

Convention Urges Overhaul of Nation's Tax Laws

Some 2,000 delegates from unions throughout the state at the California Labor Federation's Convention in Long Beach last week urged Congress to give more consideration to the "consumer squeeze" and less "to phony cries of 'profit squeeze'" in drafting the nation's tax laws.

The delegates adopted a policy statement on taxation in which they announced their opposition to the revival of "trickle-down" theories of taxation that provide tax bonanzas for the wealthy and corporate businesses at the expense of the consumer.

The delegates' statement also took Richard M. Nixon, the GOP gubernatorial candidate, to task for charging "that prohibitive state taxation is driving new industry away from our door."

Citing a survey (recently published in Business Week magazine) of industrial executives' preferred location areas for new plants, the delegates' statement declared:

"This study underscores the fact that low tax rates are distinctly subordinate in importance . . . to the quality and quantity of services available insofar as the attraction of new industry is concerned. A state that does not take

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Brown Appoints Automation Panel

Fulfilling a pledge he made last Spring, Governor Edmund G. Brown has named a 24-member Governor's Committee on Automation and Technological Developments to launch an immediate survey of the impact of automation on California's economy and to work out plans to solve the problems created by the new technology.

The governor had announced that he would name the committee at the biennial convention of the California Labor Federation, AFL-CIO, in Long Beach last week. At that time the governor told the delegates:

"Its purpose will be to attack one of the principal causes of the hard core of unemployment: automation. And your Executive Secretary, Tommy Pitts, is the real leader in this state in that project. He has

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THOS. L. PITTS
Executive
Secretary-Treasurer

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State Leader Calls for Public To Unite for Human Progress in Labor Day Message

By Thos. L. Pitts
Secretary-Treasurer

Too often in recent years the true meaning and purpose of Labor Day has been lost in the general population's preoccupation with a long weekend and the mayhem on the highways that usually results from it.

These are both very natural and very real concerns. But on Labor Day, 1962, it is especially important that we look beyond these immediate concerns to honor and rededicate ourselves to the principles of organized labor that led to the creation of this national holiday.

As Secretary-Treasurer of the California Labor Federation, AFL-CIO, I would first like to commend the men and women of organized labor in California for their unstinting contribution day after day in a multitude of ways to the progress of our state. I would also like to extend the greetings of organized labor to all wage and salary earners presently outside of the labor movement as well, for the labor movement has always been keenly aware of the contribution made to the whole of our economy by its many parts.

It is especially important that we rededicate ourselves today to the principles of organized labor because today we are more aware than ever before of the moral as well as the physical needs of the emerging new nations of Africa and Asia and other sections of the world that look to us for guidance in establishing their own social and political institutions to improve the conditions of life and labor for their peoples. We are aware, acutely aware, that they look to us too for an affirmation of their hunger to believe in the efficacy of the democratic process.

Through the auspices of the U.S. State Department and sometimes through arrangements with various in-

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'Bad Climate' Claim Refuted

Thos. L. Pitts, secretary-treasurer of the California Labor Federation AFL-CIO today refuted allegations "by certain political opportunists that California's tax and wage levels are creating a 'bad climate' for business" and cited statistics to prove his point.

Pitts, the state's AFL-CIO leader, said that charges that business enterprises are being driven out of California "are simply not true."

To prove his point, the labor leader cited a California stock average compiled by Irving Lundborg and Company that consists of 40 stocks that reflect the overall economy of California and asserted that this average experienced an increase in value that was more than double that of the advance of the Dow Jones industrial stock average in 1961.

"The fiction that business is being driven out of California is being written by knaves to deceive fools," Pitts declared.

"Data such as this demonstrates that California, to the contrary, is the best place in the nation for an investor to put his money," Pitts said.

"The ultra-conservatives would have California stop the wheels of progress and wait until the rest of the nation catches up. This is nothing new. Ene-

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Pitts Labor Day Message

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dividual unions, these new nations, as well as some of the older ones, send emissaries to study the functioning of our social and economic institutions. Almost always these "searchers for the way" are particularly interested in the functioning of union democracy in our state and nation.

This interest stems from the fact that union democracy, like collective bargaining, is a product of our economy. We are proud of it.

But in our state particularly this year there are those dealers in deceit who are trying to peddle for their own personal, political or economic advantage the bogus idea that union members are the captives of "political bosses."

These spokesmen claim to champion the personal individual freedom of workers. But their real aim through such cajolery is to undermine the workers' confidence in their elected leaders and, thereby, to weaken and eventually destroy their unions.

This has been the often thinly masked aim of renegades and left-overs from the 19th century ever since the working men and women of this nation first banded together to demand fairer wages and hours and working conditions.

The collective bargaining process was born of the sheer necessity of the worker to gain a fairer share of the product of his labors than he was allotted by those who employed him.

The element that created labor unions was human need. It was the need a worker recognized when his children were hit by hunger pains and he couldn't feed them, or when he watched his wife grow old in months instead of years trying to scrimp together the bare necessities of life.

It was from this sort of basic human need that organized labor drew its strength, its vitality and its determination.

But today, on Labor Day, 1962, people tell us the picture has changed. And they are right. It has. But not to the extent they'd have us believe. If you doubt this just try living the life of a domestic farm worker harvesting the tomato crop for one week and live in the "modern" farm labor camps while you do it.

It has always struck me as exceedingly apropos that the man who fathered Labor Day was also the man who founded the United Brotherhood of Carpenters and Joiners of America. This man, Peter J. McGuire, dedicated his life, both in his craft and in his ideals, to the business of construction.

When unions were still in their infancy and under constant and relentless attack from those special interests that exploited the working man's toil, McGuire proposed an annual national holiday to

honor "those who from rude nature have delved and carved all the grandeur we behold."

McGuire's proposal, which was made in the form of a motion before the Central Labor Union of New York on May 8, 1882, quickly rallied support and the first Labor Day was held on September 5, 1882, in New York City under the aegis of the Central Labor Union.

By 1885 the "working man's holiday" was celebrated on the first Monday of September, in most industrial centers of the country. Finally, in 1894 President Grover Cleveland signed an Act of Congress establishing the first Monday of September as a national holiday.

The important point to note is that the holiday is not a day set aside by Presidential edict to honor the continual struggle of union men and women to win social and economic justice, but a holiday created by organized labor itself and merely recognized by the government after it was established.

Too often the credit that's due to organized labor for social or legislative gains that benefit the public welfare are lost in a foggy past. Labor Day itself is thus a prime example. But there are many others. The bare beginnings of a list of programs developed under the leadership of organized labor would include unemployment insurance, unemployment disability insurance, workmen's compensation, improvements in our state and national social welfare laws and social security laws, the establishment of minimum wage and hour laws and the passage and periodic strengthening of the Fair Labor Standards Act.

These are just a few of the areas in which organized labor has been successful in raising living standards for the benefit of the general welfare of our state and nation. Today many of these achievements are being taken for granted as the natural product of our economic order. We must remind ourselves to remind others that these programs are the fruits of labor's dedication and determination and sacrifice.

While the gains of organized labor during the past 80 years have been vast and substantial, much still remains to be done.

In California, therefore, we again dedicate ourselves this Labor Day to the implementation of the far reaching program embracing the entire scope of economic, social and legislative action set forth by the Fourth Convention of the California Labor Federation, AFL-CIO, which met in Long Beach, August 20-24, 1962.

This program, in part, calls for:

A broad scale attack on the problems of unemployment.

Action to involve an effective plan for the state's economic development.

'Bad Climate'

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mies of social progress have always maintained that areas that provide leadership in wage and social standards lose business to the more backward areas.

"This has always been and still is hogwash. The fact that the California stock average rose from 101.90 to 142.03, a gain of 39.5 percent in 1961 compared to a Dow Jones industrial stock average rise of 18.4 percent is ample evidence of the fact that business in California is not adversely affected by wage and tax levels," Pitts asserted.

"The truth of the matter is that the contention by certain political opportunists that California's tax and wage levels are creating a 'bad climate' for business stems from the bankruptcy of their own ability to recognize the problems of the state and to develop programs for them," Pitts said.

"The fact that Governor Brown has developed an imaginative and effective program to carry California forward leaves the opponents of his Administration casting desperately about in the closets of their own wishful thoughts for issues to throw against his Administration."

"I simply feel sorry for them," Pitts said.

Development of job training programs to keep labor's skills abreast of technological advances and to ease the burden of workers' adjustment to automation.

Action to bring this state's farm workers into the 20th century by granting them the right to organize and bargain collectively and to provide them with unemployment insurance, minimum wages and a host of other protections presently denied them.

Action on federal and state levels to end racial discrimination in housing and in other aspects of community life.

Initiation of a program of professional surveys by manpower experts to project the future skill needs of the state so that effective community approaches to job training programs may be developed.

Enactment of legislation to provide health care for the aged under social security and update existing social insurance programs in unemployment compensation, unemployment disability insurance and workmen's compensation.

These are just a few of the host of goals presently cited on the horizon by organized labor.

They are goals that stem not from a narrow or selfish interest, but from an interest in the public welfare. We urge all those both within and without our ranks to join us in the interest of human progress and brotherhood.

Convention Urges Overhaul Of Nation's Tax Laws

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action to meet its growth needs and fully develop its resources, both natural and human, cannot hope to compete successfully for the attraction of industry irrespective of tax lures."

The delegates' statement asserted that Nixon's claim that prohibitive state taxation is driving industry away from the state was "a deliberate distortion" and amounted to "bald-faced falsehood."

The representatives of AFL-CIO unions throughout the state called for an immediate halt to the annual loss of \$17 billion through existing federal tax loopholes for the wealthy and asserted that consumer purchasing power should be bolstered through a "long overdue reduction of lower and middle income taxation."

The delegates also pointed out that "our regressively structured state and local taxes" . . . "now underwrite 70 percent of our civilian public services."

"The burden of these taxes must be removed from the shoulders of the weakest by initiating moves toward a state tax structure based on the ability-to-pay principle," the statement declared.

On the federal level, the statement said, "few issues affect working people in a more intimate bread-and-butter manner than the recent shifts in our federal tax structure. In less than 25 years, federal tax policy has undergone drastic departures from its earlier 'ability-to-pay' orientation."

"One of the clearest illustrations of the direct impact upon workers is seen in the evolution of the federal income tax. Prior to World War II, a married couple earning \$2,500 annually incurred no tax liability whatsoever. For the first income bracket subject to a tax, a four percent rate was levied on the amount in excess of \$2,500. Although the dollar buys far less today, the exemption for married couples has since been reduced to only \$1,200 while the first income bracket above that amount is subject to a 20 percent tax."

"During the Eisenhower-Nixon years," the statement said, "old loopholes were broadened while new ones were being created" that substantially eased the tax liability of the well-to-do.

For example, the statement pointed out, the tax revision measure of 1954 "lavished upon the wealthy new windfalls such as broadened depletion allowances, special tax credits for dividend income, and a more liberal depreciation formula."

The result was that "a theoretical 91 percent income tax liability for those

Delegates Rap Private Insurance Firms For Draining State's Disability Fund

Private insurance carriers that practice "adverse selection" in participating in the state Unemployment Disability Insurance program were roundly rapped in a policy statement adopted by the delegates to the California Labor Federation's Biennial Convention held in Long Beach last week.

The Federation has been involved in a running battle with the private insurance carriers on the issue of "adverse selection" before various administrative agencies and courts for over a year. "Adverse selection" is the term applied when private insurance carriers that are participating in the state insurance program limit their coverage to those groups of employees in which the risk factor is minimal. Such a practice places the state fund in the position of covering all the high risk employees at the same premium rate that the private insurance carriers get for the minimal risks, Thos. L. Pitts, Executive Secretary of the Federation, explained.

"In practice," Pitts added, "adverse selection results in a drain on, and threatens the solvency of, the state Unemployment Disability Insurance fund and provides what amounts to a subsidy for the private insurance carriers."

with annual incomes averaging nearly \$3 million turned out to be nothing more than a 36 percent tax payment in 1956," the statement said.

The delegates indicated that they viewed the Kennedy Administration's tax program to date "with mixed feelings" although they noted that "a partial step in the right direction was the proposal to recapture \$1.5 billion of the \$17 billion lost through existing loopholes."

The provisions of the Kennedy Administration's tax revision bill have already been substantially slashed, however, in the Senate Finance Committee. Among the provisions already cut out of the bill is one that would have imposed restrictions on expense accounts to provide a \$125 million gain in revenues. Two other provisions eliminated were a proposal to close a \$30 million loophole in taxes paid by foreign subsidiaries of U.S. companies and the elimination of the withholding tax on dividends.

The delegates' statement also noted that organized labor in California has been seeking the following improvements in the bill in the Senate:

1—Repeal of the inequitable dividend credit and exclusion.

2—Further restrictions upon business expense abuses.

3—Termination of capital gains treatment of real estate and personal property sales.

4—Raising the tax liability of savings and loan associations and mutual savings banks.

5—Elimination of the house bill's provisions granting tax deductibility to business lobbying expenses.

6—Retention of overseas tax advantages only in cases of income earned in less-developed countries.

7—Providing a \$900 million stimulus to the economy by permitting the Korean war excise taxes to lapse.

In the statement adopted by convention delegates who represent 1.4 million AFL-CIO workers in California, the delegates noted that "the private carriers . . . are reaching out desperately to find a way of retaining their subsidized position" and ". . . apparently have no intention of ceasing 'adverse selection' until the last stalling tactic has been exploited."

The delegates' statement called for effective termination of adverse selection and for periodic reviews of the financial position of the state Disability Fund to assure an actuarially sound level of operating reserves.

The Federation's battle with the private insurance carriers over the principle of adverse selection goes back to the 1961 session of the legislature when Federation-sponsored legislation to prohibit the practice and to force the private carriers to start taking their share of the bad risks such as the aged, the low income groups and women was passed.

The legislature directed the Director of Employment to devise regulations to end the practice but the insurance carriers initiated one legal maneuver after another to delay the implementation of the orders and thus thwart the mandate of the legislature.

On April 12, 1962 the California Western States Life Insurance Company and other carriers obtained a preliminary injunction in a Sacramento Superior Court to prevent the implementation of orders issued by Irving H. Perluss, Director of the State Department of Employment.

The California Labor Federation took the case to the State Supreme Court and on July 3 the court stayed the injunction. The carriers tried another legal maneuver to modify the court's order but this was rejected on July 18, leav-

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Brown Names 24 to Study Automation

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been after me, he has been after the legislature, he has been after everybody to do something about it. . . .

"We must act and we must act promptly to retrain those workers who already are the victims of automation.

"We are, of course, now encouraging this with unemployment insurance for workers who are studying a second skill and with the on-the-job training for apprentices. But we must do more. We must explore the industrial trends of the future. We must anticipate the skills our work force must have 5, 10 and even 20 years from today.

"This research will be a prime responsibility of this Automation Commission."

In appointing the Committee, which is comprised of three public members, five representatives each from labor and industry, and eleven ex-officio members consisting of State Senators and Assemblymen and State Department heads, Governor Brown stated:

"This is a matter of the utmost importance to thousands of our citizens and their families. Their very livelihoods in many cases depend on something being done with all possible speed . . ." to meet the impact of automation through the creation of new jobs.

"At a special session earlier this year, an automation bill passed both houses by a large margin, indicating broad support for such an investigation as this new committee will undertake," the Governor continued.

"However, because of a minor amendment the bill failed to clear the assembly on the last day of deliberations.

"There is no question in my mind but that the lawmakers wanted to establish a commission and I am sure that the committee I have today appointed will be confirmed by the legislature in 1963," the Governor concluded.

Thos. L. Pitts, Secretary-Treasurer of the California Labor Federation, who appealed to Governor Brown on April 25 to set up a State Manpower Commission, pointed out that the creation of the committee on automation represents a very positive step toward effective implementation of the U. S. Manpower

Development and Training Act of 1962 in California.

Labor representatives named to the committee are:

Wilbur L. Fillippini, Secretary, Building and Construction Trades Council of Santa Barbara County, Santa Barbara; Francis A. Henson, Director of Education, International Association of Machinists, Long Beach; William S. Lawrence, President, ILWU, Local 13, Southern California District Council, Wilmington; Einar O. Mohn, President, Western Conference of Teamsters, San Francisco; and Thos. L. Pitts, Secretary-Treasurer, California Labor Federation, AFL-CIO, San Francisco.

Named to represent the public were: Benjamin Aaron, Director, Institute of Industrial Relations and Professor of Law at University of California, Los Angeles; Andrew C. Boss, S. J., Director of the Labor-Management School, University of San Francisco, San Francisco; and Lewis E. Davis, Professor of Industrial Engineering, University of California at Berkeley.

Representing industry are: Andrew Gensey, Kaiser Industries, Oakland; Carl R. Kunze, Personnel Manager, Lockheed Aircraft Corporation, Burbank; Bernard J. McMahon, Labor Relations Manager, Aerojet-General Corporation, Azusa; J. Paul St. Sure, President, Pacific Maritime Association, San Francisco; William H. Smith, Jr., Executive Vice President, Federated Employers of the Bay Area, San Francisco.

The eleven ex-officio committee members are:

Senator Robert J. Lagomarsino, Ventura; Senator Allen Short, Stockton; Senator Alvin C. Weingand, Santa Barbara; and Assemblyman Lou Cusanovich, Northridge; Assemblyman Edward E. Elliott, Los Angeles; Assemblyman Augustus F. Hawkins, Los Angeles; Commissioner Carl Zachrisson, Economic Development Agency, Sacramento; Director John F. Henning, Department of Industrial Relations, San Francisco; Director Irving H. Perluss, Department of Employment, Sacramento; and Director John M. Wedemeyer, Department of Social Welfare, Sacramento.

Private Insurance Firms Draining Disability Fund

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ing the Director of Employment under orders from the court to stop private carrier raiding of the Disability Insurance Fund.

On Tuesday of this week the State Supreme Court held further hearings on the dispute in San Francisco and took the case under submission. A final decision is expected in September.

The delegates' statement noted that "the Federation's vigilance in fighting this matter . . . has given rise to the hope that this practice (adverse selection) will cease sometime in the near future."

Among other recommendations made in the statement on unemployment disability insurance were:

A proposal that all disability experience lasting more than one week should be compensated on a retroactive basis.

A proposal to extend full disability insurance coverage to all California employees presently excluded, such as domestic workers, employees of non-profit organizations and of political subdivisions of the state.

A proposal to repeal the provision allowing payment of hospital benefits directly to a hospital.

A proposal to extend unemployment disability insurance to an injury or illness caused by or arising in connection with pregnancy.

A proposal to provide dependency benefits consisting of \$7 for the first dependent and \$5 for additional dependents with the total not to exceed \$37.

In conclusion the delegates' statement observed that inasmuch as the unemployment compensation disability program "is financed by employee contribution only, there should be no objection by the employer community or by private carriers to improvements which would make this program a truly effective line of defense against the ill effects of non-occupational disability."

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