The Privatization of Social Policy?

Occupational Welfare and the Welfare State in America, Scandinavia and Japan

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Public Policy and the Rise of Private Pensions: The US Experience since 1930[1]

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The American system for providing retirement income allocates an unusually important role to private employment-related pension insurance. In the US private sources provide over twice the share of the pension pie that they provide in the average Western European country (Esping-Andersen, 1990:85). A comparative perspective on the public/private mix of pension coverage in the US suggests that private insurance corresponds to the inadequacy of public coverage—it operates as a functional substitute. However, the historical record shows that private coverage appears to grow in response to the establishment and expansion of public coverage. The growth of Social Security coverage between 1939 and 1955 increased the popularity of private plans, and the rapid growth of Social Security benefits after 1975 was followed by another surge in private pensions. The rise of private pension coverage in the United States highlights important questions about the relationship between public and private coverage. In the literature there has been an increasing tendency to view these forms of coverage as codeterminate (Rein, 1982; Rein and Rainwater, 1986c; Shalev, 1988), however we know relatively little about how public policy initiatives influence private sector action.

In this chapter we explore the growth of private pensions in broad historical perspective. We present time-series data that span a period of six decades, beginning in the late 1920s. The data demonstrate that public policy has had important, and often unintended, effects on the rise of private pensions. Public policy has influenced the preference for private pensions among affected groups, and brought new social groups into the historical stage. In short, public policy has caused diverse interest groups to advocate private pensions at different points in time, and has helped to create two important groups: the personnel profession and the insurance industry. Whereas most studies draw arrows directly from policy to occupational welfare outcomes, or from group interests to outcomes, we focus on the role of public policies in shaping the goals and behavior of interest groups, which in turn affect the incidence of private pensions.

Public Policy versus Interest-Based Arguments

By and large, students of policy have identified the growth of private employment-related old age insurance with the paucity of public coverage and the absence of broad congressional support for the expansion of Social Security. Analysts have linked the growth of pensions in the pre-war years to tax changes in 1916 and 1926 that offered tax advantages to companies that provided guaranteed pension programs, and to the meager pension benefits offered by Social Security (Graebner, 1980:134; Quadagno, 1984:637; Schieber, 1982; Macaulay, 1959:24). Wartime pension growth has been tied to "wage stabilization policies, which stimulated a search for non-wage forms of remuneration...[in addition to]...excess profits taxes, and tax exemptions for health and welfare contributions, which reduced the additional cost of insurance and pension programs" (Munts, 1967:9).

During the 1950s legislation expanding Social Security benefits and public regulation of pension schemes were expected to reduce the demand for private insurance and to cause employers to terminate weak schemes (Institute of Life Insurance, 1974). New Social Security increases of the 1960s and 1970s promised to lessen the need for employer-provided coverage, and the Employee Retirement Income Security Act (ERISA) of 1974, which established strict ground rules for pension funds, pledged to make employers more wary of offering pensions (Achenbaum, 1986). Whereas most of these arguments privilege the intended effects of policy as explanatory variables, we argue that the most important policy stimuli to the growth of private pensions have come as the unintended consequences of policies: as policy shifts have led business, labor, personnel management, and insurance industry groups to advocate private coverage at different times.

Explanations focusing on the conflicting interests of business and labor have figured prominently in interpretations of the predominance of occupational welfare in the United States. Most analysts suggest that American unions were too weak to win broad-ranging social insurance coverage, and succeeded at winning employer-provided pensions primarily because employers saw them as the lesser of two evils. Interest-based arguments explain the growth of early pensions associated with welfare capitalism, which employers touted as union-avoidance devices (Brandes, 1976; Slichter, 1929; Jacoby, 1985). Union agitation for fringe benefits stimulated the growth of employer-provided pensions after the late 1930s (Bernstein, 1970; Quadagno, 1988; Stevens, this volume). While the immutable objective interests of stable social groups determine outcomes from this perspective, we argue instead that group interests vary significantly over time as a result of shifting public policy incentives. Our historical approach makes it clear that business groups, for instance, could favor social insurance in one year and then back private pensions in the next.

The Data

To assess arguments about factors that influenced the growth of private pensions we examine data on private pension insurance from two sources. (This information is presented in six charts that can be found at the end of the chapter.) First, we examine time-series data on the number, and proportion, of American workers covered by private pension plans. The federal government compiled these data from public and private sources, notably the Institute of Life Insurance. The data cover pensions purchased through life insurance companies and pension schemes directly organized by employers. Figure 4.1 reports the proportion of the total labor force covered by a private pension plan annually between 1935 and 1987. The data compensate for duplication, so that employees who have earned pension benefits from two firms, or who have vested pensions and have invested in IRAs, are not counted more than once.

Second, we examine over-time data collected in a series of industrial surveys on personnel practices conducted by the National Industrial

Conference Board, a business research group. Figure 4.2 reports the percentage of large employers reporting formal group pension plans for their employees in 1928, 1935, 1946, 1953, 1963, 1972, and 1979. The Board's surveys provide the most consistent over-time evidence of organizational pension practices available. One drawback is that the surveys are biased toward large, publicly-held firms (see Baron, Jennings, and Dobbin, 1988). Because some of the surveys neglected firms with fewer than 250 employees, in Figure 4.2 we report data only from firms with 250 or more employees. These sub-samples consist of 1,676 firms in 1928, 1,644 in 1935, 1,839 in 1939, 2,631 in 1946, 375 in 1954, 275 in 1963, 1794 in 1973, and 1,308 in 1979 (NICB, 1929; 1936; 1940; 1947; 1955; 1964; Meyer and Fox, 1974; Meyer, 1981). This series of studies is particularly useful because the Board used consistent sampling procedures for their personnel surveys. Thus, while the sample sizes may vary the sampling frame does not, making the surveys comparable over time.

The remainder of the paper, apart from our closing remarks, is organized chronologically. For a series of successive watershed events or discrete sub-periods, we examine arguments about processes at work in the light of the time-series data on pension growth. We are particularly interested in how public policy shifts influenced interest group strategies.

The Tax Code Change of 1926

Analysts suggest that the tax code changes of 1926 provided one of the first incentives to firms to establish insured pension plans, which would thereafter receive preferential tax treatment. The tax code changes should have increased the incidence of insured pension plans after 1926, particularly in such technologically-advanced industries as iron and steel, the railroads, machinery, and the utilities (Schieber, 1982). Evidence is hard to come by in these early years, in part because the aggregate data on private pensions reported in Figure 4.1 are estimated for 1930, and interpolated between 1930 and 1935, and thus may not be reliable. It is clear from Figure 4.2, however, that the incidence of formal pension coverage does rise between 1928 and 1935, despite the economy's decline. The NICB conducted a 1925 study covering every informal and formal pension plan the Board could locate. The returns suggest that informal pensions were most common in iron and steel, the railroads, and the utilities even before the tax code changes. The formal plans, singled out to receive preferential tax treatment in 1926, were still rare: they constituted only 28 of the 239 plans studied (NICB, 1925:14). Follow-up studies support arguments about the effects of the tax code changes. The NICB studies show that informal pensions stagnated between 1928 (26.4% of large firms) and 1935 (27.4%) while formal group pensions, which took advantage of the tax code changes, grew substantially (from 1.9% to 13.4%). The tax code change evidently encouraged firms that were considering installing pensions to install the insured group plans.

The Depression Years

We begin this section by providing evidence that contradicts the received wisdom that the depression led to the demise of pension programs associated with industrial "welfare work." We then discuss the public policies that caused pension coverage to flourish even during the depression. A number of analysts argue that the Great Depression dealt a blow to company pension programs. David Brody (1980:78) suggests that it put an end to informal "welfare work" forms of pension coverage; employers had no obligation to honor those pension promises and could ill afford to. Andrew Achenbaum argues that the depression caused employers to cancel all kinds of pension programs, "Bankrupt firms obviously could not honor their pension obligations to superannuated workers: Forty-five plans covering 100,000 employees were discontinued between 1929 and 1932 alone" (1986:17).

The evidence presented in Figures 4.1 and 4.2 contradicts the suggestion that occupational pensions declined during the early 1930s: between 1930 and 1935 federal estimates of total pension coverage do not decline, and in the NICB studies of 1928 and 1935 the incidence of company pension programs increases substantially. The discrepancy between the aggregate trend figures and the figures from the NICB samples, moreover, doubtless results from the fact that between 1928 and 1935 many firms failed or fired large numbers of workers: thus even if the percentage of firms offering plans increased during the early thirties, the number of workers covered may have stagnated. The most telling evidence of the trends during these years comes from an NICB study: many firms added pension programs during the early 1930s, but few surviving firms canceled them. The 1935 study reported that discontinued informal pensions amounted to only 4.7% of operating plans in 1935, and discontinued formal pension plans amounted to only 7.2% of operating plans (NICB, 1936:11). Similarly a study published in Factory Management and Maintenance found that between 1929 and 1936 only 4.8% of surveyed firms had abandoned a pension plan of any kind (Parks, 1936:39).

This evidence counters the widely-held belief that welfarism came to an end in the early thirties, and that private pension coverage dipped between the onset of the depression and the war years, rising again during the war. It supports Sanford Jacoby's (1985) contention that the depression coincided with the disappearance of some forms of welfarism, but not pension welfarism. But why did the use of pension insurance increase during the worst years of the depression when firms were least able to shoulder new labor costs? Historical evidence suggests that pension coverage expanded for two reasons. America's notoriously weak government income protection programs compounded the insecurity of Americans during the depression. This coincided with the insurance industry's massive effort to market new forms of income insurance).

The life insurance industry had done little business in pension coverage before the 1930s, however two changes in public policy contributed to a decision on the part on large insurers to market pension insurance to companies more aggressively (Dobbin, 1992). On the one hand the 1926 tax code changes favored contributions to pension trusts, and on the other hand federal taxes increased during the 1930s. As a result of these changes, each dollar contributed by an employer to a pension trust for an employee, which neither the employer nor the employee paid current taxes on, represented significantly more than a dollar in increased income. These tax code shifts made pensions attractive to business groups and convinced insurers to put more energy into selling pension insurance, particularly as they saw their other sources of revenue decline.

More broadly, the life insurance industry diversified into pension insurance and other non-life forms of coverage in the early 1930s as a result of public policy, namely American social insurance exceptionalism. The absence of public income protections when the depression hit led labor and business groups to back private forms of income protection offered by the insurance industry—by contrast throughout most of Europe labor groups first called for the reinforcement of the existing social insurance net. The absence of public protections also contributed indirectly to the rise of the insurance industry's new strategy of diversification. Because the public sector provided no protections against income loss, employees and employers took advantage of the disability coverage attached to life insurance, to offset income loss during the economic crisis. Disability claims more than doubled between 1926 and 1934 (NICB, 1934:36; Bureau of Labor Statistics, 1935:54). Most insurers responded by disentangling death and disability insurance, and offering employers inexpensive insurance packages, bundling together separate life, disability, accident, and pension policies (NICB, 1934:37). Of course, poor business conditions stimulated insurers to try to sell new forms of coverage. When it came to life insurance policies, "New business was definitely hard to get," and in response Mutual Benefit Life, for example, extended the age limit for life insurance down to age 10 in 1931 and introduced a retirement income bond as well as a contract combining life insurance and a group annuity form of pension in 1932 (Stone, 1957:154). The popularity of pension insurance increased markedly in response to these new insurance industry strategies (Bureau of Labor Statistics, 1935:53).

In brief, American social welfare exceptionalism had contributed to the growth of the life insurance industry since the nineteenth century. Without recourse in the public sector, labor and business leaders backed private forms of income protection during the 1930s, helping to shield the industry from the shock of the depression. If American had already had a social insurance scheme before this time, labor and business groups might have behaved like their European counterparts and called for the expansion of public coverage.

The Wagner and Social Security Acts

In this section we demonstrate that the Wagner and Social Security acts did not have the expected effects on the incidence of occupational pensions, and concentrate on the unanticipated effects of public policy during the late 1930s. The Wagner Act (1935), and the subsequent Supreme Court decision confirming its constitutionality (NLRB v. Jones & Laughlin Steel Corp., 1937), bolstered union legitimacy and led to a massive increase in collective bargaining in American industry (Bernstein, 1985). In the NICB samples the percentage of unionized firms rose from 12% in 1935 to 43% in 1939, and there are a number of reasons to believe that these two samples were nearly identical (see Baron, Dobbin, and Jennings, 1986). Analysts expected these legislatively-fortified unions to win wage increases along with new fringe benefit packages. However, between 1935 and 1940 the proportion of American workers with pension plans remained fairly stagnant (see Figure 4.1), and between 1935 and 1939 the number of firms with formal pensions increased more slowly than it had in the previous period (see Figure 4.2). In the realm of fringe benefits, the Wagner Act may have had little effect because subsequent court decisions denied unions the right to bargain over benefits. Those decisions would have an important effect on union strategy during the forties.

As envisioned by some of its proponents, and equally by some of its opponents, the Social Security Act might have rendered private pension programs obsolete: When social security was proposed, some people raised the alarm that it would kill the sale of life insurance and cut off the growth of pensions. That did not happen. In fact, social security may have helped to stimulate the subsequent growth of those benefits by making economic provision for the future appear no longer to be hopeless (Tilove, 1968:187). Indeed, while the data do not show an increase in pension coverage associated with the Wagner Act, neither do they show the dismantling of private pension programs as a consequence of Social Security. Pension coverage increased gradually in the last half of the thirties. In a 1939 study of the effect of the Act on private pensions, over twice as many firms reported installing private pension plans in response to the Social Security Act (25%) as reported canceling them (10%) (NICB, 1939). Why would the adoption of public coverage have caused firms to adopt private pensions?

Social Security paid an inadequate retirement wage, but it did provide a foundation that made supplementary pensions relatively inexpensive. However uncertainty over the future of Social Security slowed the growth of pension coverage in the late 1930s. Fiscal conservatives opposed Roosevelt's plan for benefit expansion, which might have relieved firms of the need to offer supplementary coverage. Roosevelt's most ardent critics hoped the supreme court would declare the legislation unconstitutional. As a result the NICB's 1939 study found that many firms awaited further legislative action to see which way Congress would swing:

> This delay [by firms] in making necessary adjustments may be explained by the constant agitation for certain fundamental changes in the law which began almost as soon as it became effective. Inasmuch as government pension payments were

not scheduled to begin until 1942, the company could afford to wait for further congressional action as it was not considered a wise policy to change the company pension plan frequently. (p. 24)

Many companies neither installed pension plans nor canceled them for the time being. In the late thirties, then, the uncertain future of one federal program caused the business community to hold off. But why hadn't Roosevelt passed social insurance legislation that would provide a living wage in the first place?

Roosevelt compromised on Social Security legislation to get the bill through Congress. Unions had generally supported Social Security after 1932. Most business interests wanted a low-cost program offering benefit levels below the minimum wage so that they would not drive wages up (Quadagno, 1984; Witte, 1963:89). The business community temporized on the issue of public old age pensions in the mid-thirties, forcing Roosevelt into concessions to placate adequate numbers of tax-wary industrialists. The major business groups were of two minds; Henry Harriman, President of the US Chamber of Commerce, testified in favor of the bill yet the National Association of Manufacturers attacked it in the congressional hearings (Witte, 1963:89).

The insurance industry had opposed public pension coverage. When public coverage appeared inevitable they promoted the unsuccessful Clark Amendment to the Social Security Act which would have exempted from participation in Social Security those employers who carried private insurance. H. Walters Forster and executives of Equitable Life had lobbied hard for the amendment (Witte, 1963:161). Suffering this loss, they petitioned to keep benefits low, so that supplemental private pensions would be needed. In brief, once the tide of public opinion seemed to be behind Social Security the insurance industry made the best of the situation and lobbied for forms of coverage that would help to expand the popularity of private pensions. In subsequent years they would come to see Social Security as the greatest boon to private pensions in history.

OAS's inadequate benefit levels, in turn, would stimulate agitation on the part of labor for supplementary private pensions and elicit action from personnel professionals who recognized in pension insurance some of the same labor-control advantages they had seen in welfare work. The 1935 compromise set in motion a series of events that would enhance the growth of private pensions. The first of those events was the passage in 1939 of amendments to the Social Security Act. Roosevelt and his supporters won amendments initiating pension payments in 1940, two years ahead of schedule. They successfully expanded benefits for participants who had not spent a lifetime paying into Social Security, and extended benefits to family members and survivors. However they compromised with fiscal conservatives in Congress on one key issue; Social Security taxes would not rise accordingly. This made the program a zero-sum game. Expanded coverage would make it impossible to significantly increase benefit payments.

This decision dispelled the uncertainties that mediated collective bargaining over pension benefits. Social Security would not—at least anytime in the near future—provide an adequate retirement wage. CIO unions renewed the fight for the expansion of fringe benefits, and employers who had delayed action due to uncertainty over the future of the 1935 legislation began to install pension programs.

The changes in Social Security had palpable effects on leading business and personnel management groups, who responded rapidly by advocating supplemental private pensions. By the end of the year a group of banks had established the New York Savings Banks Retirement System to supplement Social Security. They argued that "this system is designed to afford a means whereby supplemental benefits may be provided so that the benefits of the Social Security Act may be increased to amounts which afford adequate retirement allowances" (quoted in Baker, 1940:38). In December of 1939 the NICB published a report in its series for personnel directors examining reactions to the 1935 legislation and the 1939 amendments. The thrust of this report, and of other contemporary publications aimed at management, was that "for a very small outlay a firm could earn its employees' gratitude by supplementing the inadequate pension provided by the government" (Jacoby, 1985:254). The base retirement wage provided by Social Security lowered the financial barriers to private pension plans. The report argued that supplemental pensions plans had a number of positive effects. These plans could invigorate operations, because the retirement of older workers; "makes room for younger ones to advance, and ambition throughout the company is stimulated" (1939:6). Moreover; "production costs are lowered through the removal of aged workers whose lagging productivity may hamper the efficiency of all working in cooperation with them" (1939:29). More generally, 74% of the firms with pension plans reported that the improved morale of the workforce offset the costs of their plans (1939:29).

If business organizations had mixed feelings about company pension plans before the passage of Social Security, after its passage and particularly after the 1939 amendments they promoted supplemental pensions as an inexpensive solution to employment problems brought about by the growth of unionism (Jacoby, 1985). The fledgling personnel profession bolstered this trend by identifying pensions as a means to quell union activism and, at the same time, build their own ranks.

The War Years

Pension coverage rose precipitously after 1939. Figure 4.1 reports that the proportion of the labor force covered by private pensions doubled in the forties, and Figure 4.2 shows that the incidence of pension plans rose from less than 20% to over 70% among large firms over a 14-year period. We contend that the wage freeze and tax code changes of the war years did not cause this increase. Rather, the inadequacy of Social Security benefits combined with court rulings on the Wagner Act favoring employers to incite unions to fight for expanded fringe benefits. Thus we find unions struggling for fringe benefits prior to the period which Beth Stevens discusses in Chapter 3. First we review the arguments commonly made about the effects of wartime policies, and demonstrate that the timing of the growth of fringe benefits qualifies those arguments.

The new Revenue Act of 1942 altered the 1926 tax exemptions for corporate pensions. The law required pension plans to cover at least 70 percent of employees, and to equalize eligibility and benefits for high and low income employees. These provisions withdrew tax concession from pension trusts created for executives to dodge corporate taxes, and favored the expansion of coverage (Macaulay, 1959). Moreover the enactment in 1940 of a corporate excess profits tax, which would tax profits exceeding pre-war levels at up to 90%, is thought to have created an added incentive for firms to expand tax-exempt pension payments (Ilse, 1953:297). These changes may have encouraged employers to adopt broad-based tax-exempt pension plans, and to expand their expenditures on private pension plans in order to reduce their taxable income. Beth Stevens (1988) reports a five-fold increase in employer contributions to pension trusts, from $171 million in 1941 to $857 million in 1945.

The wage freeze came from Roosevelt's newly-founded National Labor Relations Board (1942). In adjudicating the Little Steel case, a wage dispute between Bethlehem, Republic, Inland, and Youngstown steel works and their unions, the NWLB ruled that wages could increase to reflect inflation, but not more than that (Seidman, 1953; Civilian Production Administration 1947; Kerry, 1980). The Little Steel formula was soon applied to all American industry. In 1943 the NWLB exempted fringe benefits from the wage freeze, allowing them to expand to "reasonable" levels. After 1943 the tight labor market, the wage freeze which limited employers to attract and retain workers with fringe benefits, and the excess profits tax are thought to have caused employers to install private pension plans and other fringe benefits.

However data suggest that annual increases in pension coverage stabilized throughout the period, and did not respond to either the Revenue Act of 1942 or the NWLB's pension exemptions. Figure 4.3 charts the number of group annuity certificates—then the most popular form of pension insurance—in the United States between 1939 and 1951. These data, collected yearly by Equitable Life and by the Life Insurance Association of America, show a consistent increase throughout the period, with no discernible deviation between 1942 or 1943 and the end of the war in 1945.[2]

If these public policies do not account for the increase in pension coverage during the forties, what does? In what follows we seek to adjudicate between two competing explanations. One argument has it that court decisions regarding the Wagner Act stimulated unions to fight for pension coverage. The 1935 legislation recognized collective bargaining over "wages and conditions of employment," which unions took to include pensions and other fringe benefits but which employers interpreted more narrowly (Munts, 1967:10; Bernstein, 1970). Until 1948, when the National Labor Relations Board and then the Supreme Court sided with unions, the courts had offered a conservative interpretation of the Act which did not require employers to bargain over pensions. Between 1935 and 1948 unions fought to win the right to negotiate over pension plans without legal backing. While they rarely convinced employers to include pension coverage in union contracts, it has been argued that union agitation had indirect effects. Unionized firms may have offered pensions unilaterally to dampen union activity, and non-union firms may have installed them to forestall organizing efforts. These arguments suggest that we should see a significant growth in the coverage of wage workers, both unionized and not.

A second argument expands on a point made above. To wit, the 1939 Social Security amendments sent industry the signal that public coverage would not provide fully for retired workers, and in particular would replace a very small proportion of working income for highly-paid employees. On the one hand, "it was ordinarily believed that the benefits set up [under Social Security] would relieve the employer of the necessity of providing a retirement income for workers earning under $3,000 per year" (Ilse, 1953:296). On the other hand, it was believed that the legislation would stimulate the growth of pension plans for high-wage employees. If pension growth responded to projected benefits in the 1939 legislation, rather than to union agitation, then we should find significant growth in specific coverage for high-wage managerial classes not subject to unionization.

The NICB data illuminate the merits of both interpretations. Figure 4.2, which reports the proportion of firms with pension plans for wage earners between 1946 and 1972, shows that 47% of sampled firms had pension plans in 1946, but only 34% of firms had plans that covered wage workers.[3] The difference between these two figures approximates the percentage of firms that had plans exclusively for salaried or high-income employees, because virtually no firms had plans exclusively for wage workers (NICB, 1954). It should be noted that these figures include white collar firms, where low-income salaried positions were common. When we limit the sample to the newly-unionized manufacturing sector where the wage-salary distinction is more meaningful the discrepancy is more striking: 37.5% of firms had pension plans but only 22.6% offered pensions to wage earners (NICB, 1947).[4] Thus despite the fact that the tax code had rendered pension plans that did not cover 70% of employees taxable since 1943, in 1946 many firms had plans which did not cover wage workers. This evidence appears to support our argument about the effect of the 1939 Social Security amendments; it had clearly stimulated a number of firms to install supplementary pensions for non-union managerial employees who would receive only a small proportion of their working income in Social Security benefits.

On the other hand, pension plans for wage workers, who were normally subject to unionization, did rise sharply between 1939 and 1946. While the NICB did not distinguish between wage and salary pension plans in 1939, the overall figure for that year was 16% for large firms, and the figure for wage-earner-only plans in 1946 was 34%; pension plans for wage earners at least doubled in this period. Union agitation doubtless induced the growth of pensions during these years as well.

Pensions for wage workers grew in part because of the indirect effects of the Wagner Act and of wartime federal controls on labor turnover. As Sanford Jacoby (1985) has argued, the Wagner Act motivated the rapid growth of the field of personnel management, as firms across the country installed personnel departments to deal with industrial relations problems. Then during the early 1940s the War Labor Board, the War Production Board, and other arms of the federal government instituted labor turnover controls that required firms to document their labor needs, prompting many firms to initiate personnel departments (Baron, Dobbin and Jennings, 1986). We would not expect significant growth in the popularity of personnel departments prior to the Supreme Court's confirmation of the Wagner Act in 1937. However, between the NICB's 1939 and 1946 surveys, the percentage of large firms with personnel departments increased from 47% to 75% and the percentage of small firms (<250 employees) increased from 7% to 30% (Baron, Dobbin and Jennings, 1986:354). This growth is significant because fringe benefits programs were one of the principal tools advocated by personnel professionals to win workers' gratitude and to undermine unionism. Thus policies that propelled the diffusion of personnel departments also stimulated the diffusion of pension programs.

In sum, during the war the inadequacy of Social Security benefits convinced businesses to install new supplementary pension programs, particularly for high-wage and managerial employees. Moreover, the Wagner Act accelerated the growth of the personnel management profession. Personnel managers advocated liberal fringe benefit programs, including supplementary pensions, to counteract protections afforded in the Wagner Act. In particular, the Supreme Court's unwillingness to acknowledge collective bargaining over fringe benefits offered business groups an opportunity to secure worker loyalty and preempt pro-union sentiment with unilateral pension programs. Had the Court gone the other way, employers might have favored the expansion of Social Security benefits, in part because the cost of Social Security was divided between the employee and employer while the cost of supplemental pensions was usually borne entirely by the employer. As we shall see, that is what happened when the court reversed its position.

After the War

Many historiographies date the wide diffusion of pension plans to the 1950s. Figure 4.1 shows a steady growth of private pensions from the mid-forties through the late fifties, and Figure 4.4 shows high annual percentage increases in pension coverage from the mid-thirties through the late fifties. Between 1950 and 1960 the proportion of the private wage and salary labor force with private retirement plans rose from 22 to 37 percent (Skolnik, 1976b:4).[5] While the rate of growth was steady throughout the forties and fifties, there is wide agreement that the processes underlying growth differed during and after the war. We have offered some evidence which dispels the notion that war-related federal policies account for the growth of private pensions in the first half of the forties. We have suggested, instead, that the inadequate retirement wage promised under the Social Security Act of 1939 conspired with the conservative judicial interpretation of the Wagner Act by the courts, inciting unions to battle for the right to bargain over pension benefits. This fueled the rise of pension plans. Unions did not win pension plans during negotiations; instead employers responded to the threat of unionization and union strife by unilaterally installing pensions.

Labor's position changed significantly after the war, as Beth Stevens argues in greater depth in the preceding chapter. First, in 1945 and 1946 the CIO and the AFL shifted more of their energies from endorsing public pension expansion to winning private pensions, largely as a result of congressional inaction on Social Security and the increasing viability of private pension programs. During the early 1940s, with Democrats in firm control of Congress, AFL unions had almost exclusively backed public pensions and CIO unions had fought for both public and private pension coverage. In 1945 the CIO's United Mine Workers, United Auto Workers, and Amalgamated Clothing Workers each began a campaign to win pensions from employers, and the AFL passed a resolution in favor of private pensions at its annual convention in 1946 (Stevens, 1988:135). Second, in 1947 the Taft-Hartley Act cut back the gains associated with the Wagner Act, and like Wagner remained vague on the negotiability of retirement plans. Third, in 1948 the National Labor Relations Board finally legitimized negotiations over pension benefits in a case brought against the Inland Steel Company, arguing; "The term 'wages' as used in Section 9 (a) [of Taft-Hartley] must be construed to include emoluments of value, like pension and insurance benefits," and in 1949 the Supreme

Court upheld that decision (Ilse, 1953:319). In the aftermath of the Steel Industry Fact-Finding Board's report in 1949, which favored the introduction of fringe benefits to settle a wage dispute, negotiated pension plans appeared in steel, autos, rubber, and other sectors (Goldner, 1950:5). By 1950 such major unions as the United Mine Workers, the United Auto Workers, the United Steel Workers, and the International Brotherhood of Electrical Workers had negotiated pension plans (Goldner, 1950:38). In short order virtually every unilateral pension plan in a unionized firm was transformed into a negotiated plan.

In brief, Taft-Hartley had bolstered union support for negotiated pension plans, because when the 1947 legislation cut back union powers, industrial unions fought particularly hard to win pension plans in order to demonstrate their efficacy to members and prospective members. In addition to enabling unions to negotiate over pensions, the 1948 NLRB ruling also removed all union opposition to employer-financed pension plans. A number of unions had favored pension programs which incorporated employee contributions on the premise that such plans would be non-forfeitable, however unions could now negotiate non-forfeitable employer-financed pensions (Ture, 1976:35).

Figures 4.1 and 4.2 show significant post-war increases in pension plans, and taken together they support the traditional wisdom about when and where pension plans thrived. First, among the large firms represented in Figure 4.2 pension plans grew most between 1946 and 1953, doubtless in part as a result of the Inland Steel decision. Second, there were substantial post-war gains in pensions for wage workers, who were subject to unionization. This is evident in Figure 4.3, which shows that among large firms the gap between the total number of firms with pensions and those with wage earner pensions narrowed from 13 points to 3 points. Similarly, the Bankers Trust Company found that in 1943-45 only 63% of company pension plans surveyed covered virtually all employees, and the remaining 37% were usually targeted to managers, whereas by 1953-55 about 90% covered virtually all employees (Bankers Trust Company, 1960:7). Third, throughout the economy as a whole, and particularly in smaller firms, pension coverage grew steadily until the late fifties, as we see in Figure 4.1. Figure 4.4, which reports the annual change in the percentage of the labor force covered by private pensions, also supports that conclusion. These data suggest that many large firms had already installed pensions by the early fifties, but that pension coverage diffused to small firms in the mid- and late fifties. The total number of company pension plans in operation grew rapidly in those years, as small firms installed pensions.

Social Security Benefit Increases of the Fifties

Private pensions grew during the 1950s as a result of the effects of public policy on both business and labor strategies. For labor, as Jill Quadagno (1984) has argued, the prevalence of "offset" private pensions made it futile to lobby for Social Security increases, which would not result in a net pension income gain for members, hence many unions continued to advocate the growth of private pensions. Of course, federal policy permitting the deductibility of "offset" pensions had made that pension form viable in the first place. After 1945 CIO leaders had deliberately fought for private pension plans as a way to get employers to back the growth of social insurance (Stevens, 1988:137), and the strategy eventually paid off. For business, what happened was more complex. In brief, the Inland Steel decision meant that firms could no longer quell unionism by offering unilateral fringe benefit plans. Instead large-scale businesses backed the expansion of Social Security benefits, to reduce their pension expenditures. In the aftermath of legislation increasing Social Security benefits, which reduced the cost of supplemental pension plans, small and medium-sized businesses moved to adopt private pensions. In other words, new federal policy vis-a-vis the union negotiation of pensions changed the incentive structure for large scale industry, which then successfully backed Social Security increases, which in turn made private pension programs more attractive to small businesses.

Business support for Social Security increases

Business came to support more generous public benefits in part as a result of the Inland Steel decision in 1949. The AFL and CIO had long backed the expansion of Social Security benefits, but they had also fought for employer-provided pensions (Stevens this volume). On the other hand, the business community in general had opposed Social Security increases, because they preferred to keep wage taxes down and because they believed that unilateral fringe benefit programs helped to undermine unionism. In the aftermath of Inland Steel industrialists in large unionized firms no longer saw fringe benefits as a potential means to undermine unionism; on the contrary unions were claiming credit for successfully negotiating generous fringe benefit packages.

Meanwhile the structure of the popular "offset" or "envelope" pension plans created a financial incentive that caused employers to favor Social Security increases. Those plans guarantee the employee retirement benefits based upon Social Security payments, typically reducing the monthly retirement benefit by either fifty cents or a dollar for every dollar of Social Security income. Once pension plans lost their labor-control allure, business leaders realized that their expenditures for offset pensions would be reduced every time Social Security benefits rose. Within months of the 1949 Inland Steel decision many of the major steel producers had signed offset pension agreements tied directly to Social Security payments, and most of the negotiated agreements made over the next few years took this form (Ilse, 1953:321). From the perspective of the employee,

> One problem with the offset plans was that when social security increased, the worker had to pay a higher contribution but he did not realize any increase in benefits, and the employer plan got a 'windfall' because of the increased offset to the benefits which it had to pay. (Tilove, 1968:189)

By contrast, every increase in public benefits would preface declining employer outlays, and this helped to garner support among industrialists for the growth of Social Security—as CIO leaders had calculated that it would when they accepted offset pensions (Quadagno, 1988:169). As many private pension plans were fully financed by employers—42% of those in a 1948 survey—whereas employees and employers divided the cost of Social Security payments, the expansion of Social Security benefits transferred more of the total cost of pension insurance to the employee (NICB, 1950). The Inland Steel decision thus brought business support for the expansion of Social Security, and in turn the expansion of Social Security helped to popularize private pension plans with newly reduced rates.

The effects on small firms

Between 1950 and 1954 Congress adjusted Social Security benefits three times, in the first increases since 1939. The growth of pensions among small firms between 1952 and 1959 evidenced by the overall growth of pension coverage shown in Figures 4.1 and 4.4, coupled with the stagnation among large firms shown in Figure 4.2, may be traced in part to these benefit increases. Between 1939 and 1950 wages rose dramatically but Social Security benefits did not follow, making supplemental pension benefits increasingly expensive for employers. The problem was simple; in 1939 Social Security benefits were set at 40% of the first $600 in annual wages, plus 10% of the next $1200, plus a 1% increase for every year of covered service (NICB, 1939). Average wages doubled during the war (Bureau of Economic Analysis, 1986), which meant that if an employer wanted to provide workers with a retirement wage equal to 40% of working income, in 1939 she would not have to purchase supplemental insurance for a worker with an annual income of $600. However by 1946 when inflation had increased that employees' wages to $1200, she would have to provide $240 in supplementary pension benefits (Ilse, 1953).

The Social Security increases between 1950 and 1954 reversed that trend, and once again made it relatively inexpensive for employers to install pensions. Now retirees would receive benefits equal to 55% of the first $1320 in average annual wages, plus 20% of the next $2880 (NICB, 1954:16). For retirees currently receiving the minimum monthly benefit of $10, benefits rose to $20 in 1950 and to $25 in 1952 (Ilse, 1953:329). These benefit increases stimulated the growth of private pensions in small firms.

The effects of the subsequent decrease in the cost of supplemental pension insurance were evidently strongest among small firms. As Figure 4.1 demonstrates, the proportion of the labor force covered by private pensions nearly doubles during the 1950s. Yet the number of company retirement plans in operation increases nearly fourfold between mid-1950 (12,925) and the end of 1958 (47,520) (Macaulay, 1959:191). In other words, most new plans were to be found in firms with relatively small workforces. By one estimate the number of workers covered by the average company pension plan declined from 231 in 1950 to 94 in 1965 as a result of the adoption of company pensions by a large number of small firms (Ture, 1976:28). Figure 4.2 also suggests that little of the increase in pension coverage during the 1950s occurred in large firms.

Stagnation in the 1960s

Figures 4.1, 4.2, and 4.4 suggest that pension growth slowed significantly after 1958. Annual growth had proceeded at an average rate above 8% between the mid-thirties and the late fifties, and it dropped to about 3% during the sixties (see Figure 4.4). We contend that pension growth slowed during this period in part because no intermediate group advocated the expansion of pensions, and also because federal activity of two sorts tended to discourage pension adoption. By the mid-1950s virtually all unionized employees were covered by private pensions. Having won pension programs, unions turned their attentions to other issues. By late in the 1950s most of the major large and middle-sized employers offered private pension programs; the segment of the business community that had used pensions to quell labor conflict was largely saturated.

Thus the remaining sectors without private pension coverage constituted a "hard core of resistance," where employment conditions made pension coverage unlikely. For instance, in the construction industry jobs are typically of short duration, and with the exception of unionized segments of that industry, which fell under industry-wide pension agreements, workers had no pension coverage. Likewise agricultural work is frequently seasonal, thus employers virtually never offer pension plans. In industries characterized by high turnover, as well, workers may not remain with a single employer for long enough to gain pension coverage, even when the employer offers a pension plan (Tilove, 1968:192). The remaining uncovered sectors consisted of peripheral industries that offered low wages, little in the way of fringe benefits, and no employment stability (Gordon, Edwards and Reich, 1982). By some accounts fully 65% of non-agricultural, non-young, full time workers were covered by private pensions by 1960 (Murray, 1968:29).

Two federal activities tended to discourage the adoption of new pension programs. The Federal Welfare and Pension Plan Disclosure Act of 1957 tightened federal regulation of pension funds and made it more costly to establish, and sustain, viable schemes (Life Insurance Institute, 1974). The legislation's framework for preventing pension insolvency increased the cost of pension plans, discouraging their adoption in the low-wage peripheral sectors that made up the "hard core of resistance." That is, the legislation made private pension schemes particularly unattractive to the kinds of firms that did not already offer them.

Then in the late 1960s and early 1970s a series of Congressional studies and legislative proposals apparently delayed private action on pension plans. After a 13% increase in Social Security benefits in 1968, Congress closely studied the problem of pension coverage. Legislators made it clear that they would undertake significant changes in Social Security and in pension regulation. Between then and the passage of the Employee Retirement Income Security Act (ERISA) in 1974, employers again waited to see what direction federal legislation would take. In the early seventies in particular; "The imminent passage of Federal pension reform legislation introduced an element of uncertainty into the picture" which led to caution on the part of employers (Skolnik, 1976b:3). After the mid-seventies, however, the die was cast and employers began installing pension programs once again.

Finally, despite the slow aggregate growth of pensions during the sixties, the trend of growth among small firms that began during the 1950s continued during the '60s, and apparently spread to even smaller firms. Figure 4.1 shows growth in the proportion of Americans covered by private pensions did increase slowly during the 1960s, but growth in the number of plans skyrocketed; from 32,340 in 1960 to 289,510 in 1970, or nearly 900% (Ture, 1976:28). Taken together, these figures suggest that only the smallest of firms were adopting plans in these years.

The Seventies and Beyond

In this section we argue that the growth of private pensions after about 1975 was not the predicted outcome of the increase in Social Security benefits, which was expected to obviate the need for many pension programs, and was not primarily the result of other public policy shifts it has been tied to, such as the liberalization of Individual Retirement Account rules. We argue that these increases resulted in large measure from the unintended effects of Social Security increases, which made supplemental pensions cheaper and thus more attractive to employers, and ERISA regulations, which made many more Americans eligible under existing pension programs. Once again, federal policy changed the incentive structure for businesses.

Concerned about the inadequacy of benefits, Congress increased them 58% in five separate raises between 1968 and 1974, and in 1975 the automatic COLA increases went into effect (Bixby, 1986). Congress had also signalled that it would expand private pension regulation in 1968, but it was not clear what form the new regulations would take. Combined with this uncertainty was the effect of a high rate of inflation, which discouraged employers from adopting pensions. Pension costs rose notably as a result of inflation. Between 1970 and 1974, when the Consumer Price Index rose 27%, total employer-employee contributions to private retirement plans rose 79%; by contrast, in the previous four-year period, when the CPI rose 16%, retirement plan contributions rose only 51% (Skolnik, 1976b:8; Bixby, 1986:13).

The economy-wide figures presented in Figure 4.1 show a huge increase in private pension coverage during the latter half of the 1970s. Unfortunately there is a gap between 1975 and 1980 in the federal series that reports the number of Americans covered by private pension plans, so we have had to interpolate the rate of growth across this period. Pension coverage grew by over 50% during these years, increasing by 18 million persons. Several shifts in public policy appear to have been important.

Individual Retirement Accounts

Did these increases result from the liberalization of IRA rules? ERISA made it possible for employees without employer-provided pension plans to create IRAs beginning in 1974, and over a million people took advantage of this in the first year of the scheme. Yet these retirement schemes account for a small fraction of the growth in private pensions. According to the Internal Revenue Service, in 1980 only 2.6 million people claimed deductions for IRAs on their income tax returns, yet the overall increase in private pension coverage between 1975 and 1980 was some 18 million. The 1981 Economic Recovery Tax Act allowed anyone to establish an IRA, beginning in 1982, and as a result by 1983 13.6 million Americans were investing in IRAs (American Council of Life Insurance, 1988:10). However the utilization of IRAs by some 10 million people who already had employer-provided pension plans after 1982 is not reflected in Figure 4.1, because the data are adjusted for the duplication of pension coverage. In short, the introduction of IRAs for some 2 to 3 million people not already covered by private pensions accounts for little of the 1975-1980 growth in coverage.

ERISA vesting and funding requirements

In addition to creating IRAs, ERISA imposed stricter fiduciary requirements for private pension plans, insured them through the new Pension Benefit Guaranty Corporation, and liberalized vesting standards. These regulations required a significant infusion of capital into underfunded schemes and wider eligibility for employees. The legislation prefaced a "flurry of pension plan terminations" (Achenbaum, 1986:149). A Conference Board report found that thousands of small firms had abandoned pension programs; "the stricter standards and additional administrative and cost burdens imposed by ERISA have caused the abandonment of a multitude of small-company pension plans" (Davey, 1978:4). By some estimates the cost of an average pension plan would rise by over 15% in response to the new federal requirements (Hakala and Huggins, 1976). However, on the whole pension coverage increased in the years following passage of ERISA. Why?

While the legislation caused some employers to terminate weak pension plans, its vesting requirements would have a positive effect on pension coverage. Vesting refers to the point at which accrued pension benefits become non-forfeitable in the event of the termination of employment, and the new law set three alternative standards. Under two of these standards benefits vest, at least partially, after five years of service. Under the third, benefits vest fully after ten years. In the NICB's 1972 study of pension programs the modal time to vesting was 15 years. Seven years later every surveyed firm adhered to the new ERISA regulations; 82% of firms used the 10 year standard, and 18% used one of the graduated vesting schedules that began after 5 years. In short, the new vesting requirements brought millions of employees, with over 5 years of service, under pension coverage.

Beyond this, the legislation caused firms to restructure their pension plans. Over 300,000 company pension plans were rewritten in accordance with the new federal guidelines (Klein and Moses, 1974), giving personnel professionals an opportunity to rethink their pension plans. Most important, it gave them an opportunity to extend coverage to uninsured groups of workers, usually in occupations characterized by high levels of labor mobility or turnover. The new legislation sought to encourage pension portability via schemes allowing employees to change jobs without losing their pension benefits. Personnel professionals responded with schemes that would facilitate portability for affected groups of workers (Phillips and Fletcher, 1977).

Social Security COLAs

The negative effects of the new ERISA guidelines might have been much more devastating but for increasing Social Security benefits. The expansion of benefit levels between 1968 and 1975 and the implementation of automatic cost of living increases in 1975 vastly improved the lot of social security recipients. Social Security benefits averaged 16% of full time wages in 1971, but rose to 26% in 1983 despite rapid inflation (Figure 4.5). In absolute terms, annual benefits rose from just over $1000 in 1970 to over $6000 in 1990 (Figure 4.6). For employers without pension programs, it became much cheaper to provide supplemental pensions that would guarantee an adequate retirement wage.

Other companies switched from flat-rate plans to offset plans. In 1972 40% of the pension plans surveyed by the NICB (Meyer and Fox, 1974:53) were of the offset variety, yet in response to the ERISA legislation of 1974, by 1979 64% of the surveyed plans were offset plans.

Data from the 1980s suggest that private pension growth has slowed and that the percentage of the labor force covered by private pensions may have declined for the first time in history (see Figure 4.1). Structural changes in the economy have been linked to this switch. In the 1980s most job growth occurred in the service sector in small non-union firms. Many of the new jobs were poorly paid and/or part-time. This sector, and these sorts of jobs, were among the least likely to carry pension and other fringe benefits before the 1980s (Bernstein, 1990; Harrington and Levinson, 1988). On the other hand, Quadagno and Hardy offer compelling evidence in Chapter 5 that ERISA and subsequent federal pension regulations may have a negative impact on the prevalence of employer-provided pensions in the longrun by undermining employer support for pensions. They show that employer support for pensions had been fostered by lax public controls over private pensions, which had enabled employers to use pension policies to manage labor flows. In the absence of this incentive to install supplementary pensions, employers may be more reluctant to do so in the future.

At this writing (Spring, 1995) the 1990s have not produced any new shocks in pension law on the order of ERISA. Consequently, the organizational battle lines in the realm of pensions have not been redrawn. Instead, all three branches of government have been occupied with unexpected consequences of ERISA. In 1992 and 1993, the administration focused on the unexpected shortfall of the federal Pension Benefit Guaranty Corporation, resulting from both a rise in business failures and the discovery of an unusual number of underfunded plans (Vise, 1994). Meanwhile, states found that by preempting state-level regulation, ERISA had the unintended consequence of preventing them from adopting more stringent pension regulations than the federal government enforces (Rich, 1994). In 1994 and 1995, the main focus of judicial and legislative activity surrounding ERISA was its health insurance provisions, and in particular the status of novel health care options such as managed care plans (Causey, 1995). As there has been little change in the law, there has been little change in the politics of pension coverage.

Perhaps the most significant development to affect the field of pensions during the 1990s has been the growth rate of temporary workers. Preliminary evidence suggests that the high cost of such fringe benefits as pension insurance has led many employers to substitute temporary employees, who have little or no fringe benefits rights, for permanent employees. It is too early to tell whether pension costs are indeed a cause of the rise in temporary employment. If they are, we are witnessing a dramatic new employer response to ERISA that will affect the nature of work and retirement for years to come.

Conclusion

We have argued that interest groups influenced the development of private pension insurance, but key interest groups altered their goals and strategies over time and we contend that they did so largely in response to public policy changes. Broadly speaking, unions have favored the expansion of pension coverage, however public policy shifts caused them to back, alternately, public and private coverage. Broadly speaking, employers opposed the growth of pension expenditures, however public policy caused them to favor, alternately, no pensions, private pensions, and public pensions. Broadly speaking, the insurance industry favored the growth of private coverage, but policy caused them to promote private coverage in certain periods and caused them to support public coverage at times. Broadly speaking, personnel professionals favored the growth of private benefits, as a means to enlargement of the profession, however certain public policies shifts enabled them to talk employers into adopting private plans. While interest groups may have identifiable long-term interests, their specific goals and strategies have been highly contingent on public policy. Our contention is that to understand the effects of public policy one must look beyond the outcomes intended by the proponents of policies to the concrete effects those policies have on the behavior of affected groups.

Chapters 2 and 3 of this book have sketched out some of the ways in which interest groups influenced the development of federal legislation, and we have focused on the return arrow—the effects public policies then had on interest group goals. Our findings suggest a number of corrections to current thinking. First, the wartime wage freeze and excess profits tax had little effect on private pension growth in the data, however the passage of the Social Security Act apparently spurred the growth of private pensions by providing weak coverage for highly paid employees. Second, between 1944 and 1950 private pensions grew largely because unions put their energies into expanding private rather than public coverage in response to several federal policies, as well as to Congress' resistance to expand public benefits. In particular, vagaries of the Wagner Act caused unions to struggle for the right to bargain for private pensions, and when unions lost power as a result of the Taft-Hartley Act they sought to demonstrate their efficacy by exercising their newfound right to negotiate for pensions. Third, both the Wagner Act and wartime labor controls had indirect effects by boosting the growth of the personnel profession—the one group in industry pushing hardest for private pensions, with the rhetoric that pensions could improve morale, solve a crucial moral dilemma, and quell labor conflict. Fourth, the expansion of Social Security benefits in the 1950s and again in the 1970s had a surprising effect on private coverage; by reducing the cost of providing supplemental private coverage these changes in Social Security stimulated more employers to offer pension insurance. Economists have suggested that Social Security expansion stimulates the growth of private pensions because it lessens the worker's cost of establishing full retirement coverage (see Ture, 1976:36-42), but we are suggesting that Social Security has primarily increased the popularity of pension insurance by influencing employer strategies. Fifth, uncertainty over the future of public action delayed private sector action, both in the late 1930s when it was unclear whether Social Security would be expanded or eliminated and in the early 1970s when it looked as if Congress would restructure the program. Finally, public policies contributed to the rise of the insurance industry, and caused industry leaders to effectively market pension insurance in the 1930s: each federal policy that made private insurance attractive to firms gave the industry a wider entrée into the business sector.

Our findings have interesting implications for students of comparative policy. We argue that timing was vital, for instance Congress's late adoption of old age insurance contributed to the growth of various private forms before 1935, which helped to build constituencies for private pension programs among industrialists, insurance industry leaders, and personnel professionals (Dobbin, 1992). One implication is that if Social Security had been passed earlier—in the Progressive Era for instance—private pensions might never have come to play an important role in American retirement coverage. In fact, there were many critical conjunctures at which forces converged to favor private pensions. In many cases things could have turned out quite differently, which suggests that the argument that the strength of the American business community vis-a-vis labor groups overdetermined US pension exceptionalism fails to take the complexity of history into account. We hope to have shown that the historical relationship between social welfare and occupational welfare is not simple, in large measure because the unintended effects of public policies are often the most important effects and because interest group strategies, far from being predetermined by objective interests, swing back and forth wildly over time.

Finally, our approach is supported, we believe, by the findings of Chapters 2, 3, and 5 in this volume. Sanford Jacoby provides evidence that personnel managers saw distinct advantages to private pension coverage once they had experimented with it, and that they played an important role in the popularization of employment-related pensions. Beth Stevens shows that contrary to standard interest group accounts, public policy in America led labor unions to put their energies into private, more than public, pension coverage in key periods. Jill Quadagno and Melissa Hardy show that lax regulatory policies led employers to favor private pensions as a tool for labor market management, but that more stringent regulations may take away that option and hence may undermine the support of employer groups for private pensions.

Notes

1. Financial support from Princeton's Committee on Research in the Financial support from Princeton's Committee on Research in the Humanities and Social Science is gratefully acknowledged. We thank Michael Shalev and the other contributors to this volume for helpful comments on an early draft.
2. Data in Figure 4.3 are from Ilse (1953:315) and from the Institute of Life Insurance (1951:29). Figures for 1939 and 1940 were collected by Equitable Life and covered both the US and Canada, whereas figures for the later years were collected by the Institute and covered only the US Thus we have recalculated the figures for 1939 and 1940 to reflect the number of annuities in force in the United States by calculating the average proportion of total policies that were in effect in Canada between 1941 and 1944, when the two series overlap, and deflating the 1939 and 1940 figures by that proportion.
3. Note that the NICB did not publish figures for wage workers before 1946 or in 1979, thus wage worker pensions are not shown in Figure 4.2 for those years.
4. Manufacturing sector figures include firms of all sizes, because the 1947 report does not break down the use of pension plans by sector and size simultaneously.
5. Note that these numbers, unlike those presented in Figure 4.1, include only the employed, private-sector labor force. Figure 4.1 includes in the denominator public sector workers and the unemployed.

Data Appendix

Sources: The data presented in Figures 4.1, 4.4, 4.5, and 4.6 were compiled from Bureau of the Census (1975) and various issues of the *Statistical Abstract of the United States*. The data in Figure 4.2 come from the National Industrial Conference Board (1929, 1937, 1940, 1947, 1954 and 1964), Meyer and Fox (1974) and Meyer (1981). The data in Figure 4.3 are compiled from Ilse (1953) and other sources (see note 2).

FIGURE 4.1: *Pension Coverage of the Labor Force*

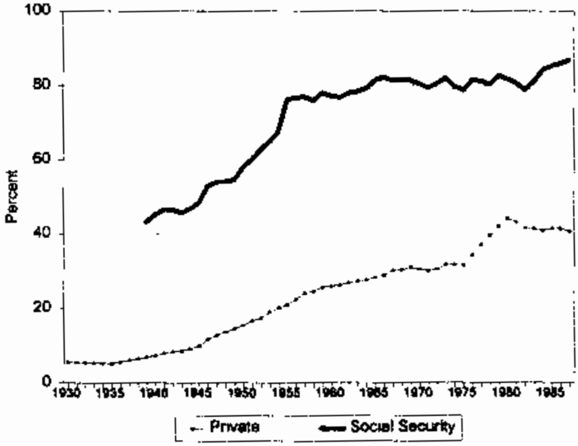

FIGURE 4.2: *Large Firms with Pensions*

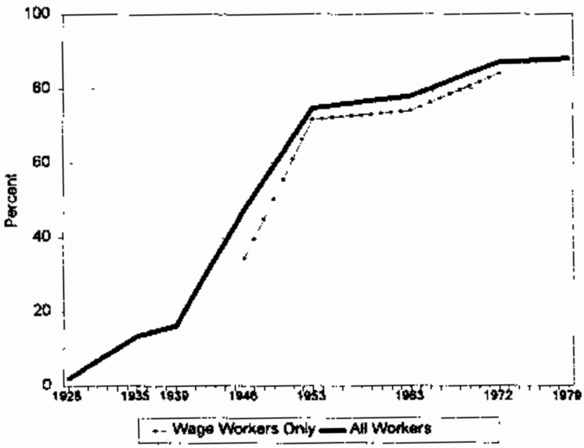

FIGURE 4.3: *Group Annuities*

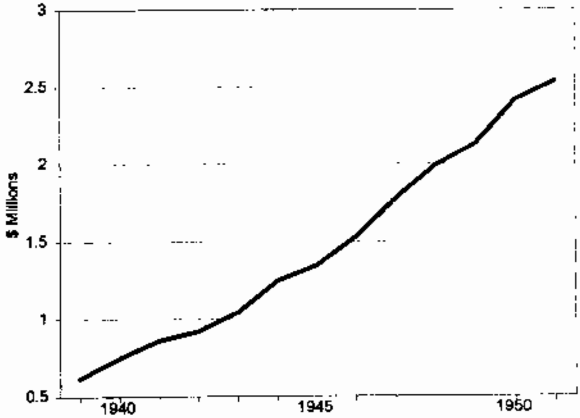

FIGURE 4.4: *Annual Changes in Pension Coverage*

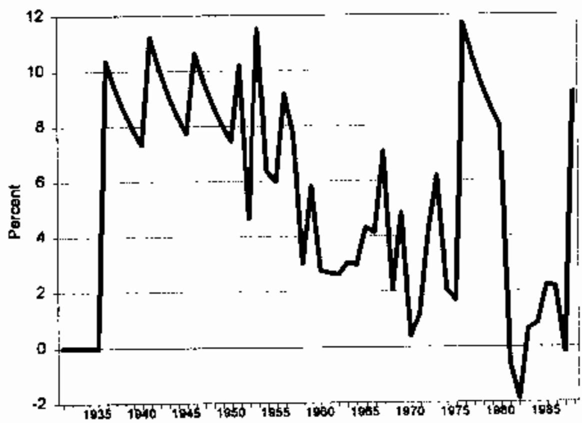

FIGURE 4.5: *Social Security Benefits as a Proportion of Mean FTE Wages*

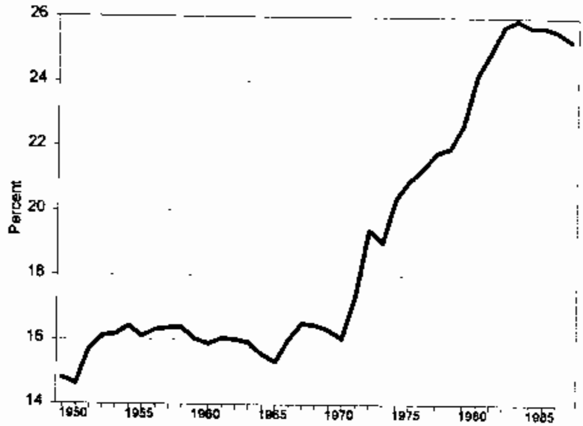

FIGURE 4.6: *Average Annual Social Security Benefits*