The Disappearing Pension

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Here's a basic moral value: taking someone's money without their permission is stealing. Except in America, where, if you're a corporation that takes away someone's pension, it's okay. And the question is: Why isn't the progressive movement making a huge deal out of this?

With very little public outcry, we are letting corporate America dismantle the private defined-benefit pension system. At the same time, huge salary and pension benefits are lavished on executives. Remember, pensions are deferred compensation—people put off getting money in their paychecks today because of a promise that they would receive a specific amount of money (hence, the term "defined benefit") many years later. It's their money, not the companies' money. The private pension was a fundamental pillar of the American middle-class dream: If you saved now, you could still have a middle-class life in retirement, and you wouldn't have to gamble in the stock market to do so.

Here are the amazing numbers: the Pension Benefit Guaranty Corporation (PBGC), the government agency that is supposed to protect the private pension system, recently estimated that the amount of money currently owed to cover pension liabilities is $450 billion; 851 pension plans are underfunded by at least $50 million. United Airlines may have been the biggest pension default ever but we're looking at a looming financial catastrophe: The PBGC, which takes over defaulted plans, had a $23 billion deficit in 2004 and that's just the proverbial tip of the iceberg. Part of the crisis stems from the 1990s collapse of the stock market and low interest rates (which keeps returns on bonds low).

On occasion, a news story has popped up cluing people in to the crisis. And earlier this month, when a court allowed United Airlines to dump its four employee pensions onto the government — the largest pension-plan default in U.S. corporate history—there was a blip of interest. Soon it was forgotten, except by the 134,000 workers who will lose an average of 25 to 50 percent of the value of their pensions. But where are the voices of a national campaign to confront the looting of peoples' retirement funds?

The problem is simple: the system is gamed against workers, allowing corporations to gamble with workers' money. Corporate America played has used what is effectively workers' money to finance mergers and acquisitions, and a lavish lifestyle for executives. The cruelest irony? When the PBGC collapses, requiring a huge government bailout, it will be taxpayers who will foot the bill. So, some of the same people who already gave up income for a promised pension will indirectly pay a second time to rescue their own pension.

The government has played along with this scam. The PBGC's decision to let United dump its pensions, "shifted all the costs of poor management decisions and competition to the oldest and most loyal workers," said Teresa Ghilarducci, a professor of economics at Notre Dame University. Worse, she points out, the PBGC is violating the law which requires it to "encourage the continuation and maintenance of voluntary private pension plans for the benefit of their participants," not to let companies off the hook.

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As for our elected representatives—Rep. George Miller, D-Calif., is a notable exception—most of Congress is ignoring the problem. Miller just introduced a bill that tries to stem some of the worst abuses by corporations that file for bankruptcy, like preventing the additional funding of pensions for executives when rank-and-file workers' pensions are starved for cash.

I'm particularly perplexed at the lack of coordinated, mass protest by labor. To me, this feels like an air-traffic controller moment. Back in 1981, when Ronald Reagan fired the striking air-traffic controllers, unions failed to see that fight as an assault on the entire labor movement. It wasn't the first union-busting act in America, but it ushered in more than two decades of brass-knuckled assaults on unions because it set a tone of acceptability and normality to something that had previously been viewed with a bit of distaste.

The obliteration of the retirement for 134,000 United Airlines workers is a signal to corporate America that union-negotiated pensions are on the chopping block and can be raided, tapped or eliminated for financial gain. Back in the 1980s, when bankrupt LTV Corp. tried to cut retiree benefits, thousands of people took to the streets, and Congress responded, albeit with legislation that simply made the bar a bit higher for corporations trying to cancel pensions. Now, we're facing a much bigger debacle—and, yet, the streets are calm. But everyone's pension is now in eminent danger.

Beyond labor, the relative inaction of progressives is baffling. I'd wager that millions of mainstream Americans—self-described as moderate, independents and even social conservatives—could be moved on this issue alone. With progressives obsessing about finding the right message to connect with Americans, I can't think of a better issue: They are taking your hard-earned money! Rather than hold yet another policy conference to ponder the message, why aren't there mass demonstrations in front of United Airlines, the PBGC, or the courts that are allowing companies to ditch pensions?

Perhaps the answer is that the demise of the private pension is just another example of something we are all vulnerable to: accepting pervasive corporate power in an era of diminishing expectations. Wall Street is telling corporations that pensions just burden their financial books, retarding stock prices. Companies, in turn, are saying that if they are forced to fully fund pensions (which they do not have to do now), they will dump pensions. So people—many of whom probably never had a private pension—just shrug their shoulders and put their faith in the stock market or inflated housing values.

It shouldn't be so. Back in the Carter administration, people started talking about a national pension system that would bridge or supplement what people got through Social Security, partly by sharing the financial risks across industries. It's time to revive that idea. Beyond the policy, though, is a powerful message: The security of a private defined-benefit pension, protected from the casino-like atmosphere typical of plans now in vogue, is part of the prosperity and opportunity that corporations must create as a cost of doing business in our communities.