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Mike Polioudakis

No Private Pensions; Only Social Security

I suggest we end all pensions by private employers and by government employers other than the federal government. All pensions are to be consolidated under Social Security. All other pensions are banned. Private individuals may save for retirement, and should, but they cannot receive any federal subsidy for doing so under plans such as for 401K or IRA.

There are reasons for this.

The biggest reason is to lower unemployment and bad employment (bad jobs with low wages and no benefits or little benefits). This plan cannot by itself end unemployment and bad jobs but I doubt we can do much about them until we do something like this.

The biggest obstacle to hiring, training, and keeping new workers is not wages but benefits. Once in a plan, a worker is in the plan forever unless the worker formally gets out. Employers are responsible for benefits long after a worker leaves employment or retires. Employers are responsible for benefits even if the company goes bankrupt. Benefits are a big hurdle for an employer. It is like telling everyone he/she has to be a luxury car if he/she is to buy a car at all. Nobody can buy a compact car or a middle size car. A lot of people won't buy a car. A lot of people will have to save up a long time before buying a car, or they will have to use an elaborate payment plan. Employers have to do the equivalent when they hire an employee with a substantial benefits package.

Rather than handle the benefits package, employers use other tactics. They send work outside the US ("outsource"). They hire temporary workers for a few weeks or a few months. They pay by the piece or by the job. They hire "temporary" workers for 11 months out of the year or 50 weeks out of the year. They hire old people who cannot make full benefits before the old ones retire. They hire young people who will not make full benefits before the young people move on or are laid off. They hire "illegals" from Latin America, the Caribbean, or China. They declare one of many forms of bankruptcy. They destroy unions. They negotiate different contracts for people hired before and after certain dates. They substitute bad jobs for good jobs.

Benefits plans are inherently different according to different firms. They do not inherently reflect the difficulty of work or the skill level. A machinist, or librarian, in one firm might have one plan while a person doing the exact same work in another firm will have another plan. I think benefits vary more than wages in this way.

Workers abuse benefits plans, especially retirement plans. A clever worker will work for 20 years at one job to get a full retirement package there, then work 20 years at another job to get another package in the second place, then retire with social security as well; the conniving workers gets three full packages. This practice is corrupt, dishonest, and undignified, and it exploits all workers. It raises the cost of benefits for everybody and so makes benefits harder to get for everybody. It is gouging the system just as much as the employers who gouge the system and cheat workers out of benefits.

Before about 1990, many benefits plans had been negotiated in the 1950s through 1970s when America was prosperous. Those conditions were unrealistic and could not continue, yet packages did not “scale down” to reflect the new conditions that prevailed after 1990. The stress led to failure for airlines, car companies, steel companies, tool companies, trucking companies, and many firms of all kinds, and led to the end of benefits for many workers, not to good benefits for all.

The only way to end these problems, and to help workers find jobs, is to put all workers on an equal footing through one form of compensation and one form only: wages. If employers only have to consider wages, they will be much more inclined to hire workers. They will make more jobs so there will be more jobs.

If workers have a guaranteed lifetime benefits package in Social Security, even if they can have only one such package, and even if they cannot collect until they retire in their sixties, still, workers will feel more secure. They will be able to judge jobs how jobs should be judged: according to wages. If they don't like a job, they can leave to find another job without feeling they lose their health and retirement, and without putting their families at great risk. Workers will be able to find more jobs, and workers and firms will be able to match each other better.

There will be no distinction between a full time worker with benefits versus a part time worker without benefits. All workers will have benefits but not paid by the firm. Firms will have no incentive to hire part time workers instead of full time workers. Firms will have no incentive to hire illegal aliens. Firms will have no incentive to send work overseas or to use any of their other tricks. There will be fewer advantages to sending work overseas. More work will stay in America. Although workers will be freer to leave if they wish, in fact, as long as workers are paid a wage in line with their work, they will be more inclined to stay.

Workers who have already finagled the system and stand to get multiple packages will not like this idea but we can't let them stop the benefit for everybody else. We can allow some of these people to keep their multiple packages until they die out.

Workers won't like having to wait until their sixties to get retirement benefits but I find nothing wrong with waiting that long.

Workers now in a retirement plan will simply have their plan merged into Social Security, and they will get credit in case their prior contributions are greater than what they what is typical for Social Security.

Workers and employers will argue over two things: wages and work conditions. Those are two things they should argue over. I think workers have left unions, or have not unionized, since 1981, partly because unions have not been able to negotiate the bloated benefits packages that workers dreamed about in the 1970s. When that issue is “off the table”, but wages and conditions are still on the table, then unions will make more sense and unions again will be more attractive to workers. Not having to worry about benefits actually will make unions stronger, not weaker. Hopefully, strong unions will help workers find new jobs in case workers and employers don’t agree over this job and the worker has to find another job elsewhere.

For employers with sense, it will be good to negotiate with unions over only wages and conditions, and good not to worry over each employee about the exact specifications of his-her position. It will be good to have a reliable negotiating partner about labor. It will be good to shift the wrangling to the union and to keep wrangling out of relations with each particular employee.

If people don’t get medical insurance with their employers, they have to get it from the central federal government, along with retirement. We will need a better insurance plan than Medicare, Medicaid, or “Obama Care”. We can do that. We should do that. We can do it without bankrupting the country as a result of obesity, diabetes, bad living, bad habits, bad food, and conniving. We can do it without making another class of people using the state and living as parasites.

If everybody can get retirement payments only from Social Security, then people have a huge incentive to make Social Security work well. “Work well” means not only to have large benefits when we do retire but to make sure Social Security is fiscally sound all along. Social Security will have to pay for itself, and every worker in America will know that and work for that. I do not think Social Security in 2015 is in as much danger as Republicans say, but it needs to be better funded by current workers for future oldsters, and, if everybody knows they will be in those old shoes someday, everybody will work toward that goal. This is a better incentive than pushing on our Congress people.

If we don’t do something like this, I don’t see how we can reduce unemployment, reduce bad jobs, and make more good jobs. We will continue to lose the game of international competition.