CALIFORNIA AFL CIO LABOR FEDERATION

Weekly News Letter

Vol. 4—No. 48
Dec. 21, 1962

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Published by California Labor Federation, AFL-CIO
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An Easy Way to Re-Register for Voters Who Didn't

California voters who failed to cast ballots in the November 6 general election are legally doomed to be "purged from the rolls" during the next few weeks and there is nothing they can do to stop it.

But thanks to an amendment to the State Election Code passed by the 1959 legislature, many of these voters can—if they haven't moved since they last registered—restore their names to their county clerk's list of qualified registered voters quite simply. All they need to do is to remember to fill out and return within thirty days the reply half of a double postcard that they are scheduled to receive from their county clerks in the near future.

In a letter mailed to all affiliated organizations this week, Thos. L. Pitts, secretary-treasurer of the California Labor Council on Political Education, AFL-CIO pointed out that "this is the easy way to keep up our voting strength so I urge all local councils and individual union members to pass the word and remind their fellow workers and friends to be sure to fill out and return these cards to their county clerks.

Voters who have moved since they last registered will not be able to use these cards to re-register. They will have to register in person either at their county clerk's office or through a duly appointed deputy registrar.

Pitts Cites Key Facts in High Court Ruling Against Private Carriers in Fund Case

Thos. L. Pitts, secretary-treasurer of the California Labor Federation, AFL-CIO, which won its long, hard-fought battle to bar private insurance companies from "skimming the cream off" the state's disability insurance fund in a state Supreme Court decision on December 12, reviewed the importance of the victory for labor press editors throughout the state this week.

"The high court's decision was unanimous, clear and emphatic," Pitts said, "but, due to the complexity of the case, many reports of the decision contained misleading statements and gross inaccuracies.

"For example, one story said the disability program is financed by contributions from employers. It is not. It is financed by the employees.

"And the headlines on some of these reports ranged from the accurate to the ridiculous. For example, one headline read 'Insurance Ruling Termed a Tax Saving.' It was accurate. But another head-

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Christmas Message

by THOS. L. PITTS

With the approach of Christmas, many of the world's pressing problems appear to diminish in importance as the spirit of the season — with its emphasis on human brotherhood, humility and charity—permeates many nations, even some where Christianity is not the dominant religion.

This is because the spirit of Christmas embodies concepts of brotherhood that stem from a universal hunger to be freed from the tyrannies of need—need of food, of clothing, of shelter and warmth. It embraces both an insight and a vision of man's potential that appeal to the imaginative mind as well as the sensitive heart; and it enunciates a morality of truth, honesty and compassion that is common to all religions.

The labor movements of this nation and most other nations on the planet are, in their own way, manifestations of the same hunger. They strive toward the realization of the elements of social justice and equality before the law that must prevail if the human race is ever to utilize the enormous source of power for progress—both physical and moral —that is contained in the stark reality of man's brotherhood and his essential community of purpose.

Trade uinonists know that the realization of this source of power is hindered and set back whenever we, as a nation, state, or community, ignore the pressing social and economic needs of our industrial

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Gov. Brown Gets Proposals to Ban Bias In Housing and Strengthen FEPC Law

Legislative proposals submitted to Governor Brown this week to outlaw discrimination in the sale or rental of virtually all housing and to substantially strengthen the Fair Employment Practices Act of 1959 won a prompt and wholehearted general endorsement from Thos. L. Pitts, Secretary-Treasurer of the California Labor Federation, AFL-CIO, today.

Several of the proposals, drafted by the Fair Employment Practices Commission after more than three years experience in administering the law, closely parallel resolutions calling for improvement in the FEP Act which were passed by delegates to the Federation's convention in Long Beach last August.

In this category was proposed legislation:

1—To narrow the categories of employment presently exempted so the FEP Act would cover most

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Job Placement of Aged Climbs 55%

A 55% increase in the placement of older workers in business and industrial jobs in California has been achieved in the past 5 years.

This achievement was disclosed in a special report to the Governor by Irving H. Perluss, Director of the Department of Employment, who submitted the report in re-

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Gov. Brown Gets Proposals to Ban Bias In Housing and Strengthen FEPC Law

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workers in non-profit hospitals or other institutions and all agricultural workers.

2—To strengthen and extend the Hawkins Housing Act to cover all housing, exempting perhaps only very small rental structures with owner-occupant and owner resales of single-family homes.

In submitting the proposals, FEPC Chairman John Anson Ford asked the Governor to assign a top priority to California's "unfinished business in Civil Rights" during 1963 as part of the state's "Action Commemoration" of the Emancipation Proclamation Centennial. Enactment of this legislation, Ford told the Governor, "will make it possible to fulfill your commitment to make California first in achievement of full equality of opportunity for every one of its people."

Other features tentatively planned as part of the Emancipation Proclamation Centennial include the convening in Sacramento next April of the state's first Governor's Conference on Human Rights as well as the issuance of the Governor's Code of Fair Practices to strengthen state guarantees against discrimination.

At its August convention in Long Beach, the California Labor Federation approved a resolution urging that the 100th Anniversary of the Emancipation Proclamation—January 1, 1963—"be the target date for the culmination of . . . a dynamic program for the dramatic change in patterns of human relations and the expansion of the frontiers of freedom in America."

Other amendments proposed in the FEP Act by the five-man commission would:

•—Enlarge the FEP Commission to seven members to allow broader geographic and other representation.

•—Authorize the commission to initiate complaints of discrimination or to carry commission-initiated investigations to hearing and enforcement when necessary.

•—Provide that the substantial evidence rule will apply in Superior Court review of the FEP Commission decisions.

•—Prohibit discrimination in employment, job referrals and student admissions by all schools, colleges and other educational or training institutions.

•—Authorize the Labor Commissioner to suspend or otherwise discipline a private employment agency upon finding by FEPC that the agency has violated the Act.

•—Permit filing of a complaint by a person who has experienced discrimination because of association with a person of another race, creed or ancestry.

To implement the imposed ban on discrimination in the housing field, the commissioners recommended that the Hawkins Housing Act be administered by the FEPC. This would empower the agency to investigate complaints of violation and, if conciliation failed, to bring the matter to public hearing and possible court enforcement.

The commission also suggested that legislation be enacted to provide aggrieved persons under the Unruh Civil Rights Act the option of seeking remedy through administrative procedures and enforcement instead of litigation, and to require non-discriminatory practice by all persons and businesses licensed by the state.

Members of the FEPC, in addition to Ford, are: Elton Brombacher, Richmond; C. L. Dellums, Oakland; Mrs. Carmen H. Warschaw, Los Angeles; and Dwight R. Zook, Los Angeles.

Christmas Message

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society and of underprivileged groups who are denied even the opportunity to share in the abundance modern technology makes possible.

The spirit of Christmas is fused inextricably in the substance of this challenge confronting mankind. Only as we meet this challenge squarely within the framework of the spirit of Christmas — with charity, brotherhood and compassion as our guiding lights — will we mobilize the strength potentially inherent in mankind to bring about Peace on Earth and Good Will Toward Men.

Regulations Issued on Pension Plan Bonding

The issuance of final regulations to implement the requirements for bonding of administrators, officers and employees of welfare and pension benefit plans under the amended Welfare and Pension Plans Disclosure Act has been announced by Assistant Secretary of Labor James J. Reynolds.

Copies of the November 30 Federal Register in which the final regulations were published may be obtained from the Superintendent of Public Documents, Government Printing Office, Washington 25, D. C.

Job Placement of Aged Climbs 55%

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sponse to a provision of the anti-age-discrimination legislation that was passed last year. The report summarizes the accomplishments of the older worker program, which deals with workers 45 years of age or older, since its inception in 1957.

Perluss pointed out that the figures indicate that the California State Employment Service is making progress in easing the job problem of older workers since the overall placement total for all age groups increased by only 37.8% during this same period.

He attributed the success of the placement effort to the cooperation of California employers who are evincing a growing recognition of the worth of mature workers in the labor market. A special study dealing with job orders that were cancelled because of employer insistence on upper age restrictions revealed that small and medium sized firms placed most of these orders and that two thirds of the discrimination was directed toward women. More than half of the jobs in this study were for clerical and office personnel and few of the jobs required any physical strength. The survey disclosed that the attitude of those with hiring authority rather than any company policy generally accounted for the placing of age restrictions on job orders.

The report noted that there are more than a quarter million workers over 65 years of age in California at the present time and that this number is increasing. Older women workers in California's labor market will increase by 57% by 1970, the report said.

Wirtz On Unemployment

"We have lost in this country more potential production in man hours from unemployment in the last 11 months than we have from strikes in the last 35 years," U. S. Secretary of Labor W. Willard Wirtz commented recently during a television interview on ABC's Issues and Answers Program.

Pitts Tells How Carriers Ducked Fair Share of Disability Costs

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line read 'Insurance Monopoly Feared Inevitable.' It was ridiculous," Pitts declared.

The confusion results principally from a spate of deliberately misleading statements by spokesmen for the insurance companies before and after the state Supreme Court's decision, the State AFL-CIO leader asserted.

"Since the decision will result in the transfer of disability insurance policies covering some 475,000 workers from private carriers to the state disability insurance fund effective January 1, 1963, it is vital that union members throughout the state fully understand the facts of this case, particularly since the privately-insured and self-insured plans, when first instituted, offered benefits in some cases substantially better than the benefits at that time available from the state plan."

Key Points Stressed

Some key points workers should know about the disability program Pitts said, are that:

•—Private insurance companies were required by the legislation establishing the program in 1946 to provide better benefits than were available from the state fund.

•—The value of these "greater rights" provided by the privately insured plans shrank from 42.2 percent to a mere 1.6 percent of paid voluntary plan benefits between 1951 and 1958.

•—Adverse selection was the key issue in the lengthy court battle. It is the practice engaged in by the private insurance carriers of selecting only "cream risk groups"—those least likely to file claims—and leaving all the poorer risks for state coverage. The state was receiving the same premium rate for its maximal risk groups that the private carriers were receiving for their minimal risk groups.

•—Private insurance carriers were barred from practicing adverse selection when the plan was first enacted.

•—The ban on adverse selection was relaxed in 1953.

•—To keep the state disability fund solvent the 1961 legislature ordered the ban on adverse selection restored. Increases in statutory benefits available under the state plan had substantially narrowed the gap between the benefits available from privately insured plans and those available from the state so the private carriers resorted to delaying tactics to thwart the will of the legislature and stymie the restoration of the ban on adverse selection.

The Supreme Court's decision upheld regulations adopted by Irving H. Perluss, director of the Department of Employment, to prohibit this practice of "adverse selection" which placed an unfair drain on the state fund.

Perluss estimated that his regulations would result in discontinuance of about 19,400 private plans. Of the 50 private insurance firms presently in the disability field all but 11 would quit the field as a result of the regulations, he predicted.

The regulations directed the private carriers to insure persons in three categories: Those over 50; women; and those earning less than $3,600 per year.

"The private carriers decision to quit the field instead of including these groups in their coverage simply demonstrates the private carriers' inability to compete fairly with the more broadly based state fund," Pitts asserted.

The private carriers have falsely alleged that they have been subsidizing the state Department of Employment in various ways. The falsity of these charges is evident on examination of various aspects of the unemployment compensation disability (UCD) program.

For instance, the UCD law provides for premium refunds similar to the federal income tax refund. Persons who have an amount in excess of the statutory premium deducted from their pay may file for a refund. The state fund is required to make refunds to all claimants regardless of whether the person was insured by a private plan or by the state fund.

The state fund is then supposed to recoup the private carriers' share of the refund by assessing them for their pro rata share of the refunds. Department of Employment data indicates that the voluntary plan assessments for refunds have been consistently lower than their share of the UCD business. Yet private carriers have a high share of the high income groups who are generally entitled to a refund. The private carriers have paid for 43.9 percent of all refunds whereas their total average business during the same period was 49.7 percent of taxable wages. Thus, the state fund has been subsidizing the private carriers to the extent of 5.8 percent of refunds to taxpayers.

Carriers Duck Burden

Another manner in which the private carriers avoided their share of the burden was by evading payment of their pro rata share of benefits paid to persons who became unemployed or switched to a non-covered job but still were entitled to UCD benefits due to prior employment. Such persons remain eligible for UCD benefits for as long as 18 months after they depart from covered employment and enter non-covered employment or become unemployed.

The original UCD program did not provide for assessment for these benefits despite the fact that some of these persons came from firms covered by private UCD plans. In 1947, the legislature established an "extended liability account" for the purpose of assessing themselves and the private carriers for benefits to the unemployed and the non-covered employees.

But, through an elaborate bookkeeping arrangement involving funds within the unemployment insurance system, the private carriers escaped assessment for this purpose. It remained for the 1959 legislature to require sharing of extended liability costs on a full, current and equitable basis.

One of the most flagrant propaganda claims of the carriers is that they are subsidizing the Department of Employment through assessments for administrative costs, Pitts stated.

"The fact is that the carriers secured repeal of the Code section calling for administrative assessments in 1955, and enjoyed the right to operate within a statutory UCD system for the next six years without contributing to the administration of the program," he pointed out.

The 1961 legislature ended this inequity by re-instituting the section levying an assessment on private carriers for expenses incurred by the Department of Employment to make sure that the private carriers did what they were supposed to do.

Private Firms Collect and Quit

Still another gimmick utilized by the private carriers was the practice of cancelling plans and thus dumping them on the state fund after the premium had been collected but while liability still existed for the year.

For instance, on July 1, 1960, approximately 53,000 employees were transferred from voluntary plans to the state fund as the result of cancellation of coverage by private carriers. Since the premium is collected as one percent of a taxable wage base, it follows that, especially among higher income people, most of the premium is collected during the first half of the year.

Fortunately, the Federation successfully supported legislation stipulating that plans could be cancelled only on their anniversary date.

In 1953 when the legislature suspended the clause against adverse selection, the carriers took advantage of it to trim their female content by dropping some plans with a high concentration of women. The state fund female content accordingly rose to a figure of 40.2 percent during the 1956-59 period. A gap of 16.8 percentage points persisted between the female content of the state fund and the private carriers.

When the premium was exceedingly high, the private carriers paid as high as 42.2 percent of paid benefits in greater rights and increased their share of total UCD coverage from an initial 18 percent in 1947 to 52 percent in 1951. However, the paid benefits in greater

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Action to Bolster U.S. Jobless Aid Setup Held Vital

Warning that the nation's unemployment insurance system is "dying of starvation," Raymond Munts, Assistant Director of the AFL-CIO Department of Social Security, called for prompt Congressional action to save the system from collapse in a recent network radio interview.

Munts charged that "unsound financing" and deterioration of benefits had undermined the federal-state jobless insurance program and asserted that it may not survive another recession. Action vitally needed, he said, includes:

—Establishment of federal standards requiring states to pay benefits equal to half of lost wages, up to a maximum of two-thirds of the average wage in the state.

—An increase in the taxable wage base to provide more funds for the program. The present base of $3,000 was set in 1939.

—A supplemental federal program for the long-term unemployed.

Munts pointed out that of more than 3.5 million unemployed, only 1.6 million are receiving any unemployment insurance benefits and that of those receiving benefits the benefits they receive compensate for only one-third of total wages lost. The principal factors that have led to the under-financing of the unemployment compensation program have been employer pressures to keep payroll taxes low and state competition to attract industries through low tax rates, he said.

"The under-financing that has gone on for ten or fifteen years now has depleted reserves, resulted in a moratorium on improvement in the benefit amounts, and put the program in a position generally where it cannot weather a recession of the sort that we experienced in 1958 or 1961," Munts said.

When the program was set up in the 1930's it was expected to be financed at a cost of about 4.5 cents per employee hour at work. The actual cost of existing benefits is less than 3 cents an hour.

"We can have a good unemployment insurance program if we go back to our original goal that employers ought to pay about 4 or 4.5 cents an hour for the program," Munts declared.

Review of Fed's Victory in Disability Suit Notes Gains in Benefits Under State Plan

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rights dropped off sharply to 7.7 percent in 1955 and continued a downward trend until, in 1958, greater rights amounted to only 1.6 percent of paid voluntary plan benefits.

The California Labor Federation, noting that the program was over-financed, pushed hard at each session of the legislature for improvements in the program. Through intensive efforts, the Federation was able to raise the benefits at each biennial session.

The Federation's success is demonstrated by the following increases in the maximum benefits:

Year	Maximum	Increase
1946	$20	—
1947	25	$ 5
1951	30	5
1953	35	5
1955	40	5
1957	50	10
1959	65	15
1961	70	5
1963	75	5

The increase from $70 to $75 in 1963 was due to the escalator clause won by the Federation at the 1961 session. However, all increases prior to that time were won year by year in the legislature.

Once the program reached a proper balance between premiums and benefits, as it did in the late 1950s, it became clear that adverse selection was threatening the solvency of the state fund.

The extension of UCD to agricultural labor, a substantial victory for the Federation, made it even more mandatory to make the private carriers shoulder their part of the load. But it was evident that the carriers had no desire to insure this low wage group.

In 1961 the legislature accepted Federation proposals to make sweeping reforms in the UCD law, including the Federation's escalator for benefits above the newly won maximum of $70.

The lawmakers also directed the Director of Employment to enforce regulations prohibiting adverse selection in terms of sex, age and earnings.

The Department of Employment estimated that the vastly liberalized program, which has increased benefits from a maximum of $20 in 1946 to a high of $70 in 1962 could be supported by a tax amounting to one percent of a $4100 taxable wage base in 1962, $4600 in 1963, $5100 in 1964, and $5600 in 1965.

When Perluss attempted to enforce the ban on adverse selection the private UCD carriers obtained an injunction against the Department of Employment.

At that point, the Federation stepped in and Secretary-Treasurer Pitts filed a petition for an extraordinary writ with the California Supreme Court. On July 3, the Supreme Court issued an alternative writ of mandamus, staying the preliminary injunction granted to the carriers and further directed the Department of Employment to enforce the regulations.

The Court's decision on December 12 unanimously declared that the taxpayers of California need not serve as a captive pool from which UCD carriers can pick and choose the best risks, leaving the poorer risks to the state fund and thus accelerating the premium needed to keep the state fund solvent.

Inevitably, the private carriers attempted to cloud the issue by characterizing the action as a blow against free enterprise.

"But the truth is," Pitts said, "that the competition just got too tough for them."

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