

Collapse of Pension Funds: The End of Retirement?

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Unless things change fast, human history will show that the phenomenon of “retirement” was limited to one generation. After World War II, when European and Japanese economies stood in tatters, American capitalism could fulfill “the American dream,” since there was little foreign competition to speak of. For the first time ever, workers were promised that — after working thirty or so years — they would be able to securely retire. That was largely the case...for one generation.

The second generation is having a devastating reality check. 2008 was supposed to be a watershed year for retirement: it was the first year that the baby-boomers turned 62, and the retirement frenzy was to begin (since people could begin to draw on their social security benefits). Early in the year, however, a study was conducted that found one-fourth of these boomers were delaying retirement (only the baby-boomers who were actually able to plan for retirement were studied). The economy has since nosedived, and many more retirements are being delayed. The unfortunate reality is that many who planned on retiring will work until the grave, joining the millions of other baby-boomers who never had such dreams.

The experts are calling this the “perfect storm” for retirement. Everything that could go wrong is in fact going wrong. This storm, however, was not created by supernatural forces, but the coordinated effort of big-business and their puppet politicians.

The deliberate destruction of the pension and its replacement by the 401(k) was, of course, a giant step towards attacking retirement; but now that the economic crisis has emerged, we’re beginning to see just how ruinous the effects are.

At the end of September, just as the crisis was beginning to gain steam, it was discovered that in the previous year the value of stocks in 401(k) accounts had fallen by nearly \$2 trillion! Much more has been lost since then. This is especially devastating since almost one-third of 401(k) participants in their 60s had 80 percent of their money in stocks (pension funds have been similarly destroyed).

The 401(k) was the scheme of the century. Corporations offloaded their “burdensome” pensions and used the combined forces of the media and politicians to sell the ruse to the public, to the great benefit of Wall Street. Workers were told that the boom-slump cycle was over, and that stocks were a sure thing. There were additional factors to invest in stocks: interest rates were so low that investing in bonds and other less-risky instruments offered only tiny returns; and since employers stopped contributing to retirement funds, a bigger return was required.

More importantly, corporations have been driving down real wages since the seventies,

allowing less money to be saved for retirement, creating a mood of desperation.

Every “safe bet” for investing has been proven unsafe; the recession has left nothing untouched. After the dotcom bubble burst — taking with it millions of people’s 401(k) savings — the housing market became the place to invest. Now the safest possible investment, too, has turned sour. For millions of people, the home they lived in was their nest egg, which they had planned to sell and move into a smaller place. No more.

Rep. Robert Andrews (D-NJ), who chairs the House subcommittee on health, employment, labor and pensions, put it bluntly: “Some will have very little, some will have almost nothing, and some will have nothing when they retire”. Of course, people who “have nothing” do not retire.

This process is being accelerated by the newest trick of big business: declaring bankruptcy to destroy “pension obligations”. These obligations apply with equal weight to workers already retired, many of whom are seeing their pensions slashed in half, forcing them out of retirement.

Now even the threat of bankruptcy is constantly used in union contract negotiations to scare workers into concessions, since after achieving bankruptcy, labor agreements are torn up. The threat of closing the company’s doors is a very effective form of intimidation.

This phenomenon is at the center of the GM debate. The corporate politicians in congress cannot decide whether to appoint a “Car Tsar” to oversee the destruction of the autoworkers pensions, or use the proven method of bankruptcy. Not a day goes by that the corporate media doesn’t join hands to assail the pension and health care benefits of the “spoiled” GM workers. The hypocrisy is sickening.

This after the UAW had already agreed to the most shameful concessions in 2007. Although concessions are often made in the name of “job security,” the result is that corporations become emboldened by such acts. Eventually, every benefit of workers that contradicts company profit will be targeted. The demand for concessions never stops, and soon the point arrives when the benefits of having a union become questioned, since dues money is not paid with concessions in mind.

The autoworkers struggle is at the forefront of the pension battle nationwide, since their struggles in the 1930’s originally paved the way for pensions. Equally important is the pension struggles emerging with public employees, the last stronghold of workers who receive them. Public employees will find their pensions under immense attack as the economic crisis intensifies, and government budgets are depleted (see “State Budget Crisis Deepens” on this site).

Fighting the corporate strategy of bankruptcy and business closures is an immediate need of working people. This tactic will increase in number as the crisis deepens and companies strive to “restore profitability” by drastically lowering wages. If a company attempts such a criminal act, the workers should demand a bailout for themselves; the government should take over the plant so that the workers can keep their jobs, such as was done for the banks. Management must be sacked and instead of a government bureaucrat, the workers themselves should run the business.

To win this program, new levels of organizing and solidarity are needed, such as the

example of the United Electrical Workers, who occupied their factory and organized in a brilliant fashion. They won a stunning victory by utilizing the methods of the original autoworkers struggles from the 1930's. If a fight is to be waged, it must be done seriously and with determination, uniting both retired and active workers. The UEW workers have shown the way forward for the labor movement, which can no longer rely on union concessions or the promises of Democratic politicians, but only their own collective strength.

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