CONTRIBUTORY VS. NON-CONTRIBUTORY PENSIONS*

1. Relative Prevalence of Contributory and Non-Contributory Pension Plans


This study shows a trend towards contributory plans for the period since 1943 and for the years 1946 and 1947 in particular. It was cited by both Holtzman and Latimer (see below) before the steel board, with each giving his own interpretation of the data particularly with reference to the number of workers covered.


Reviews the recommendations of the steel industry fact-finding board and gives findings of a survey of 255 pension plans in companies employing 1.5 million workers. The proportion of companies having contributory pension plans was found to be 58.8 per cent of the total.


Finishes more than three million workers covered by some type of health, welfare, and/or retirement benefit plan under collective bargaining agreements, with most of the plans financed entirely by the employer.


A study of 376 group annuity plans written by nine leading insurance companies since the latter part of 1942 shows 54 per cent as being contributory, 4 per cent as partially contributory (non-contributory for the lower-paid employees and contributory for the higher-paid employees), and 42 per cent as being non-contributory.

* Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference. The steel case documents are available from the industry and the union respectively.
2. Arguments Presented in the Steel Case


Joint contributory programs are likely to be more securely established, offer benefits related to size of contributions, make possible vesting in the individual, and assure a condition of mutual responsibility for the development, maintenance, and administration of a benefit plan.


Presents the case of one steel company for contributory social benefit programs. Cites the published statements of experts in the field of social security and social benefits in support of its position.

Holtzman, Howard M. Summary of companies' position in support of the contributory method of financing social insurance and pension plans—In the matter of certain steel producing and fabricating companies and United Steelworkers of America—CIO before the Steel Industry Board. 1949. 19 pp.

An answer to the reply statement of the United Steelworkers Union on the issue of contributory vs. non-contributory employee benefit plans.


The case of the steel companies for contributory plans is based largely on moral considerations which are not borne out by the practical experience of non-contributory and contributory plans.


A contributory plan disregards the fact that the costs of pension and insurance benefits are a cost of doing business comparable to the cost of maintaining and replacing machinery. A contributory plan furthermore has the effect of cutting the current wages of the employees.


Recommends that the social insurance and pension programs in the steel industry be financed on a non-contributory basis.
3. Other Opinions on the Principle of Employee Contributions to Company Pension Plans

Alvord, Morgan H. "What's new on employee contributions?" *Journal of Commerce* (63 Park Row, New York 15), September 23, 1948, Second Section, p. 18, 10 cents.

Cites the advantages of both contributory and non-contributory pension plans. Points out that while contributory plans do possess some advantage over non-contributory plans, it is by no means true that this type is the best solution for all companies.


Sets forth the pros and cons of the question of contributory vs. non-contributory pension plans.


Points up the advantages from the viewpoint of both employers and employees of contributory pension plans.


Points out the disadvantages from the employee relations viewpoint of employee contributions to pension plans.


Gives the practical and theoretical arguments for non-contributory pension plans.

4. Pertinent Arguments from the Field of Social Insurance Legislation


Makes a strong plea for workers to bear their share of the costs of increased social insurance.


Maintains that contributory social insurance is the most effective governmental mechanism yet invented to meet the challenge of establishing an effective framework against the fear of insecurity. Such a framework is necessary in order to sustain individual incentive and to assure mutual responsibility under democratic capitalism.

States the advantages of contributory old-age and survivors' insurance from the viewpoint of the individual and the public interest.


Favors workers' contributions toward social insurance on psychological and pragmatic grounds.


Is critical of the present contributory old-age and survivors' insurance system. Would substitute for the present employer and employee payroll taxes a special earmarked universal flat income tax with benefits based on a means test.


Stresses the importance of the contributory principle in helping to establish the old age pension benefit as in part a product of the worker's own labor and saving, payable to him as a matter of right.


Favors a system of contributory old-age insurance, but points out some difficulties involved. Would like a larger portion of the cost to be born out of general tax revenues. Also reviews foreign experience with contributory and non-contributory systems.


Looks upon a program of contributory old-age insurance as a method of encouraging self-help and self-reliance in securing protection against old age in a democratic society.


Reaffirms the basic principle that a contributory system of social insurance in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency.