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## CHAPTER XVII

### TRADE UNION OUT-OF-WORK BENEFITS

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#### I. INTRODUCTION

The experience of a number of trade unions with out-of-work benefits is the earliest, and perhaps the only, example in America of prolonged organized effort toward systematic advance planning to mitigate the effects of cyclical unemployment.

While American trade unions have used this insurance method less extensively than have labor movements in some other countries, their varied experiences are difficult to present within ten pages. There is a considerable "literature" upon the subject, consisting mainly of articles and official reports. The most important of the secondary sources is the monograph by David P. Smelser,<sup>1</sup> which however does not carry the statistical data beyond 1915. To follow the very significant developments of the past seven years, it has been necessary to send questionnaires to all of the national trade unions and to supplement these returns in many important cases with personal letters and interviews. Earnest efforts have been made, within the brief period allotted, to glean from available trade-union sources their own conclusions as to the efficacy of their out-of-work benefits. Responses from the experienced leaders of the American labor movement have been most cordial and helpful.

Most students of the subject are now agreed that, from the viewpoint of general welfare, any system of financial relief that is to meet effectively the social problem presented by a prolonged period of unemployment, should embrace at least four principal features. In any searching inquiry into a system of cash benefits, of whatever nature, these questions are asked:

1. *Is the system inclusive*, that is, does it extend its benefits to all who need the protection and particularly to those who are likely to need it most?
2. Does the system provide with certainty for the collection year after year of *ample premiums to pay adequate benefits* during times of greatest need?

<sup>1</sup> "Unemployment and American Trade Unions," Johns Hopkins University Studies in History and Political Science, ser. 37, No. 1 (1919).

3. Is there provided an *efficient administration of the funds*, which, while granting prompt relief to legitimate claimants will just as effectively deny unworthy appeals?

4. Does the plan *stimulate efforts toward the prevention of the evil* for which relief is provided, particularly does it give to those most directly responsible an incentive to eliminate every removable cause?

These tests will be applied in the above order to the accumulated American experience with trade-union out-of-work benefits.

## II. ARE ALL PROTECTED?

After deducting from 41,600,000 gainfully employed people of this country such groups as those in public service, in domestic and personal service, in the professions, farmers, and those between the ages of ten and fifteen, we have still about 27,000,000 people who work for wages in normal times. Of these 27,000,000, less than 5,000,000 or less than 19 per cent are in labor organizations of any kind. Moreover, as we shall see in a moment, only a very small minority of the organized wage-earners themselves are provided in advance with any assurance of cash out-of-work benefits. No one knows exactly how many thousands are protected, but compared with the total membership of trade unions the number is small.

In earlier periods of wide-spread unemployment prominent representatives of labor have recommended the establishment of regular out-of-work cash-benefit systems. As early as 1831 the Typographical Association of New York paid \$3 a week to unmarried members who were unemployed and \$4 weekly to unemployed married members. But after ninety years a bare half-dozen national unions are known to be paying out-of-work benefits. Samuel Gompers as Secretary of the New York local Cigar Makers' Union in the seventies of the last century strongly urged his national organization to establish a plan. The Cigar Makers did organize a national cash-payment system in 1890 and it has been cited frequently as the chief successful example. But in 1920, after thirty years of experience, the Cigar Makers, "as a result of wide-spread unemployment among their members,"<sup>1</sup> gave up the effort and abandoned their national cash-benefit plan. The Jewelry Workers and the Coal Hoisting Engineers are among other unions that maintained national cash-payment systems at an earlier date, but these two unions have gone out of existence.

The four American unions which on July 1, 1922 reported national out-of-work benefits are the Deutsch-Amerikanische Typographia which has about 700 members, the Diamond Workers with 600 members, the Potters with a membership of 9,200, and the Lithographers with 7,200 members. In addition two unions of foreign origin and direction—

<sup>1</sup> Interview with Samuel Gompers, July 17, 1922.

the Amalgamated Carpenters and the Amalgamated Engineers—have had a limited membership in this country protected by unemployment benefit.<sup>1</sup>

Cash out-of-work benefits, however, have been more common among local than among national unions. The local Typographical Association of New York, mentioned above, provided unemployment benefits at various periods from 1831 to 1907, when the system, for reasons which will be made clear presently was finally abolished. A considerable number of locals of various trades—including certain locals of the Cigar Makers on an optional basis—continue to pay out-of-work benefits. As a result of his inquiry Mr. Smelser concludes that failure of the national unions to establish out-of-work benefits has led many local unions in various trades to provide systems of their own. These scattering experiments have been made from time to time in locals of nearly all trades, indicating wide recognition among local trade unionists of the need for systematic advance planning for periods of unemployment. It will be especially helpful, therefore, to inquire whether the comparatively few organized workers entitled to unemployment benefits of this kind have been able to set aside sufficient funds to make adequate payments.

### III. ARE THE BENEFITS ADEQUATE?

The problem of collecting premiums sufficient to pay adequate cash benefits where trade-union funds have been organized, brings out very strikingly the difficulties encountered by American trade unions in attempting to deal unaided with extended periods of unemployment. In exceptional instances a trade-union out-of-work fund, by making meager weekly allowances, has been able to continue payments to its unemployed membership throughout an industrial depression. But even the exceptional plan formerly operated by the national Cigar Makers, which expressly excluded members from benefit during the seasonal periods of slackness in mid-winter and early July, found its resources rapidly fading with months of general depression.

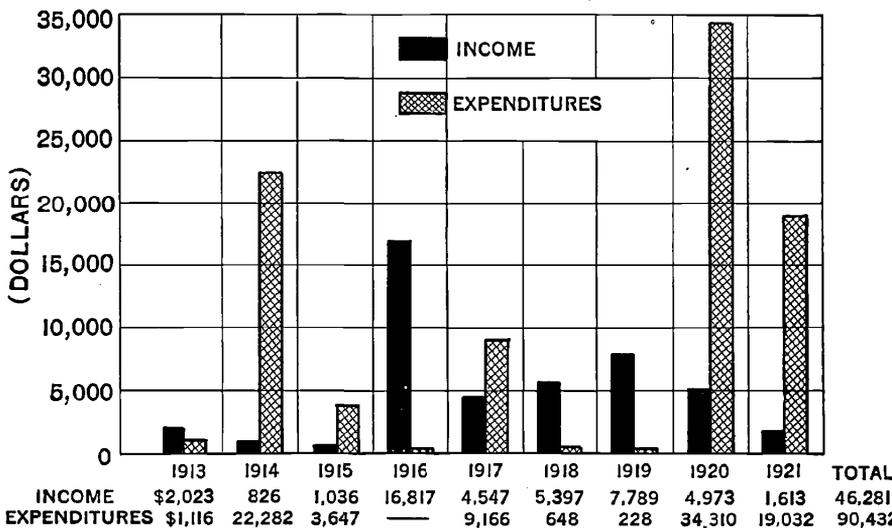
In some instances, as with the New York City branch of the Deutsch-Amerikanische Typographia, the local supplements the benefits paid through the national organization. In this particular case national cash benefits of \$6 weekly for four weeks are continued if necessary for three weeks longer by the local, after which the unemployed member again becomes eligible for national benefit. The national plan of this organization, which was put into effect in 1884, continued in operation despite industrial depressions, the introduction of typesetting machinery, and finally the practical suspension of German language publications during the war. But it was necessary to decrease the weekly benefit

<sup>1</sup> The American division of the Amalgamated Engineers was discontinued in September, 1920.

just at the times when mounting costs of living accentuated the need of adequate financial support. Only during times of prosperity, and when backed by a large working membership, has even this union fund been able to pay unemployment benefits as high as \$6 a week.

The national organization of Lithographers recently organized for its unemployed members a weekly cash benefit of \$3 to be paid for not more than ten weeks in any one year. During the depression of 1920-1922 this union disregarded the ten weeks' limit and continued payment of cash benefits by transferring resources from the general funds of the organization which has had but two strikes in its history.

CHART 55.—RELATION OF INCOME AND EXPENDITURE IN THE DIAMOND WORKERS' OUT-OF-WORK FUND, 1913-1921.



Since April, 1921 cash benefits have been paid by the National Brotherhood of Operative Potters. During its first fiscal year of 1921-1922 the fund suffered a deficit disclosed by the following figures: expenditures \$143,000, receipts \$52,662.

The Diamond Workers' Protective Union of America, organized in 1902, has paid unemployment benefits since August, 1912. At that time the out-of-work fund was established by transferring to it \$600 from the general fund. It was planned to maintain the fund by a weekly assessment of ten cents per capita. The expenses caused by the depression of 1914-1915 were, however, so great that from January 1, 1914 to March 31, 1915 it was necessary to transfer \$22,600 more from the general fund. The deficit remained so great that no benefits could be paid in 1916, and during that year an additional assessment of \$1 per week was levied on all employed members in order to revive the fund. In 1922 the assessment was twenty-five cents per week. From 1912 through 1921

the total assessed income of the fund amounted to \$46,281, whereas the expenditures in cash benefits amounted to \$90,432; the deficit of the fund at the end of 1921 was therefore in excess of \$40,000. The inadequacy of the specific income as compared with the expenditures for unemployment benefit in this national union is shown by the accompanying Chart 55. Andries Meyer, President of the Diamond Workers, believes that on account of financial difficulties, "It is impossible, in the long run, for a trade union to maintain an adequate system of unemployment benefits."<sup>1</sup>

Space does not permit the inclusion of detailed statements of individual union financing of out-of-work benefits, but we may condense into comparable form in a table some additional significant items from the experience of the national organizations.

TABLE XLII.—COMPARATIVE ANALYSIS OF NATIONAL TRADE UNION OUT-OF-WORK BENEFITS.  
July 1, 1922

National union benefit funds	Weekly benefits	Maximum yearly benefit	Average annual per capita cost	Total amount expended	Number of years effective
Cigar makers (1889-1920).....	\$ 3	\$ 72	\$ 1.73	\$1,731,209	32
Deutsch-Amerikanische Typographia (1884)...	5-6	96	5.02	220,192	38
Lithographers (1918)....	3	30	.		4
Diamond workers (1912).	6-7.50	72-90	2.71	90,432	10
Potters (1921).....	10	130	15	143,030	1
Amalgamated carpenters (1860).....	2.10-4.20	63	4.80	16,836 <sup>b</sup> (in 1921 only)	62

<sup>a</sup>The lithographers do not keep separate accounts of their sick and out-of-work funds. The total expended for these two purposes from October, 1918 through June, 1922 was \$104,134, paid by a membership which numbered 6,114 in June, 1919 and 7,564 in June, 1921.

<sup>b</sup>This figure for 1921 was calculated by the Secretary of the union. Figures for the other years are not available as the Amalgamated Carpenters have one fund for all countries.

In general the funds have not been sufficient in amount to provide out-of-work benefits on an adequate permanent basis.<sup>2</sup> George Perkins,

<sup>1</sup> Interview with Andries Meyer, April, 1922.

<sup>2</sup> Striking exceptions are the cash benefits recently paid by certain locals of the Photo-engravers. Most liberal are those of the New York City local which, beginning in February, 1921, has paid the unemployed journeymen a weekly cash benefit of \$25, without limitation as to period of benefit.

President of the Cigar Makers, has insisted that the wage-earners should not be expected to bear the whole burden.<sup>1</sup> The Chicago Mayor's Commission on Unemployment reported in 1914 that the trade-union experiments were then practically the only approach to unemployment insurance.

Since unemployment is caused by general conditions, and the evil of idleness is not confined to the wage-earners directly involved, it is both unfair and impolitic to impose the whole cost of unemployment insurance on the workmen even if their wages might possibly furnish adequate premiums.<sup>2</sup>

Mr. Smelser sets down his conclusion that the first of two reasons why there has been such a slight development of out-of-work benefits in American trade unions is "the unwillingness of the average union member to acquiesce in the necessary increase of dues." The second reason is now to be stated.

#### IV. ADMINISTRATION OF FUNDS

It frequently has been argued by those who concern themselves with systems of cash benefits that public administration by political appointees is likely to result in lax administration, to the demoralization of the recipients, and the rapid depletion of the funds. It has been suggested therefore that there should be local administration in which those who pay premiums into the insurance fund and those who draw benefits therefrom should jointly participate. Trade-union out-of-work benefits furnish illustrations of administration where the same people are donors and recipients and handle their own funds. Has their experience demonstrated that they can administer effectively a fund sufficient to carry their membership through periods of prolonged industrial depressions?

The administrative test as applied to American trade-union experience with cash out-of-work benefits alone, is not entirely clear. It is clear that the funds have not always been organized and conducted for the sole purpose of paying cash to the unemployed. Holding members in the organization during times of individual hardship or during periods of organization stress and strain has admittedly been one outstanding motive of the administrative officials.

In the administration of the national Cigar Makers' fund "many attempts were made to break down the safeguards established for its proper management"—and yet it endured for thirty years. This is a tribute to the leadership. The German-American printers have con-

<sup>1</sup> *American Labor Legislation Review*, June, 1913, pp. 234-7.

<sup>2</sup> *Report of Mayor's Commission on Unemployment*, Chicago, 1914, p. 92.

<sup>3</sup> SMELSER, p. 146.

tinued to pay benefits regularly despite extraordinary extraneous obstacles. The Diamond Workers also have been fortunate in leadership which is able and above suspicion of favoritism. On the other hand some local trade organizations found their expenditures on account of unemployment mounting pretty steadily year after year regardless of years of prosperity. The printers in New York abolished their system in 1907 after paying out more than \$500,000 during the fourteen years following 1894. A number of funds have been abolished because abuses became flagrant. Apparently one chief difficulty in the national administration of trade-union out-of-work funds has been "personal acquaintance of the local union officials with the applicants for benefit. . . . There are always local union officials who pay benefits which should not have been paid . . . . The local officials seem unable to deal strictly with a member who abandons a job on plausible grounds." And finally Mr. Smelser, from whose report the above quotations are extracted, concludes that the second of the two reasons for the slight development of the out-of-work benefit in American trade unions is "the apparent inadequacy of the administrative agencies of the union to secure a just distribution of the benefit."<sup>1</sup>

Various other related expedients of the trade unions to hold their membership during trying times and to offer assistance to the unemployed, throw additional light on their intimate problem of administration. For a great many years labor organizations experimented with traveling loan systems to assist unemployed members to move on to more promising employment centers. But this device has been peculiarly subject to abuse. Union after union has been compelled to give it up on account of administrative difficulties.

Perhaps more significant is the growing tendency of the most ably directed labor organizations to pay no regular cash benefits on account of unemployment, but instead to exempt their unemployed members from the payment of dues. This scheme has the advantage of retaining the member in good standing and keeping him eligible to all union privileges including sick and other benefits. One of the best examples of this type of protection is the out-of-work stamp system of the Iron Molders' Union. It was inaugurated in 1897 as a direct result of the establishment during the previous year of their sick benefit. The national union arranged to pay for a period of thirteen weeks the dues of members in six months good standing who had been unemployed two weeks. Later the executive board was empowered to extend the stamp benefits indefinitely when an exceptional degree of unemployment should be encountered. During the latest industrial depression, due stamps were kept paid up in some instances on behalf of the same individuals for more than fifteen months.

<sup>1</sup> SMELSER, pp. 146-7.

During 1921, 778,826 out-of-work stamps were issued to members, this amount representing a loss in dues of \$467,895.<sup>1</sup> During the first quarter of 1922, 192,075 out-of-work stamps were issued as compared with 206,925 stamps for the same period of 1921. The out-of-work fund is raised at the rate of one cent per capita per week, this amount being absorbed from the sick benefit (under International control) which is raised at the rate of eight cents per week. In the Molders' Union the funds which would normally be kept up by a member's dues are not allowed to fall behind when he is exempted from payment through unemployment, but are maintained from the out-of-work fund.

For every out-of-work stamp placed in a member's due book, an equivalent amount of cash is drawn from the out-of-work fund, and transferred to the fund from which sick, total disability, and death benefits are paid, so that the out-of-work system represents a definite financial item in the affairs of the International Union.<sup>1</sup>

Admirably thought out and carefully administered plans for exemptions of dues like that of the Molders help to prevent disorganization in difficult times and represent a direct protection to the unemployed and also to employed members. At the same time such a plan conserves for the organization as a whole many of the advantages of a cash-payment plan. Just as clearly it would not adequately carry the families of unemployed members through a prolonged period of unemployment.

There remains for our consideration the influence of trade-union benefit systems upon the prevention of unemployment.

#### V. UNEMPLOYMENT PREVENTION

In comparatively recent times there has come a demand for "real thinking and sincere action" in reference to the causes of cyclical depressions and the removal or mitigation of those causes. It must be here set down from an examination of American trade-union experience with out-of-work benefit funds, that there is nothing to indicate that the shouldering of the care of wage-earning families during industrial depression by labor organizations exerts any salutary pressure to prevent cyclical depressions.

#### VI. CONCLUSION

The trade unions through their out-of-work benefits have provided this remedy for only a small minority even of their own unemployed members. Further, several of the few systems in operation have failed to attain the permanency desirable in plans for relieving the needs suddenly

<sup>1</sup> In June, 1922 the American Federation of Labor reported at its Cincinnati convention that during the preceding year the Molders had furnished in unemployed benefits \$446,385, which was more than two-thirds of all such benefits paid by the national unions.

<sup>2</sup> Letter to the writer from JOHN P. FREY, July 1, 1922.

produced by cyclical depressions. The funds accumulated from wage-earners alone have been insufficient in amount and the problem of administration by fellow trade unionists has been troublesome. Placing the financial burden of relief solely upon wage-earners has not utilized effectively an economic force which in our most outstanding American success in such matters, workmen's accident insurance, has resulted in active measures of prevention.

Passing over, as we must in this study of unemployment and business cycles, the incidental or any other advantages of trade-union out-of-work benefits, the conclusion is unescapable that they cannot be depended upon to furnish an adequate source of relief in prolonged periods of unemployment. The tendency of trade-union policy, moreover, appears to be away from systematic accumulation during years of comparatively regular employment of special reserves out of which periodical cash payments might be made to unemployed workmen during the recurring industrial depressions. Out-of-work benefits for the unorganized obviously can not be maintained through unemployment funds of the trade unions, and the unorganized constitute in this country the vast majority of wage-earners and the very ones who on account of their weaker position are likely to suffer first and longest as a result of industrial depression. The facts suggest that if the method of insurance is to be utilized in attacking the industrial tragedy of cyclical unemployment, the formulators of our social policies will do well to consider (1) additional sources for the accumulation of adequate financial reserves and perhaps (2) some kind of additional representative participation in the administration of the funds.