Faculty Benefits and Retirement: Politics Trumps Collective Bargaining

By William Dale Crist

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For more than a decade the *NEA Almanac* has encouraged active preparation for retirement.[1] The last two gloomy articles on benefits and retirement reflected the recent economic deterioration, which almost took us from recession into depression. We may have finally turned a corner: the continuing development of an energetic global economy and the increased efficiency achieved through business restructuring are finally spurring economic recovery and a stock market rebound. But the cost of providing for our aging population continues to threaten our future. Organized faculty must always protect immediate interests, but providing for our retirement is more important—and more complicated—than ever.

Let's first review the recent economic and political upheaval. The U.S. financial bubble burst early in 2000, and stock market prices declined until late summer, 2001. But instead of recovering, financial markets continued their precipitous decline following the September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon. Political focus in the U.S. shifted from the economy to waging a war on terrorism. Less than three months later, the giant power company Enron filed for Chapter 11 bankruptcy protection. The debacle spurred Congress to investigate the company's fall, and the Justice Department to initiate a criminal investigation. The media portrayed the deception and alleged fraud committed by Enron executives, corporate directors, and auditors as an apparent, albeit limited, failure of the public equity markets.

WorldCom, the country's second largest long-distance telephone company, disclosed its own $3.8 billion accounting fraud in June 2002. The Securities Exchange Commission declared that the company committed "accounting improprieties of unprecedented magnitude" and filed a civil lawsuit charging WorldCom with fraud. The corruption of many stock market analysts also became apparent as the WorldCom drama unfolded, and on July 21, 2002 WorldCom also filed for Chapter 11-bankruptcy protection.[2] These events placed the reliability of the U.S. auditing industry in doubt, and the giant Arthur Anderson accounting firm, which approved WorldCom's accounting statements and abetted the destruction of evidence at Enron, was forced out of business.[3]

The media no longer characterized failure of the public equity markets as "limited." After years of ignoring bad corporate practices and conflicts of interest in the accounting and stock market analysis industries, the press focused on these free-market flaws. More companies declared bankruptcy—some the result of the flagging economy and some the result of corporate fraud—and the failure of trusted pension plans caused severe economic damage to many middle-class workers. Renewed media and popular attention to these "scandals" forced Congress to refocus on the economy. The result: speedy passage of the Sarbanes-Oxley Act after only weeks of consideration and drafting, on July 25, 2002.[4] Observers hoped the financial markets would bottom out, and that pension plans could avoid further losses, thereby sparing our aging population from the fear of an inadequately funded retirement.

But the "good corporate governance" political focus lasted only six weeks.[5] On September 12, 2002, President Bush set the stage for war against Iraq in a speech to the United Nations. The financial markets responded to the controversial Bush attack on Saddam Hussein and the "Iraqi regime" by plunging to a six-year low in October 2002. Huge military expenditures and a domestic economy that failed to restore investor optimism and confidence precluded a focus on health care for our aging population.[6]

The war against Saddam Hussein and the occupation of Iraq proceeded throughout 2003. Its increasing economic burden threatened to displace any support for economically strapped state governments, pension plans, and the aggregate U.S. economy. The stock market recovery from the October 2002 "bottom" failed to endure the uncertainties of war, and the financial markets fell back to their low points by mid-March 2003. Debate in Congress regarding fiscal policy that could stimulate the economy cooled. The Federal Reserve System, noting possible inflationary pressures from increased military spending, exercised more caution regarding low interest.

By mid-2003, the earlier "crisis of confidence" in financial markets appeared to wane, but uncertainties and weaknesses in the world economy held back new investment and job creation that would support pension liabilities and the surging cost of health care.

In 2001, we hoped that 2002 would bring better economic times. In 2002 we warned against waiting for an economic upturn to save us from inadequate wages, benefits, and retirement plans."[7] In 2003 we strengthened that warning, adding, "a return to good economic times may take a long time."[8] Now, in 2004, confronted with a rapidly aging society and the uncertain cost of a war that may never end, we cannot rely on a strong economy and expanding financial markets to save us from an unpleasant old age.

We must join with others to move confidently against all political forces and institutions that will not immediately commit without reservation to insuring adequate resources for education, health care, and retirement.

CALIFORNIA: SUPPORTIVE GOVERNMENT UNDER SIEGE

Voters followed California's "normal" election process to reelect Gray Davis as governor in November 2002. But the state's projected budget deficit, estimated to exceed $10 billion during the election campaign, grew to more than $35 billion by January 2003 and to $38 billion by June. Pressure on California's educational, health care, and retirement systems mobilized all labor and public service institutions. California's legislators engaged in their usual partisan struggle to support constituents' projects without increasing taxes. But the blame for failing to reduce the deficit fell almost entirely on the governor.

Partisans expended large amounts of time and money to obtain voter approval for a special election to recall the governor. The California Constitution provides for a recall election—not a common event in most states—when sufficient numbers of voters sign recall petitions. The petitioning went faster than predicted, and the special election—featuring harsh partisan politics and the ludicrous behavior of unqualified and socially controversial candidates—is now history. The election created cheap humor for hosts of television late shows; it also threatened orderly government in California throughout 2003.

Political rhetoric may support well-funded retirement plans, but accumulated pension reserves always look like an easy source of "emergency" financing. California has two large public pension funds. The Public Employees Retirement System (CalPERS) covers all California State University (CSU) faculty members. The State Teachers Retirement System covers all California elementary, secondary and community college teachers. Introducing his 2003–2004 state budget proposal in January, Governor Davis wanted to avoid taking the money necessary to fund pension liabilities out of the state's annual tax revenues. Instead, he proposed that contributions come from the sale of pension obligation bonds or from loans from the pension systems themselves.[9] Public employee unions and pension fund trustees learned the importance of quick and active resistance from past experience with similar attempted "raids." The proposed alternatives to direct payment were discarded.

Equally desperate measures were recommended in funding of higher education. Faced with the largest budget cuts in its history, CSU outlined plans to reduce enrollment growth by 50 percent, denying admission to as many as 30,000 students in spring 2004.[10] Denying earned access is anathema to California higher education; the restricted enrollments and increased fees extended to California's middle-class for the first time. Faculty and staff faced stiff cuts to employee benefits.

The University of California, serving a more affluent population, adopted a zero enrollment growth policy. Its officials deemed a 30 percent student fee increase necessary to maintain quality. The 2003 legislature provided no funding for faculty salary increases, and announced that the state would not provide FY 2004–2005 funding for any student enrollment growth, employee salary increases, or other inflationary cost increases at UC.[11]

The 2003 budget shortfalls threatened California's extensive community college system almost to extinction. The $161 million cut was the system's largest mid-year budget reduction. When the state controller warned that the protracted political debate threatened budgeted state support, the system's chancellor responded that an interruption in payments meant that many community colleges would run out of money and would have to close. "It is both tragic and ironic," the chancellor stated, "that many of the state's poorest and least advantaged college students are going to be the ones most affected by the failure of the state to adopt a timely budget."[12] The severe economic reversals for California's public colleges and universities sound an alarm to all public colleges.

Nor is independent higher education exempt from financial shortfalls. The ability of private foundations and endowments to keep pace with enrollment demand and competitive employee salaries and benefits will remain limited until the U.S. economy recovers and positive expectations for continued economic growth restore support of the financial markets.[13]

The important lesson taught by California's extreme political response to severe fiscal shortfalls applies to all of us: our democracy demands more serious attention right now than at any time since the Great Depression. Higher education faculty leaders must participate in the political process with greater vigor. Collective bargaining representatives may have to use hardball tactics when reasoned debate and negotiations fail. It is unwise to ridicule and ignore the recall election madness as just another California aberration.

FACUTY REPRESENTATION DURING POLITICAL CHAOS

Under extreme political pressure to curtail public spending, legislators have an easy target in higher education. One reason: the perceived social value of prisons, roads, and police protection is more apparent to the general public. In 2003, the California legislature cut $345.2 million (13 percent) from CSU's $2.6 billion General Fund budget. These reductions will eliminate 2,300 staff and faculty positions, force a zero enrollment growth policy, and provide no salary increase for any employee in 2004–2005. The defined benefit pension system used by all CSU employees weathered the economy's recent weakness.[14] But the state's budget cuts made it impossible for employers to pay for critical benefits, especially increased health insurance costs, and employees had to absorb the rapidly increasing premiums.[15] This increase effectively reduced take-home pay for most employees, collective bargaining rights notwithstanding.

Political advocacy becomes more important as collective bargaining becomes increasingly difficult. The California Faculty Association (CFA), bargaining agent for more than 22,000 faculty members in the 23-campus CSU System, exemplifies the constant political advocacy needed to survive in a hostile economic environment.[16] CFA, noting the gloomy economic outlook, negotiated a three-year contract in 2002 providing for salary adjustments, including merit pay increases through 2003–2004.[17] The continuing economic decline and the worsening 2003 state budget projections proved the soundness of a compromise that obtained longer-term protection. The potential effectiveness of bargaining over salaries and benefits reached an all-time low, and political action became the only available leverage.

CFA and other public employee unions felt substantial pressure to deliver votes against the recall of Governor Davis. CFA also remains responsible for governmental relations of all kinds, including soliciting and managing political action funds, endorsing and campaigning for candidates and ballot measures, and working toward a specific legislative agenda, including the annual state budget battle.[18] The union sponsors legislation, and lobbies for and against many other bills and legislative resolutions that would affect its members.[19]

CFA's website provides many suggestions for encouraging rank-and-file political participation.[20] The union regularly sends emails to CSU faculty, and notifies members when "grass roots" lobbying is needed.[21] Using press releases, while old fashioned, is still necessary and sometimes effective.[22] Governmental relations activities require a specialized staff that coordinates its work with field staff that continues to organize and to enforce the collective bargaining agreement.

THE HIGH RISK OF PLAYING THE MARKET

The deep slump in investment returns from mid-2000 to mid-2003 resulted in the loss of billions of "counted on" dollars for people owning 401(k)'s and 403(b)'s and even the disappearance of many defined contribution retirement plans. Americans responded by delaying retirement, getting part-time jobs in retirement, or paying current bills out of retirement savings plans. Many workers in public education use 403(b) tax sheltered annuity (TSA) plans to supplement defined benefit plans and Social Security qualification. State and local government employees, many in higher education, also supplement retirement income through 457 savings plans. Many faculty members must rely on employer sponsored TSA plans as their major retirement vehicle, with no defined benefit plan protection and with or without Social Security qualification. Workers in the private sector use similar 401(k) plans to supplement Social Security; 401(k)'s are also popular vehicles for employer sponsored retirement "systems." Approximately 52 million Americans have 401(k)'s.[23]

How fare these retirement plans? "Even a sustained upturn [in the financial markets]," noted a recent *Wall Street Journal* article, "may not be enough to salvage the retirement savings of many Americans."[24] The article, noting the large participation in 401(k)'s and 403(b)'s, called for thoughtful employee saving practices to offset employer cuts in or suspension of contributions to TSA plans. "Employees are increasingly responsible for their retirement security," observed a TIAA-CREF Institute publication.[25]

It is difficult to recover an employer-sponsored retirement plan at the bargaining table once employers stop their contributions. Assuring stable employer contributions to all existing plans is a top priority. The golden rule of retirement plan preservation—never discard or weaken a provision—is important during "good times" when it seems like the financial markets will rise forever. It is equally important during "bad times," when compromising pension security at the bargaining table appears to be a desirable alternative to losing jobs. When companies and institutions restructure during severe economic downturns, short-term labor dislocation and job loss always occur; as do attempts to weaken or eliminate retirement plans. The same is true in the public sector for defined benefit retirement plans, especially when neither statute nor constitution requires public employers to make actuarially required contributions.[26]

Borrowing against 401(k) and 403(b) plans during weak economic periods to spend on consumption is a bad idea, but up to 25 percent of participants in 401(k) plans that allow loans have raided their accounts for extra cash. Just as bad, many employees took too little risk during the last three years—in asset allocation decisions and in the size of their TSA contributions.[27] Employees can no longer rely on employers or the government for retirement security. Individuals and their union representatives must be smarter about allocating and protecting their assets and must carefully watch lawmakers as they reduce individual protections to make the economy more "business friendly."

THE COST OF FACULTY BENEFITS

The lag between the time when public colleges receive their budget allocations and when changes occur in salaries and benefits makes opportune and satisfying collective bargaining settlements difficult to achieve.[28] In good economic times, money often is committed to enrollment growth and capital improvements. When the economy turns bad, self-proclaimed "responsible administrators" insist they cannot justify extending employee benefit improvements into the future. The bad budget years of 2001–2003 will adversely affect the ability of most faculty unions to negotiate benefit improvements. Likewise, independent colleges calculate investment returns on their endowment over a prior multi-year period when determining their ability to fund faculty positions. These colleges will base 2003–2005 faculty salary and benefit adjustments on the negative returns most endowment funds experienced between 2000 and 2002.[29]

The rate of consumer price inflation has remained below two percent since 2000. The rate of return on investments in common stock finally moved upward by mid-2003, and our retirement savings have begun to appear more adequate. But we advise caution going forward. The high cost of employer contributions to pension plans and the continuing high medical insurance premiums have more than offset the stock market gains.[30] Nor has Congress improved a Social Security system that will soon be unable to pay its liabilities—so we cannot count on that program for a significant portion of retirement income. Our salaries may be keeping up with inflation, but the next two years do not look promising for benefits despite the economic recovery.

Looking at all ranks for all institutional affiliations combined in Table 1, the average institutional cost of faculty benefits as a percentage of average salary increased slightly between 1998–99 and 2002–03. This increase is mostly the result of relatively slow growth in salaries and higher costs of certain benefits. Tables 2 through 5 show the average institutional cost of benefits received by faculty members in dollars and as a percent of salary for public, private-independent, and church-related schools in recent years.[31] Total benefit costs for all institutions between 1998–99 and 2002–03 increased by 20.5 percent. Increased medical and work-related insurance costs accounted for 64.1 percent of the total increase in benefit costs over the five-year period.[32] The largest part of the total increase came from the continued rise in the cost of medical and dental insurance (48.9 percent).[33] Table 7 shows the rapid, continuing rise in medical insurance premiums experienced by the California Public Employees' Retirement System, which is legally required to purchase health insurance for 1.3 million people, including CSU faculty.[34]

Employer costs for defined benefit retirement plans can vary considerably as return on investment and actuarial assumptions change. Retirement benefit costs for institutions that rely on defined contribution plans are stable except when changed by bargaining or administrative fiat. These costs for all institutions together averaged a relatively stable 9.1 percent of salary over the period. The current dollar costs increased from $5,045 in 1998–99 to $5,519 in 2002–03, an increase of only 9.4 percent. This is an average annual increase of 2.3 percent, about the same as the annual increases in the cost of living.

The low rate of return on invested funds in recent years resulted in greater increases in employer contributions in defined benefit systems than in most defined contribution plans. In fact, employers did not increase their contributions at all to most defined contribution systems and in some instances they reduced or eliminated these contributions.[35] Employer contributions to California's state employees' fund, which includes all CSU employees (Table 6), shows how costly the

Table 1

Average Institutional Cost of Benefits as a Percent of Average Salary for Faculty Members on 9/10 Month Contracts, by Type of Benefit: 1998–99 through 2002–03[1]

Benefit Item	1998-99	1999-00	2001-02	2002-03
Retirement plans	9.3%	9.2%	8.8%	9.0%
Medical/dental plans	6.2	6.5	7.4	8.2
Group life insurance	0.3	0.3	0.3	0.3
Other insurance benefits	0.3	0.3	0.1	0.1
Guaranteed disability income protection	0.2	0.3	0.3	0.3
Tuition plan (dependents only)	0.6	0.7	0.6	0.7
Housing plan	0.0	0.0	0.0	0.0
Social security taxes	6.1	6.1	6.2	6.1
Unemployment compensation	0.2	0.2	0.2	0.2
Worker's compensation	0.5	0.5	0.5	0.5
Other benefits in kind with cash options	0.1	0.2	0.2	0.2
Total	24.1	24.2	24.6	25.5

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Salary Survey Data, 1998–99—2002–03.

[1] Data not available for 2000–01.

low rate of return on investments has been since 2001, and how beneficial the high rates of return were between 1998 and 2000.[36] Finally, because higher education expenditures typically lag revenues, the slight increases in the absolute and relative cost of retirement benefits during the past three years can be expected to continue for at least the next two years.

The total increase for all benefits received over the five-year period was $2,585 (20.4 percent) for public institution faculty, $3,118 (20.0 percent) for private-independent school faculty, and $2,579 (21.3 percent) for faculty at church-related schools. Tables 2-5 indicate three additional trends which, taken together, help to explain the variance in benefits by type of institution. The cost of medical insurance increased for all three institutional types. But the increase was much greater for public colleges and universities than for independent/not church-related colleges (50.4 percent vs. 37.2 percent) since the quality of health benefits coverage has been kept higher and employees' out-of-pocket payments has been kept lower in the public sector. This phenomenon is common under adverse economic conditions because the public sector is less sensitive to market pressures and more sensitive to moral suasion.

The tuition benefit paid for family members at public institutions—historically not a major benefit in this sector—increased by 27.1 percent. The same benefit at private-independents increased only by 12.9 percent, while tuition benefits for faculty members at church-related colleges increased by 21.5 percent. Benefits in kind increased slightly from 1998 to 2003 for private-independents, decreased slightly for church-related schools, but increased substantially for faculty in the public sector.[37]

Public university unions and administrators are settling for more "off the balance sheet" benefits to offset the growing salary disparity between public and independent university faculty. But tax revenues to finance higher education will continue to lag behind the need for stable funding as the economy recovers, and the upward trend to one-time

Table 2

Average Institutional Cost of Benefits in Dollars and as a Percent of Average Salary for Faculty Members on 9/10-Month Contracts,[1] by Institutional Affiliation and by Type of Benefit: 2002–03

	All		Public		Independent, not Church-Related		Church-Related	
	$	%	$	%	$	%	$	%
Average Salary	$61,494		$60,037		$73,408		$56,386	
Benefit Item								
Retirement plans	5,519	9.0	5,523	9.2	6,546	8.9	4,433	7.9
Medical/dental plans	5,028	8.2	5,272	8.8	4,724	6.4	4,130	7.3
Group life insurance	166	0.3	145	0.2	237	0.3	196	0.3
Other insurance benefits	67	0.1	71	0.1	76	0.1	34	0.1
Guaranteed disability income protection	163	0.3	143	0.2	215	0.3	208	0.4
Tuition plan (dependents only)	417	0.7	108	0.2	1,184	1.6	1,161	2.1
Housing plan	21	0.0	0	0.0	67	0.1	81	0.1
Social Security taxes	3,758	6.1	3,504	5.8	4,879	6.6	3,858	6.8
Unemployment compensation	120	0.2	103	0.2	174	0.2	145	0.3
Worker's compensation	322	0.5	302	0.5	418	0.6	324	0.6
Other benefits in kind with cash options	108	0.2	90	0.1	203	0.3	99	0.2
Total	15,688	25.5	15,260	25.4	18,722	25.5	14,669	26.0

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Salary Survey Early Release Data, 2002–03.

[1] Based on 93.3 percent of NEA's faculty salary universe (3,055 institutions) reporting benefits data.

benefits—such as tuition and moving costs—probably will continue. In the private sector, tuition benefits also will probably increase as an alternative to rapidly rising medical insurance rates and increased pressure on retirement plans as the number of annuitants grows faster than the rate of return on invested funds.

The 1990s gave us a booming U.S. stock market, which is now referred to as a market "bubble." The '90's also gave us temporarily stabilized medical insurance premiums thinly based on initial short-term savings of the newly formed health maintenance organizations, since proven to be another "bubble." During those glory days, neither employers nor employees saw a need to increase their focus on benefits as part of the total compensation package. The more transparent and yet more complicated world of 2004 and beyond requires more attention to imaginative ways to compensate faculty "off the balance sheet."

TAX RELIEF FOR SOME, TEMPORARY FOR ALL

California's gubernatorial recall process and the politics-as-usual of the approaching U.S. presidential election clearly indicate that no tax relief is in sight for middle-income workers. Federal fiscal policy favors constituencies who can argue that lower taxes allow more investment in large, identifiable capital purchases that stimulate the economy.[38] The political agendas of the Bush Administration and the Republican-dominated Congress favor big investors and the highest-income households.

Table 3

Average Institutional Cost of Benefits in Dollars and as a Percent of Average Salary for Faculty Members on 9/10-Month Contracts.[1] by Institutional Affiliation and by Type of Benefit: 2001–02

	All		Public		Independent, not Church-Related		Church-Related	
	$	%	$	%	$	%	$	%
Average Salary	$59,861		$58,439		$71,934		$54,772	
Benefit Item								
Retirement plans	5,265	8.8	5,247	9.0	6,353	8.8	4,245	7.8
Medical/dental plans	4,442	7.4	4,626	7.9	4,300	6.0	3,651	6.7
Group life insurance	185	0.3	175	0.3	252	0.4	166	0.3
Other insurance benefits	54	0.1	47	0.1	116	0.2	25	0.0
Guaranteed disability income protection	155	0.3	134	0.2	202	0.3	212	0.4
Tuition plan (dependents only)	370	0.6	89	0.2	1,128	1.6	1,027	1.9
Housing plan	17	0.0	0	0.0	57	0.1	66	0.1
Social Security taxes	3,684	6.2	3,439	5.9	4,826	6.7	3,769	6.9
Unemployment compensation	116	0.2	101	0.2	170	0.2	137	0.3
Worker's compensation	318	0.5	307	0.5	400	0.6	292	0.5
Other benefits in kind with cash options	100	0.2	82	0.1	104	0.1	185	0.3
Total	14,706	24.6	14,246	24.4	17,908	24.9	13,773	25.1

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Salary Survey Early Release Data, 2001–02.

[1] Based on 90.5 percent of NEA's faculty salary universe (2,964 institutions) reporting benefits data.

To be fair, the Jobs and Growth Tax Relief Reconciliation Act of 2003 contains one small benefit for the middle tax brackets—where most higher education faculty members reside. The act increased the child tax credit from $600 to $1000 per child for taxpayers with children less than 17 years of age living at home.

The 2003 law also amended the 2001 tax bill by moving the effective date for reducing rates in the top four income tax brackets from 2006 to 2003: from 38.6 to 35 percent; 35 to 33 percent; 30 to 28 percent, and 27 to 25 percent.[39] At the high end, if you are married and filing jointly, and if your household made more than $311,950 during 2003, you received a 3.6 percent federal income tax rate reduction. More realistic: households earning between $56,000 and $114,650 got a two percent reduction. Better than nothing, but the savings offer little help with mortgage or medical insurance payments. Worse, these tax breaks disappear after 2004 unless Congress extends the law this year.

THE CONTINUING CRISIS: PAYING FOR HEALTH CARE

Last year's *NEA Almanac* outlined the most serious crisis in faculty benefits: providing access to high quality health care without dramatically decreasing faculty take-home pay or benefit alternatives.[40] "There is increasing skepticism," the Center for Studying Health System Change notes, "about the ability of market-led solutions to rein in rapidly rising health care costs."[41] That's an understatement.

Table 4

Average Institutional Cost of Benefits in Dollars and as a Percent of Average Salary for Faculty Members on 9/10-Month Contracts,[1] by Institutional Affiliation and by Type of Benefit: 1999–00

	All		Public		Independent, not Church-Related		Church-Related	
	$	%	$	%	$	%	$	%
Average Salary	$55,975		$54,806		$66,448		$50,988	
Benefit Item								
Retirement plans	5,123	9.2	5,178	9.4	5,914	8.9	4,056	8.0
Medical/dental plans	3,640	6.5	3,807	6.9	3,625	5.5	2,855	5.6
Group life insurance	147	0.3	128	0.2	224	0.3	163	0.3
Other insurance benefits	157	0.3	158	0.3	98	0.1	208	0.4
Guaranteed disability income protection	147	0.3	127	0.2	199	0.3	188	0.4
Tuition plan (dependents only)	375	0.7	91	0.2	1,151	1.7	950	1.9
Housing plan	20	0.0	1	0.0	64	0.1	66	0.1
Social Security taxes	3,422	6.1	3,175	5.8	4,460	6.7	3,560	7.0
Unemployment compensation	102	0.2	87	0.2	146	0.2	130	0.3
Worker's compensation	286	0.5	280	0.5	332	0.5	272	0.5
Other benefits in kind with cash options	116	0.2	90	0.2	198	0.3	160	0.3
Total	13,536	24.2	13,123	23.9	16,412	24.7	12,607	24.7

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Salary Survey Early Release Data, 1999–00.

[1] Based on 91.1 percent of NEA's faculty salary universe (2,892 institutions) reporting benefits data.

Our free marketplace delivery system just cannot provide affordable health care going forward.[42] "Tinkering at the margins," says another expert, "which we thought politically might be an easier route [to health care reform] hasn't worked."[43] "Relations between faculty and administrators over economic matters," notes a respected labor economist, "would be much simpler if there were an easy solution to the problem of medical cost inflation."[44] Unfor tunately, there is no easy solution.

Most of big business opposed the Clinton plan in 1993, but in 2003, many chief executives of large U.S. corporations agree that, "to address these [health care] issues in a piecemeal or voluntary fashion won't work. We need a comprehensive overhaul of the system."[45] As noted, even CalPERS—the second largest purchaser of public employee health benefits in the U.S.—can no longer obtain sustainable medical insurance premiums (Table 7).

In 2003, the NEA-supported National Coalition on Health Care published a report entitled "Charting the Cost of Inaction."[46] The "inaction" is the unwillingness of U.S. political leaders to go beyond tinkering. America's working middle class—the majority of U.S. voters—has been relatively silent on health care reform because these citizens took affordable coverage for granted. Alarming numbers of employees are losing their medical insurance protection, but political leaders can afford complacency if Americans refrain from lobbying for changes in health care delivery during the next presidential administration.

Some presidential candidates have promised a patchwork of health care "reforms." But these proposals will not stem higher medical

Table 5

Average Institutional Cost of Benefits in Dollars and as a Percent of Average Salary for Faculty Members on 9/10-Month Contracts,[1] by Institutional Affiliation and by Type of Benefit: 1998–99

	All		Public		Independent, not Church-Related		Church-Related	
	$	%	$	%	$	%	$	%
Average Salary	$54,061		$52,982		$63,467		$49,799	
Benefit Item								
Retirement plans	5,045	9.3	5,141	9.7	5,661	8.9	3,953	7.9
Medical/dental plans	3,378	6.2	3,503	6.6	3,444	5.4	2,699	5.4
Group life insurance	147	0.3	133	0.3	211	0.3	153	0.3
Other insurance benefits	160	0.3	169	0.3	93	0.1	186	0.4
Guaranteed disability income protection	131	0.2	106	0.2	207	0.3	179	0.4
Tuition plan (dependents only)	346	0.6	85	0.2	1,049	1.7	911	1.8
Housing plan	18	0.0	2	0.0	57	0.1	53	0.1
Social Security taxes	3,319	6.1	3,109	5.9	4,222	6.7	3,428	6.9
Unemployment compensation	108	0.2	93	0.2	156	0.2	134	0.3
Worker's compensation	293	0.5	284	0.5	337	0.5	291	0.6
Other benefits in kind with cash options	75	0.1	50	0.1	167	0.3	102	0.2
Total	13,020	24.1	12,675	23.9	15,604	24.6	12,090	24.3

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Salary Survey Data, 1998–99.

[1] *Based on 91.0 percent of NEA's faculty salary universe (2,982 institutions) reporting benefits data.*

Table 6

Employer Retirement Fund Contribution for California State University Employees as a Percent of Compensation

Fiscal Year	Percent
2003–2004	14.84%
2002–2003	7.41
2001–2002	4.17
2000–2001	0.00
1999–2000	5.03
1998–1999	8.54

Source: Circular letters series 200: 057, 046, 050, 057-01, 033-02, 098-03 at http://www.calpers.ca.gov/employers.htm.

insurance premiums, more restricted access, and lower quality care.[47] The outcome of the 2004 election will matter only if politicians advocate universal health care funded equitably by employers, employees, and all citizens via taxes. With politicians focused on the high cost of rebuilding Iraq, turning their attention to total reform of the health care delivery system remains a key priority.

Faculty unions must expend more effort and resources on political action to protect and improve their living standard. Sound retirement plans and affordable health care benefits do not come easy in the present economy, or even as the economy recovers, without more attention to reform. Faculty leaders should participate as trustees on pension fund boards, and support their union's political

Table 7

Annual Percentage Change in Medical Insurance Premium Rates for All CalPERS Basic Plans and All Medicare Supplemental Plans, 2000–2004

Year	Basic Plans (% Change)	Medicare Supplemental Plans (% Change)
2000	+9.2%	+26.7%
2001	+11.8	+25.4
2002	+9.6	+16.0
2003	+24.1	+17.8
2004	+16.4	+10.0

Source: Office of Public Affairs: www.calpers.ca.gov.

action arm. Contribute to your political action fund and volunteer to walk precincts. To repeat: traditional collective bargaining or collective begging techniques will soon be useless. Absent activism, faculty will not even have any pie in the sky. Public policy reform requires political action.

NOTES

[1] Chronister, 1994, 1995, 1996, 1997, 1998, 1999, 2000; Crist, 2001, 2002, 2003. These analyses provide an historical perspective on advocacy for improved faculty benefits in a changing economic and political environment. Knowing this history over at least two past business cycles is invaluable for negotiators and faculty seeking long-term change through collective bargaining and personal retirement planning.

[2] See http://www.thecorporatelibrary.com/spotlight/scandals.html for a complete listing of publications regarding the financial market scandals of 2001-2002.

[3] The discovery of extensive conflicts of interest in the financial industries, especially the failed auditing and disclosure requirements, led to the elimination of the Arthur Anderson accounting firm. The "Big 5" became the "Big 4" accounting firms almost overnight. See http://www.wikipedia.org/wiki/Arthur Anderson .

[4] See a summary of the Sarbanes-Oxley act at http://www.aicpa.org/info/sarbanes_oxley_summary.htm. President Bush signed the bill on July 30. He was cool on the legislation as late as July 9, 2002 when he said in a major speech, "We need men and women of Character, who know the difference between ambition and destructive greed." "There is no harm in this rhetoric," noted a writer for the *Washington Post,* "but it is naïve to suppose that business can be regulated by some kind of national honor code." The international interest in this new focus on business regulation was apparent with publication of these comments in the *Washington Post* ("Editorial," 2002). See also Knowlton, 2002.

[5] Good corporate governance is important to faculty pensions. See Crist, 2003, 101.

[6] The financial press was particularly sensitive to the danger of underfunded pension schemes. See "Assets of top 200 retirement funds…," 2003.

[7] Crist, 2002, 90.

[8] Crist, 2003, 98.

[9] See the State of California, Department of Finance website, http://www.dof.ca.gov/HTML/BUD_DOCS/Bud_link.htm

[10] See http://www.calstate.edu/BudgetCentral/index.shtml

[11] See http://www.ucop.edu/news/budget/

[12] See the full press statement of Community College Chancellor Thomas Nussbaum at http://www.cccco.edu/news/press/press_2003/press_june/press_062503.htm.

[13] Even though the stock market decline over the past three years had badly damaged the size of endowment funds, the resources available from endowments have not restricted faculty salary and benefit payments as severely as in the public sector case through 2002. This phenomenon exists because of the practice of budgeting expenditures from endowment funds on a multi-year moving average basis. By 2002-2003 and for an unpredictable time into the future, expenditures from endowment funds will be more severely limited than public tax revenue funds (assuming economic recovery) for the same reason (Ehrenberg, 2003, 1).

[14] The concern of California's public employees regarding the impact of the budget crises on them personally was so strong that CalPERS placed a message on its website stating that "you can be assured that your pension benefits will be paid on time and without interruption, whether a final State budget is enacted by June 30 or...[not]." See "State Budget Problems…," 2003.

[15] For state employees in California the estimated annual total health premium went from $1.579 to $2.303 billion between 2002 and 2004, a 46 percent increase. The employees' share went from $167 million to $480 million between 2002 and 2004, a 187 percent increase. See www.calpers.ca.gov facts at a glance: health.

[16] CFA represents CSU tenure-track faculty, lecturers, librarians, counselors and coaches. See http://www.calfac.org.

[17] Crist, 2003, 98.

[18] See http://www.calfac.org/budget.html; and http://www.calfac.org/politics.html#anchorendorse

[19] See http://www.calfac.org/legisagenda.html.

[20] Send inquiries to gro@calfac.org.

[21] Inquire regarding the use of email to achieve faculty participation in political action to calfac-sac@calfac.org

[22] For a good example of a faculty union press release see http://www.calfac.org/allpdf/newsreleas/release5-14-03.pdf

[23] For general information on what can be done with these slightly different plans see http://www.investopedia.com/. See Engelhardt and Kumar, 2003 for a technical understanding of the impact of employer matching on 401(k) plans.

[24] "Why Even a Rally Won't Save You," 2003, D1.

[25] Rugh, 2003, 1. This paper analyzes retirement plan contributions and asset allocation decisions during radical swings in the financial markets.

[26] The employer's contribution rate for faculty in the California State University, for example, increased from 4.17 percent of salary in 2001-02 to 7.41 percent of salary in 2002-03 and to 14.84 percent in 2003-2004. See Circular Letter No: 200-098-03 at http://calpers.ca.gov/.

[27] "Why Even a Rally Won't Save You," 2003, D1.

[28] Crist, 2003, 98; Hamermesh, 2002, 21.

[29] Ehrenberg, 2003, 1.

[30] "Why Even a Rally Won't Save You," 2003, D1.

[31] U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Salary Survey Early Release Data, 1998-99—2002-03. These tables include comparable data, though the institutions reporting in each year's survey may vary.

[32] Includes medical insurance, disability, dental insurance, and worker's compensation.

[33] Basic medical insurance premium increases paid by the California Public Employees' Retirement Association, the second largest public purchaser of employee health benefits in the nation—behind the federal government—averaged 14.22 percent each year between 2000 and 2004. CalPERS Office of Public Affairs, http://www.calpers.ca.gov.

[34] California's Public Employees' Medical and Hospital Care Act. (PEMHCA). Part of the California Public Employees' Retirement Law, PEMHCA is kept separate from the retirement program. Public employers that wish to contract for PEMHCA benefits are not required to contract for the retirement benefits and vice versa.

[35] See http://www.bls.gov/opub/cwc/cm20030325tb01.htm.

[36] For examples of recent investment results for all major public pension systems, see http://www.calpers.ca.gov/about/directry/otherretsyslinks.htm; For comparison with the University of California Pension system see http://atyourservice.ucop.edu/employees/retirement/ucrp/index.html.

[37] "For the most part, these include benefits such as moving expenses, housing, cafeteria plans or cash options to certain benefits, bonuses, and the like." Hamermesh, 2002, 1.

[38] Savings by college faculty and other middle-income working people, while invested, doesn't attract attention as investment unless large institutions speak for the individual savers collectively. See "Corporate Governance Affects Whose Retirement," in Crist, 2003, 101.

[39] See http://www.irs.gov/formspubs/article/0,,id=109876,00.html.

[40] Crist, 2003, 102-104. In 2002, Jack Bruner, national health care practice leader for Hewitt Associates, a human resources consulting firm, stated, "Unless there is a fundamental change in the way health care is delivered, costs will double in the next five years. Employers simply cannot afford to continue to absorb these types of rate hikes and, unfortunately that means employees will have to pay a lot more for health care." See "Cultivating Better Choices," 2003.

[41] Lesser and Ginsburg, 2003.

[42] Sean Harrigan, President of the California Faculty Association, NEA, observes, "Congress and the President have not stepped up to the challenge of fixing our dysfunctional health care system." See Field, 2003.

[43] The expert is Ken Thorpe, a respected authority on healthcare at Emory University, who helped craft the Clinton reform plan in 1993. Marks, 2003, 2.

[44] Ronald Ehrenberg of Cornell University, 2003, 5.

[45] Statement by Dick Baird, Chief Executive Officer of Giant Food, quoted in "Health Care Policy Report," BNA, May 26, 2003, 679. Speaking at the same press conference, William Daley, former secretary of commerce and now president of SBC Communications said, "The present course we are following is unsustainable. Employers can't continue to absorb double-digit increases in health care spending year after year." Broder, B7.

46 Simmons, 2003. NCHC has published numerous studies related to health care that are useful in political action efforts.

47 Serafini and Barnes, 2003.

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