but these accounted for 70 per cent of the assets of all local unions. Hence, investment policy does appear to be influenced by the type of labor organization as well as by wealth.

One important reason for the diversity of investment policy between locals and parent unions may arise from the fiduciary requirements of the Labor-Management Reporting and Disclosure Act of 1959. The act is designed to protect the integrity of the unions' funds, but at the same time the law may also deter an active investment policy, particularly by local unions. Under the act, an organization's officers and representatives are obligated to hold its money and property solely for the benefit of the organization and its members. For most administrators of local and intermediate unions, perhaps the simplest and safest way to meet this requirement is to buy U.S. Treasury securities and to keep large sums in checking or savings accounts.

SOURCES AND USES OF UNION FUNDS

Consolidated Receipts

The consolidated receipts of American unions are derived from income regularly received from members, from income-yielding assets, and from a number of nonrecurring sources. All receipts irrespective of source are listed in the reporting form unions annually submit to the Department of Labor and are available for disbursement subject only to limitations which may be imposed by union constitutions and law. Standard accounting practice, which distinguishes between current and long-term or capital transactions, is not observed in the reporting procedures and forms of the USDL: neither receipts nor disbursements are categorized or identified as current or capital. In this context, receipts and disbursements from all sources can be aggregated and compared. However, to determine whether regularly recurring income is sufficient to meet recurring expenditures, I have also grouped receipt and disbursement items into two categories, recurring and nonrecurring transactions.

Regular sources of receipts, or recurring income, consist of dues and per capita payments;[13] fees, fines, assessments, and work permits; receipts for transmittal to affiliates; sales of supplies; interest; dividends; rents; and receipts from "other" sources. Nonrecurring receipts include loans obtained, sales of investments and fixed assets, repayments of loans, and receipts from members for disbursement on their behalf. Interunion flows have been eliminated in deriving the consolidated receipts of unions.

Together, the various streams of union receipts produced a consolidated income of $1.3 billion in 1962 which rose in each year thereafter to a high exceeding $3.2 billion in 1969 (Table 6). Over the same period, recurring income contributed much more to total receipts than did nonrecurring income.

Recurring receipts rose by more than 50 per cent between 1962 and 1969, but after adjustment for prices, the increase was 33 per cent. Over the same period, receipts from members' dues and fees far outweigh receipts from property, that is, interest, dividends, and rents. While unions'

TABLE 6 Consolidated Receipts of American Unions, 1962 and 1969

	1962		1969	
	Millions	Per Cent	Millions	Per Cent
Recurring receipts				
Dues and per capita tax	$ 728	63.3	$1,312	70.7
Fees, fines, assessments, and work permits	140	12.2	202	10.9
Sale of supplies	3	0.3	3	0.2
Interest	43	3.7	68	3.7
Dividends	4	0.4	8	0.4
Rents	9	0.8	16	0.9
From other sources	221	19.3	245	13.2
Total	1,148	100.0	1,854	100.0
Nonrecurring receipts				
Sale of investments and fixed assets	128	79.5	1,301	95.8
Loans obtained	10	6.5	18	1.3
Repayment of loans made	8	4.9	13	1.0
From members for disbursement on their behalf[a]	15	9.6	26	1.9
Total	161	100.0	1,358	100.0
Total, all receipts	1,309	100.0	3,212	100.0
Recurring	1,148	87.8	1,854	57.7
Nonrecurring	161	12.2	1,358	42.3

SOURCE: Same as for Table 1.
[a]This item is for charitable or political causes which individual members wish to support. The union acts as the members' agent in these transactions. Unions themselves are prohibited by law from collecting or using organizational funds for political purposes.

dependence on their members for most income would be expected, the declining share from property is, by way of comparison, different from the experience of the British union movement. Paradoxically, American unions, although regarded as "capitalistic"[14] in orientation, derived less recurring income from property sources than the socialist-oriented British union movement.[15]

Recurring receipts per union member rose from $72 to $100 between 1962 and 1969, a rise of almost 40 per cent. Membership receipts taken alone rise from $54 in 1962 to $82 per member in 1969. However, price increases reduced the increase in money receipts of over 50 per cent to an increase of 25 per cent in real terms.

The cost of membership relative to union-induced wage benefits is difficult to measure if only because of the paucity and lack of comparability of data. I estimate that in the United States the cost to union members of belonging to a union is about 1 per cent of annual earnings.

Receipts by Type of Union

Of the three types of unions, local unions take in the largest share of recurring receipts and typically also account for most of the total receipts of unions (Chart 3). The exception was in 1969 when the large sale of investments by one international pushed the receipts of parent unions above that of the locals. The predominant position of local unions in receipts matches their primary position in assets and reinforces local autonomy.

Receipt items vary in importance among the three types of unions. Dues contribute a much larger share of local unions' income than of either of the other types of unions because the dues of members are typically levied and collected at the local level. Intermediate and parent unions usually receive payments from members through the local, and at that only a share of total dues, or what unions call the per capita tax. Since the latter *is* only a share, the amount of dues received by intermediate and parent unions is smaller than the locals'. For the same reason, the other charges associated with membership—initiation fees, fines, assessments, and fees for work permits—also bulk larger in the receipts of local unions than among intermediate and parent unions. Total membership receipts ranged from 78 per cent of local unions' income in 1962 to almost 84 per cent in 1968.

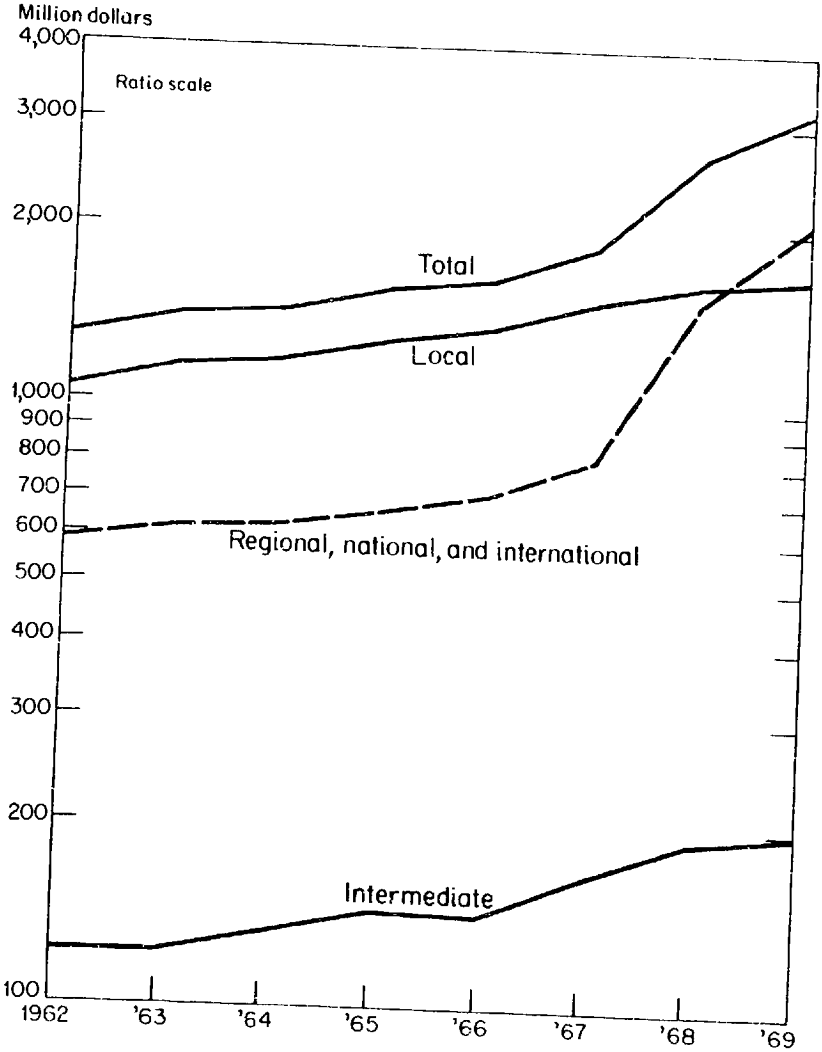
Locals took in more from rent than the other two types of unions, but lagged behind national and international unions in receipts from interest and dividends. The more active investment policy of parent unions, already noted, accounts for their greater receipts from these sources. Although nationals and internationals do derive more from investments than locals and intermediates, nevertheless, they, too, depend primarily on the membership (through the per capita tax) for most of their recurring income.

Consolidated Disbursements

Consolidated union disbursements rose from $1.3 billion in 1962 to $3.3 billion in 1969 (Table 7), paralleling the increase in consolidated receipts. However, in two years, 1964 and 1969, disbursements exceeded receipts. In 1964 the amount was only $3 million, but in 1969 it was almost $45 million.

Like receipts, expenditures can be grouped into recurring (mandatory) and nonrecurring (discretionary) items. Such a classification can show whether recurring costs that arise primarily out of the regular activities of

CHART 3 Total Receipts of American Unions, 1962–1969



SOURCE: Same as for Table 1.

unions can be entirely financed by recurring receipts. Recurring or mandatory disbursements consist of payments to officers and employees, office and administrative expenses, outlays for educational and publicity purposes, professional fees, benefit payments, expenditures on supplies, taxes, and payments for miscellaneous purposes. Discretionary disbursements consist of purchases of investments and fixed assets, loans, contributions, payments on behalf of individual members, and the repayment of loans.

Most disbursements are recurring and, of these, expenditures on officers

TABLE 7 **Consolidated Disbursements of American Unions, 1962 and 1969**

	1962 Millions	1962 Per Cent	1969 Millions	1969 Per Cent
Recurring disbursements				
To officers (gross)	$ 195	18.6	$ 347	20.0
To employees (gross)	250	23.9	440	25.3
Office and administrative	123	11.8	194	11.2
Educational and publicity	27	2.6	39	2.3
Professional fees	25	2.3	36	2.1
Benefits	179	17.2	321	18.4
Supplies	5	0.5	3	0.2
Taxes	25	2.4	47	2.7
For other purposes	216	20.7	309	17.8
Total	1,045	100.0	1,736	100.0
Discretionary disbursements				
Investments and fixed assets	160	75.2	1,428	94.8
Loans made	14	6.4	22	1.5
Contributions, gifts, and grants	14	6.5	26	1.7
On behalf of individual members	18	8.5	31	2.1
Repayment of loans	7	3.4	14	0.9
Total	213	100.0	1,521	100.0
Total, all disbursements	1,258	100.0	3,257	100.0
Recurring	1,045	83.1	1,736	53.3
Discretionary	213	16.9	1,521	46.7

SOURCE: Same as for Table 1.

and employees account for a major part (in 1969 over 45 per cent) of the recurring expenses of unions. Payments to officers and employees rose more between 1962 and 1969 than did other recurring items. Benefit payments were next in importance. These consist of outlays for strike benefits, death benefits, pensions, and health and accident benefits. Taxes are paid primarily to state and local governments; as nonprofit institutions unions are not subject to the federal income tax.

Recurring receipts per member exceeded recurring disbursements throughout the period 1962–1969, thus showing that regular receipts from members and property have been sufficient during the 1960s to finance the recurring or mandatory expenses of unions. However, income from members alone would have been insufficient to cover the recurring expenditures of their unions. For example, membership receipts per capita were $54 in 1962, or $14 less than recurring disbursements; in 1969 they were $82, or $12 below mandatory union expenditures. Consistently, the margin has been provided by income from interest, dividends, and rent. Investment income has therefore been essential to the balancing of unions' income and expenditures.

If all receipts and disbursements are treated as entities, for reasons given above, unions disbursed more than they received in 1964 and 1969 because discretionary expenditures were markedly higher in those two years. The largest discretionary expenditure by far is for investment and fixed assets. Loans, contributions, gifts, and grants usually account for 6 to 8 per cent of unions' discretionary outlays.

Expenditures by Type of Union

Paralleling their dominant role on the receipts side of the ledger, local unions typically expend the greatest amount of union funds, followed next by the combination of regional, national, and international unions, and third by the intermediate unions (Chart 4). However, there are differences among the three types of unions in the types of disbursements just as there are differences in the pattern of receipts.

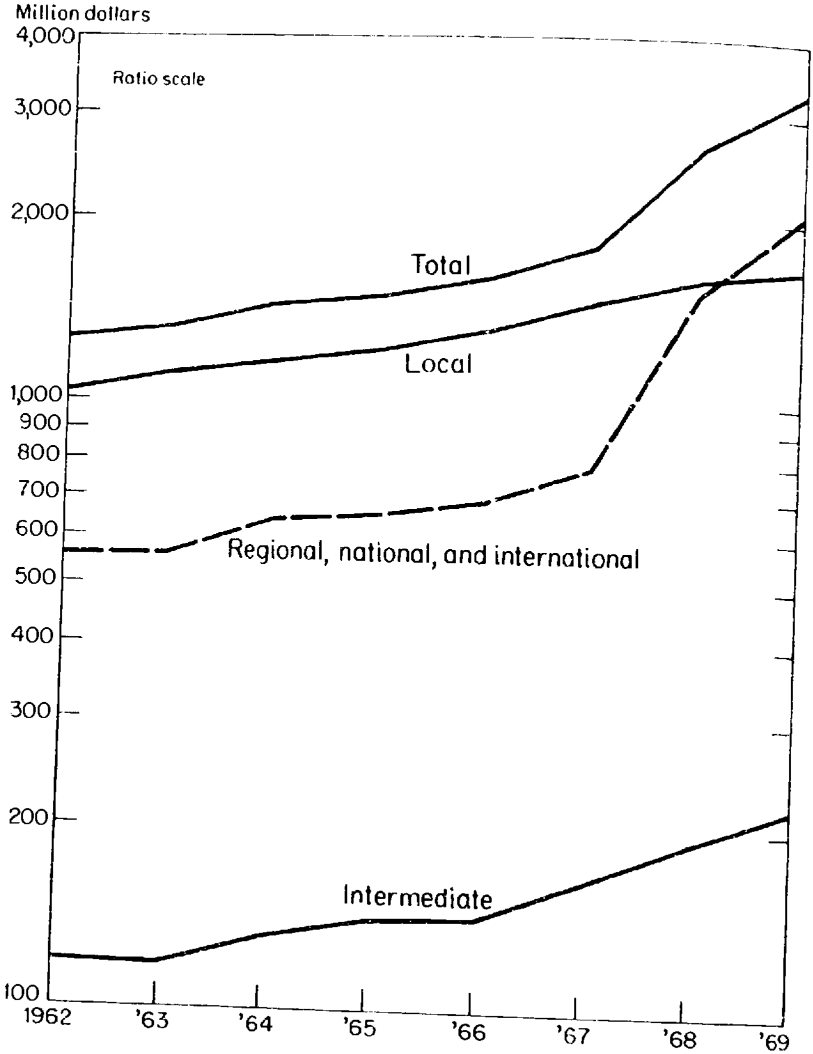
Recurring disbursements are a greater proportion of the total receipts of local unions than of intermediate and parent organizations. The largest single expenditure of local unions is of per capita payments to intermediate and parent unions. When added to other membership-related disbursements, they account for more than one-third of total local disbursements and close to 40 per cent of recurring outlays.

In contrast to local unions, the amounts paid by intermediates and parent unions as per capita membership charges are small. These amounts tend to be limited because the annual rates for these union categories are smaller than for the locals.

Locals' payments to officers are also far larger than the amounts paid by the other types of unions because of the far greater number of local organizations than of other types. Moreover, it is likely that locals are increasingly relying on paid rather than voluntary officers. Locals also pay a larger total to employees than the other types of unions. Again, this is probably due to the large number of local organizations and not because of large staffs.

Benefit payments and employees' wages and salaries were the principal expenditures of regional, national, and international unions over the period 1962–1969. Benefit payments were a far more important item for parent unions because union constitutions typically provide that strike benefits be paid mainly (but not solely) by headquarter organizations. Another reason is that most union-funded pension and welfare benefits for officers and employees have apparently been established at the headquarter level, not at the level of local and intermediate unions. While locals pay out less in

CHART 4 Total Disbursements of American Unions, 1962–1969



SOURCE: Same as for Table 1.

benefits than headquarter unions, they contribute more to charities and grants than do their headquarter organizations.

Over the entire period from 1962 to 1969, local unions' total receipts exceeded total disbursements. Intermediates' receipts exceeded disbursements in all years except 1969, while parent unions' receipts fell short of total disbursements in 1964 and 1969.

APPENDIX

Sources, Coverage, and Methods

The sources of this study are primarily the computer tapes of the U.S. Department of Labor generated from financial reports of unions filing with the department under requirements of the Labor-Management Reporting and Disclosure Act of 1959 (Landrum-Griffin Act). To a limited extent, these were supplemented by reports not on tape to fill gaps in coverage. Beginning with the financial reports for the year 1962, the USDL transcribed to computer tape the reports of most unions subject to and filing under the act. When research for this study was begun, the tapes had been processed for each year from 1962 to 1969, except 1967 for which estimates were made. On average, each year's financial tapes contained over 3 million pieces of useful information. Overall, therefore, approximately 21 million pieces were dealt with in this study.

On supplementary tapes, the USDL coded unions by type of organization and affiliation. These were cross-referenced with the financial tapes, so that each reporting organization was identified and classified. However, in processing the tapes, I found it necessary to add and correct thousands of codes because many reports were uncoded, incompletely coded, or incorrect.

Although the reports on the tapes encompass most of the financial resources of unions, the coverage does not include most unions and associations of public employees. Because public employee unions and associations enjoyed a spectacular growth in the 1960s, it is necessary first to assess the importance of these organizations to the coverage of financial resources before reviewing the coverage on the tapes used in this study.

As noted above, since 1959 most unions in the private economy have been required to file financial reports with the U.S. Department of Labor. Unions exempted from the 1959 act were those in the private sector outside the commerce power of Congress and unions of employees of local, state, and federal governments and of publicly owned enterprises.

The financial resources of exempted unions in the private sector are negligible. On the other hand, the exemption of unions of public employees was potentially important to our coverage. However, the effect was greatly reduced since a number of the leading unions of public employees and their subordinate organizations did file financial reports with the USDL or made them publicly available and so provided a continuous series for this study. These organizations were the American Federation of State, County, and Municipal Employees (AFL-CIO), the American Federation of Teachers (AFL-CIO), the International Association of Fire Fighters (AFL-CIO), and the National Association of Letter Carriers (AFL-CIO). Most locals and other subordinate units of these unions are not included, however. Also excluded are such organizations as the National Education Association.

I estimate that the gap in coverage of the public employee unions not included in the study amounts to approximately 1 to 2 per cent of total union receipts in 1968–1969, based on a report of the U.S. Civil Service Commission. In 1968, the commission projected total dues withheld by unions representing federal employees at $23,267,630,[16] and this projection included most dues-paying members in the federal service. After adjusting for receipts already incorporated in this report, receipts not included total about $17 million. This amount could increase to $31 million if the dues receipts of these unions equaled the ratio of dues to total receipts of all unions for 1962–1969. The gap in total receipts of exempted unions estimated in this manner would constitute 1.6 per cent of average consolidated receipts during 1962–1969. However, the proportion is actually less because most exempted unions are of too recent origin to have the income sources (assets) of the older and more established unions.

Assets of public employee unions not included in this study probably account for an even smaller proportion of consolidated union financial resources than receipts. Since most are new unions, few have had time to accumulate assets, while the few older public employee organizations not covered by this study have historically been small in membership.

Another factor which accounts for the small share of financial resources in public employee unions is their low scale of national and local dues compared to unions in the private sector. For example, in the 1967–1970 period, national per capita dues of the largest union in the public sector, the American Federation of State, County, and Municipal Employees, were only $12 per year. Similarly, in the same period, the largest union among federal employees, the American Federation of Government Employees, charged an annual national rate per member ranging from $19.20 to $39.60. Even the postal unions with the largest treasuries and membership, the Letter Carriers and the Postal Clerks, required annual national dues of only $15 and $16 respectively. Hence, the large income and extensive wealth of these two postal unions is attributable to their longevity, their large and stable membership, and the absence of costly strikes, rather than a high dues schedule.

In contrast to exempted unions, each labor organization subject to the Landrum-Griffin Act must register with the USDL and file an annual financial report not later than ninety days after the close of its fiscal year. Because unions select their own fiscal periods, there is great variation in these dates. In this study and on the USDL tapes, a report falling in any month of a calendar year is counted in that year.

Even as financial information on unions became available under terms of the act, confusion arose over the size of union wealth. Pension and benefit plans subject to collective bargaining were often mistakenly identified with funds generated by members' dues and other payments to their organizations. Since they are separate (and are subject to different reporting procedures) collectively bargained and employer-initiated pension and benefit plans are excluded from this study as not being part of the domain of union finances.

On the other hand, pension, accident, death, sickness, and similar benefit plans, financed solely by union members and administered entirely by the unions, are, with certain exceptions, part of this report. Self-financed benefit plans date from the early nineteenth century among local craft unions, and from about 1880 among national and international unions.[17] Under procedures of the Landrum-Griffin Act, union financial reports do not segregate the funds of self-financed benefit plans or those financed by the employer and administered by the union unless these funds are held in a trust or other legal entity. Funds not legally segregated are included in the unions' standard financial reports and therefore are part of this study. Trusteed funds are reported under other provisions of the law and do not enter the totals shown here.

Most of the moneys generated by union members' self-financed plans are included in this study. Of over $708 million reported in these plans in 1967 (the only year data were available),[18] nearly $500 million are included in my figures.[19] In reports to their membership, unions account for these funds according to provisions of their constitutions, and these reports can differ from those required by the Labor Department. In some cases the moneys are substantial and affect the public's perception of a union's wealth. This is notably true of the International Brotherhood of Electrical Workers. In 1967, the IBEW, under regulations of the Labor Department, reported $130 million in a membership pension plan as part of its total funds, but excluded (again by regulation) $95 million in a trusteed death benefit plan, the Electrical Workers Benefit Association. If the pension fund is deducted from the union's assets, on the grounds that the union is precluded from using the funds for general purposes (as it is), then not only are total union assets smaller, but this union and some others are financially less significant organizations. On the other hand, if trusteed self-financed benefit plans were to be added to the unions' standard report, their total wealth would be larger and total union assets would be about 10 per cent greater. Some large self-financed funds not included in this report because they are under a trust agreement are those of the Railroad Trainmen, now part of the United Transportation Union ($44 million), the International Ladies Garment Workers ($44 million), the Lithographers and Photoengravers ($9.4 million), and the Barbers ($5.2 million).[20]

The assets of collectively bargained and employer-initiated benefit plans dwarf the assets of self-financed union plans as well as the regular assets of unions as reported in Table 1. In 1967, the assets of collectively bargained and employer-initiated plans amounted to $83 billion.[21]

Annual financial summaries of all financial items were grouped by type of organization and by union affiliation. Thus, for example, all financial items of local unions of the Teamsters were summarized; next, all intermediate unions of the Teamsters; then, the report of the international itself; and finally, these were consolidated for all units of the Teamster organization, after adjustments were made for the population of local and intermediate unions not on tape, the number of unions in Canada, and for interunion transactions. The same procedure was applied to all other unions and then to the entire union movement.

After the data had been processed in this manner, annual totals could be computed for all locals of each affiliation, for all intermediate unions of each affiliation, and for the parent union itself. An annual count was also kept of the number of locals and intermediates that were on tape. It was possible by these means to judge when large changes were the result of keypunch errors or random fluctuations in the number of reports on tape. Keypunch errors and erratic coverage were serious obstacles in arriving at the final data reported in the basic tables. Sizable keypunch errors were detected by year-to-year comparisons, comparisons of computed with reported totals, and referral to original reports. Variations in reporting were compensated for by adjusting the number of reports to fixed population figures of local and intermediate unions. These adjustments are discussed below. The most difficult data obstacle in the completion of this study was in attaining row and column balances and equalities. Because of numerous large keypunch errors and expected mismatches of figures with different accounting periods, the data did not initially balance. After many difficult and time-consuming computer-assisted trials the desired results were finally achieved.

Another significant deficiency found in the original data was the USDL tape layout. The money fields were found to be insufficient to encode values exceeding $99,999,990, and figures which exceeded this amount were truncated to this value. Without correction of the results the resources of the union movement as a whole would have been seriously underestimated, even though the bias affected only a few organizations. This shortcoming was easily identified by comparing reported and computed totals: the sum of all asset, liability, receipt, and disbursement items were computed for each type of organization and compared with the total reported in these categories. Since only a few international unions were involved, the truncated figures could be corrected by referral to the unions' original reports.

The procedure for obtaining the consolidated value of any financial item depended upon whether the item involved interunion transactions. Since the asset and liability items and net assets of all units of the union movement did not involve interunion transactions, except perhaps loans, the reports of the three types of unions were totaled without adjustment to obtain the consolidated amounts of each item for the entire union movement. No adjustment for these could be made because they involved transactions with units outside the union movement, as well as within it, and a breakdown was lacking.

However, for several reasons, annual changes in assets could not be linked directly or solely to changes in net receipts. One is the hybrid accounting system used in the unions' reports to the U.S. Department of Labor. On the one hand, receipts and disbursements are recorded on a cash basis, while on the other, assets and liabilities are reported on an accrual basis. For example, receipt items such as dues and interest, which have not been constructively received or disbursed on a cash basis, would nevertheless be recognized in the balance sheet after conversion from a cash to an accrual basis. In the unions' reports to the Labor Department these amounts show up as changes in total and net assets.

Other factors that obscure the link between net receipts and changes in assets include errors and omissions on the USDL tapes, my method for compensating for errors in the original data, and differences in accounting periods among unions. Although unions actually use a variety of accounting periods, all balance sheets were treated as on an end-of-year basis; and all statements of receipts and disbursements, on a calendar basis.

Finally, adjustments and exclusions of certain items were necessary to derive consolidated receipts and consolidated disbursements. On the receipts side, dues, per capita payments, fees, fines, assessments, and work permits were adjusted to compensate for interunion transactions. Another item, transmittals to affiliates, was entirely excluded from consolidated receipts. Adjustments for interunion loans and for receipts from loan repayments could not be made. Because these involve persons and organizations outside the union movement as well as interunion transactions, I decided to add all receipts from these items. However, the combined value of these items in consolidated receipts is small, the largest proportion for any year amounting to 1.6 per cent in 1963. With respect to receipts from sales of supplies, only receipts of regional, national, and international unions were counted in the consolidated statement. Amounts reported by the local and intermediate unions were excluded because the supplies (which consist mainly of union buttons and labels) are usually sold to these subordinate organizations by their parent regional, national, or international union.

Consolidated disbursements are the sum of the separate items of all unions, excluding interunion transactions. Four items were completely excluded in deriving consolidated disbursements: per capita payments; fees, fines, assessments, and work permits; funds collected on behalf of affiliates; and payments for the account of affiliates. Amounts for loans made or repaid were not adjusted, paralleling my treatment of the counterpart receipt items. In 1962, the two items made up 1.7 per cent of total disbursements, which was the largest proportion of any year. Supplies for resale of parent unions only were counted in the consolidated statement since these organizations account for most such purchases from outside the union sector.

As previously stated, in addition to adjustments of money values, I also found it necessary to compensate for random changes in the number of reports transferred to tape by the Department of Labor. As indicated in Table A-1, the number of reports on tape fluctuates considerably from year to year. Moreover, it is also evident from the table that the number of local and intermediate unions on tape is fewer than the number which filed the registration form with the U.S. Department of Labor.

There are several reasons for these discrepancies. One is the administrative inability of the Department of Labor to keep its list current, owing to the substantial number of unions which annually become defunct, merge with other unions, or are assigned multiple registration numbers. At present, there appears to be a considerable lag between the time such changes or errors are detected and the date an organization is removed from the listings of the Labor Department.

Another important reason for the discrepancies between the number of initial filings and the number of financial reports is the tardiness of many unions in submitting reports. According to the department's rules, an organization has ninety days from the close of its fiscal period to file a report. However, this rule is frequently not observed, and many reports come in too late to be included on the tape of that reporting year.

The number of parent union reports fluctuates annually because of dissolutions, mergers, and tardiness in reporting. However, I added or estimated monetary values of active organizations missing from the tapes. In this way, comparability from year to year was maintained.

In the absence of a reliable population count of the number of local and intermediate unions, I adjusted the number on tape each year to a constant population. By using a constant population of local and intermediate unions, I assume that the number and financial resources of organizations becoming inactive each year are balanced by the newly registered unions and that the active unions omitted from the tapes (for a variety of reasons) are randomly distributed. The universe chosen was the number of local and intermediate unions on tape in 1962, the largest of any year on the financial tapes. In 1962, there were 44,882 local unions and 2,746

TABLE A-1 Number of Unions Registered and on Financial Tapes, 1962–1969

	Local Unions		Intermediate Unions		Parent Unions
	Filed LM-1[a]	On Tape	Filed LM-1[a]	On Tape	On Tape[b]
1962	n.a.	44,882	n.a.	2,746	229
1963	49,269	40,377	2,855	2,474	202
1964	49,100	40,500	2,753	2,424	206
1965	49,702	42,095	2,736	2,532	210
1966	49,336	41,095	2,729	2,378	209
1967	n.a.	n.a.	2,725	n.a.	n.a.
1968	n.a.	43,493	n.a.	2,369	212
1969	n.a.	40,396	n.a.	2,219	207

n.a. = not available.
SOURCE: U.S. Department of Labor. Labor-Management Services Administration, *Union Financial Statistics*, 1963, 1966, and tapes on union financial reports.
[a]U.S. Department of Labor, Labor Organization Information Report. This is an initial report to the Labor Department establishing the existence of a labor organization.
[b]Includes reports added in the course of this study.

intermediate unions (net of duplications). In each year, then, the number of reporting unions and the financial amounts they reported were multiplied by the ratio:

$$\frac{\text{Number reporting in 1962}}{\text{Number reporting in given year}}$$

This procedure omits unions which registered but provided no financial information. If active at all, they were probably the smallest in membership and finances and by excluding them a downward bias in the adjustments was avoided. The number of such locals is substantial. As is indicated in Table A-1, about 5,000 more locals registered with the USDL from 1963 to 1966 than appeared on the financial tape of 1962. The number of intermediates which registered but lacked financial reports was smaller.

The Labor-Management Services Administration of the U.S. Department of Labor published a report on union finances for the period 1963–1966 in which the data results differ somewhat from mine. An example of the differences in total assets is shown in Table A-2. Because only aggregates are compared, it is difficult to specify reasons for the differences in detail. However, some of the reasons for the discrepancies are differences in methods, coverage, and classification of unions. The USDL estimated the local population at a constant 48,000 organizations[22] compared to my estimate of 44,882; their count of the number of intermediates varied according to what was regarded as the number of active organizations, while mine was held at a constant 2,746 organizations. Mine included

TABLE A-2 Comparison of Troy and Department of Labor (USDL) Estimates of Total Assets of Unions, 1963–1966 (millions of dollars)

	1963	1964	1965	1966
Local unions				
1. USDL	894	934	975	1,014
2. Troy	914	935	1,013	1,095
Line 1 less line 2	−20	−1	−38	−81
Intermediate unions				
1. USDL	134	138	142	147
2. Troy	96	106	107	120
Line 1 less line 2	37	32	35	27
Regional, national, and international unions				
1. USDL	854	852	911	994
2. Troy	864	859	903	990
Line 1 less line 2	−10	−7	8	4

some government employee unions probably not included in the USDL report. Finally, as already pointed out, I reclassified many organizations.

NOTES

1. "The Assets of Labor Unions," in *Institutional Investor Study*, House Doc. 92-64, 92nd Cong., 1st sess., 1971, Part 6, Vol. 1, App. A-4. A revised version of the National Bureau's contribution to the institutional investor study has been published as *Institutional Investors and Corporate Stock—A Background Study*, ed. Raymond W. Goldsmith (New York: NBER, 1973).
2. As of July 1, 1969, there were 187 directly affiliated local unions, with a membership of 53,300 (*Proceedings and Executive Council Reports of the AFL-CIO*, Ninth Constitutional Convention, AFL-CIO, Washington, D.C., November 18–22, 1971, p. 42).
3. Herbert J. Lahne, "Contract Negotiations: Who Speaks for the Union?" *Labor Law Journal*, May 1969, pp. 259–263.
4. United Kingdom, Central Statistical Office, *Annual Abstract of Statistics*, no. 107 (London: H.M. Stationery Office, 1970), Table 150, p. 46. The figure is for 1968 with the pound valued at $2.80. The CSO reported £129,762,000 in funds at the end of 1968. Canadian unions' assets were arbitrarily estimated at 75 per cent of per capita assets of American unions. In 1969, average assets per member in the United States were calculated at $143, implying assets of $107 per Canadian member. Total Canadian membership of 2,074,600 implied total assets of the Canadian movement at $222 million.
5. Goldsmith, ed., *Institutional Investors*, p. 36.

6. *Fortune,* May 1970, p. 184.
7. Membership figures and references to the extent of organization are from Leo Troy, "Trade Union Growth in a Changing Economy," *Monthly Labor Review,* September 1969, Table 4, p. 6.
8. John T. Dunlop, "Future Trends in Industrial Relations in the United States," mimeographed (Third World Congress, International Industrial Relations Association, September 3–7, 1973), p. 5.
9. Nathan Belfer, "Trade Union Investment Policies," *Industrial and Labor Relations Review,* April 1953, p. 347.
10. Ibid., pp. 342–344 and 346–351; Paul A. Kohler, "Sources, Uses and Economic Implication of Labor Union Revenue" (Ph.D. diss., State University of Iowa, 1950), Chap. VI; Merlin J. Kingsley, "An Analysis of the Investment Policies of International Unions" (M.A. thesis, Loyola University, Chicago, 1957), chaps. III–V.
11. For details on the AFL-CIO's efforts to increase mortgage investments by affiliates, see *Report of the Executive Council of the AFL-CIO* (Ninth Constitutional Convention, AFL-CIO, Washington, D.C., November 8, 1971), pp. 170–172.
12. U.S. Department of Labor, Labor-Management Services Administration, *Financial and Administrative Characteristics of Large Local Unions* (1969), Table 2, p. 32.
13. Per capita payments are technically the share of members' dues locals transmit to the parent regional, national, or international union. In this sense it is a disbursement item. However, many locals report dues as per capita received. Consequently, I included these sums with dues. Per capita payments received by parent organizations are, in fact, receipts and are so treated.
14. George Meany, "Labor Looks at Capitalism" (Address to the Fiftieth Anniversary World Convention of the National Industrial Conference Board, New York City, September 1966).
15. Leo Troy, "American Unions and Their Wealth," *Industrial and Labor Relations Review,* May 1973.
16. U.S. Civil Service Commission, Office of Labor-Management Relations, "Voluntary Union Dues Allotments in the Federal Government, 1968," mimeographed (1968).
17. U.S. Department of Labor, Labor-Management Services Administration, *National Union Benefit Plans, 1947–1967* (1970), p. 1.
18. U.S. Department of Labor, Labor-Management Services Administration, *Welfare and Pension Statistics, 1967* (1970), Table 2, p. 6.
19. USDL, *National Union Benefit Plans, 1947–1967,* App. C, Table 1, p. 89. My totals may be slightly smaller because the data on trusteed plans pertain to national and international unions with over 40,000 members. While this excludes some unions, notably locals and intermediates, the bulk of the funds are probably accounted for.
20. Ibid.
21. Ibid.
22. U.S. Department of Labor, Labor-Management Services Administration, *Union Financial Statistics, 1963–1966* (1969), p. 1.