Study reveals gutting of health care and pensions for US workers

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A recent study by the global risk management firm Willis Towers Watson, "Shifts in benefit allocations among U.S. employers," details the results of the decades-long assault on workers' retirement and medical benefits by Corporate America and both big business parties.

The study draws on a database of retirement and health care programs of over 500 companies with at least 200 employees from 2001 to 2015, as well as a survey of 4,721 full-time employees from 2015 to 2016.

The global risk management firm notes the precarious situation facing both older workers—who have little resources for retirement—and younger workers who have only recently become employed. The writers note, "Whether it's the baby boomers behind on retirement savings or the millennials trying to keep up with student loan debts, sluggish wage growth is making their financial burdens heavier. Many employees are worried about paying today's bill *and* about financing tomorrow's retirement."

Employers reduced their expenditures on retirement benefits by a staggering 25 percent between 2001 and 2015, the report notes. In addition to cutting retired and current workers' benefits, corporations have essentially eliminated traditional employer-paid "defined benefit" retirement benefits for newly hired workers, replacing them with "defined contribution plans," such as 401 (K) plans, which are funded by workers with set contributions from employers, with the final payout not "defined" but largely determined by the vagaries of the stock market. According to the study, the percentage of employers offering DB plans plummeted from 45 percent to just seven percent between 2001 and 2015.

To offset rising employee medical costs, the report notes, employers have reduced pension and post-retirement medical expenditures. This "reflects a seismic shift in the allocation of benefit dollars," the report declares. "In 2001, active health care costs comprised about two-fifths of benefits while retirement benefits made up the remaining three-fifths. By 2015, the ratio had flipped, with active health care benefits accounting for slightly less than two-thirds of the costs and the retirement share dropping to slightly more than one-third."

The rise in employer expenditures for current workers' medical care has also spurred on the drive to force workers to pay higher deductibles and co-pays. This process was accelerated under Obama's misnamed Affordable Care Act, which initially included a "Cadillac Tax" on corporations, which provided supposedly overgenerous health care packages.

The corporate and financial elite have long complained that workers are living too long after retirement and that the costs of "legacy workers"—i.e., retirees—has become unsustainable.

In 2005, then CEO of GM spin off Delphi parts maker declared, "We are witnessing the slow death of defined benefits as industrial compensation policy." The "social contract inherent in defined-benefit programs perhaps made some economic sense when you worked for one employer till age 65 and then died at age 70," Miller said. Now, he complained, "people can start work at age 20, retire at age 50, and expect full pensions and health care till age 90 or so."

The Willis Towers Watson study shows the devastating results of this "social contract" being ripped up and the four-decade social counter-revolution waged by the capitalist class to return to the "good old days" when workers essentially labored until they dropped.

According to the study, “44% of older workers (age 55+) who are concerned about their future finances and 64% of those who are struggling financially expect to work to age 70 or later.”

Pew Research Center recently noted that the number of American aged 65 or over who are working jumped from 13 percent in 2000 to nearly 19 percent in 2016, and was expected to increase to 32 percent in the next five years.

Over 25 million Americans 60 years or older are economically insecure—living at or below 250 percent of the federal poverty level or $29,425 a year for an individual—according to the National Council on Aging. This will only worsen as the Trump administration and the Democrats move to destroy Medicaid and prepare the way to slash Medicare and Social Security too.

Far from opposing the attack on pensions and post-retirement medical care, the unions—including the United Auto Workers, Teamsters, United Steelworkers and United Mine Workers—have colluded with management to cut these benefits in the name of boosting the “competitiveness” and profitability of US corporations. While looking the other way as corporations have looted retiree benefits to fund ever-higher dividend payouts, stock buybacks and mega-mergers and acquisitions, the union bureaucracy has increasingly benefit from management of multi-billion-dollar pension and retiree medical care trusts.

In exchange for agreeing to the halving of new hire wages, the expansion of part-time and temporary labor and the destruction of thousands of jobs, the Obama administration handed the UAW control of a massive Voluntary Employees’ Beneficiary Association (VEBA) fund, valued at $50 billion. The UAW executives have a financial incentive to reduce benefits and accelerate the demise of hundreds of thousands of retirees and their dependents to keep their VEBA slush fund and investment vehicle thriving.

The number of impoverished senior citizens could potentially skyrocket this year as 22,600 retired coal miners and the United Mine Workers Health and Retirement Funds nears bankruptcy and the temporary federal fix ends. The Central States Pension fund, which covers 407,000 Teamster truck drivers and warehousemen in the Midwest and South, is also near bankruptcy.

Roughly one million workers are currently covered by multi-employer pension funds that are likely to run out of money in the next twenty years.

The survey of workers notes that since the financial crash of 2008, the desire for retirement guarantees has been rising steadily, up 17 percentage points since 2009. At the same time, only a third of respondents “would accept a smaller paycheck in exchange for more generous health benefits or lower, more predictable costs when using health care services.”

Many employees, the report notes, “appear to have reached the limit of how much they are willing or able to pay for health care benefits, which raises the question: Have we gone too far in cutting retirement support at a time when escalating health care costs—among other factors—are making it difficult to save more?”

The existence of employer paid pensions and retiree medical benefits was not the result of the beneficence of the industrialists and bankers. On the contrary, these social rights were won through fierce industrial battles of the working class in the 1940s and 1950s, and defended in struggles into the 1970s. The suppression of the class struggle by the unions, which reduced strike activity to historic lows during the eight years of the Obama administration, has allowed the ruling class to turn the clock backwards and send millions to an early grave.

The study by the London-based “global risk management” company is not primarily a celebration of the success in robbing workers of their retirements. Noting that survey results “suggest a disconnect between employees’ primary concerns, needs and preferences, and the reshuffling of employer dollars,” the report is also a warning that stagnating wages, impossibly high healthcare costs and working increasingly longer years is provoking enormous anger and that will inevitably find expression in a sharp escalation of the class struggle.