

COMPARATIVE INVESTMENT POLICY AND  
PERFORMANCE OF NATIONAL UNIONS'  
GENERAL AND SPECIAL FUNDS

Thesis for the Degree of Ph. D.  
MICHIGAN STATE UNIVERSITY  
Thomas J. Kewley  
1965

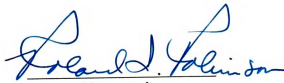
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of National Unions'  
General and Special Funds

presented by

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has been accepted towards fulfillment  
of the requirements for

Ph.D. degree in Financial  
Administration

  
Major professor

Date July 23, 1965

## ABSTRACT

### COMPARATIVE INVESTMENT POLICY AND PERFORMANCE OF NATIONAL UNIONS' GENERAL AND SPECIAL FUNDS

by Thomas J. Kewley

This study is an empirical analysis of national union investment policies of general and special funds. Union financial policy as a subject of research and analysis is relatively new because union energies have been largely devoted to the social objectives of their organizations. In recent years however the unions have recognized the need for specialized assistance in the management of their assets. If this study, by documenting the extent to which differences in policy and performance are due to the size of funds available for investment, to union constitutional restrictions on investment, and to the basic structure of the union itself, provides union officials and fund managers with a basis for comparing their own performance and perhaps for adjusting policy, it will represent a contribution to their knowledge in this growing specialty.

The analysis is necessarily limited to the period since 1959 when the enactment of the Labor-Management Reporting and Disclosure Act assured availability in uniform

manner of the quantitative data necessary for union financial research. The forty-eight largest national unions, representing over 88% of total national union receipts and over 92% of total national union assets, are classified according to union type, size and constitutional restrictions on investment policy. Investment policy, measured primarily by the structure of assets held, and performance, measured by yields on invested funds, are analyzed for each of the classifications to determine what patterns of policy and performance are evident. An attempt to develop a formula approach to the measurement of overall union performance related to union objectives is also presented, which serves to emphasize the non-homogeneous nature of union objectives (financial and social) serving to make formula approaches inadequate for the task. The general and special funds analyzed include all short term funds of the unions. General funds are the regular operating funds while special funds cover a broad range of activities, the most dominant being strike or defense funds. Union pension funds are specifically excluded because they represent long range financial planning based on more actuarially predictable factors and require an entirely different investment strategy. More importantly, with a few specific exceptions, union pension funds are jointly or trustee administered as required by the Labor-Management Relations (Taft-Hartley) Act and therefore do not represent exclusively union fund management policies.



The conflicting objectives of national unions emerges as the dominant theme throughout this study. The wide variation in objectives among the unions is repeatedly documented and given special emphasis in a case study contrasting the conservative objectives of the Amalgamated Meat Cutters with the strong social objectives of the United Auto Workers. Equally important is the conflict revealed within the unions between the stated financial objectives of safety and liquidity and the enacted non-financial objectives of unionism. It may be only fortuitous that during the period covered in this study the unions with more aggressive social pursuits recorded consistently higher returns on investments than more conservative unions.

Although the size of union general and special funds is large and worthy of serious analysis and specialized management, they have not grown significantly in aggregate during the period of this study. There are wide variations in the growth factor among individual unions. Lack of significant fund growth is attributed to a period of declining membership--dues from members is the major source of funds--and instances where growth is significant is attributed to increases in dues rather than to management of invested funds. Investment policy is quite directly a function of constitutional restrictions which the unions have imposed on themselves and these restrictions and the investment policy

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which emanates from them are a function of the basic orientation of unionism--industrial, occupational, or mixed. At present, union investment policy appears to be a policy of expediency not yet subjected to long range financial planning. Investment yields are directly related to the patterns of investment policy adopted by the unions and throughout the period of this study were consistently at levels which could not be achieved through conservative investment policy normally associated with short term funds. Clearly non-financial objectives of unions, especially large socially oriented unions, far overshadow financial objectives.

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A THESIS

Submitted to  
Michigan State University  
in partial fulfillment of the requirements  
for the degree of

DOCTOR OF PHILOSOPHY

Department of Accounting and Financial Administration

1965

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1966

## ACKNOWLEDGMENTS

The opportunity to publicly acknowledge the generous assistance of those who have made this dissertation a reality is an occasion of joy and pride. There is joy in recording in print in even the smallest way the profound appreciation of the author for the suggestions, guidance and unfailing support of those most closely associated with this project. There is also considerable pride in being associated during this period of study and research with these educator - researcher - administrators who so abundantly possess the qualities of wisdom and patience. The lack of space to record all who have assisted does not diminish the author's thanks for the help of these numerous friends.

Most special thanks are rendered to the dissertation committee chaired by Dr. Roland I. Robinson, Professor of Finance and Economics at Michigan State University and further composed of Professor Russell Allen of the School of Labor and Industrial Relations, Department of Economics and Professor Stuart B. Mead of the Department of Accounting and Financial Administration at Michigan State University. Their stimulation, guidance and constant support in this undertaking cannot be overvalued. Equally valuable and equally appreciated is the support and assistance received

throughout the doctoral program by the entire Department of Accounting and Financial Administration and in particular by department chairman Professor James Don Edwards.

The large quantities of data essential to this research were made available through the generous assistance of the Bureau of Labor-Management Reports, U. S. Department of Labor. Chicago Area Director Gerald Gotsch was especially helpful with the use of facilities and information files throughout the entire project period. The cooperation, time and thoughtful suggestions of officials of the AFL-CIO and of individual unions made a significant contribution to the feasibility and completion of the study. Alexander Bookstaver, Director of the Department of Investments for the AFL-CIO and Stephen J. Harris, Assistant Director of Collective Bargaining, Industrial Union Department of the AFL-CIO were most helpful with suggestions and critiques as well as arranging for access to union officials and data.

The detailed presentation of the case study contrasting the Amalgamated Meat Cutters and the United Auto Workers was possible only through the wholehearted cooperation of the officials of these two unions in making available data not generally published for outside distribution. For this unusual degree of cooperation which continued unfailingly even during periods of major contract negotiations the author is indebted to Joseph S. Sullivan, Resident Counsel of the

Amalgamated Meat Cutters and Arthur Miller, Investment Supervisor of the United Auto Workers.

Special thanks are accorded Leonard Van Gorp, Manager of Systems and Data Processing at Inland Steel Company for his guidance and assistance in data organization and processing which was a major factor in making this dissertation possible.

For inspiration when the going got tough there was always my father.

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## I. INTRODUCTION

Union financial policy as a proper subject for research and specialization by practitioners is relatively new. This is so because the attention of unions has long been directed toward survival and advancement of the organization and achievement of basic economic goals of the membership. With these first objectives largely secured, union officials are now concerned with the necessity of managing the assets of their organizations in the best interests of the members. However, responsibility for the management of funds requires a background not found in many union executives today. The unions are recognizing the problem.

The trade union official today finds himself more and more involved in the management of financial affairs.

This is so because money is one of labor's basic resources whether it be in the form of membership dues dollars that enable unions to carry out their programs, or in negotiated contributions from management that pay for the health, welfare and pension benefits.

The custodian of these funds has been given a position of trust by his fellow union members--a fiduciary responsibility.

His primary task is to see that the funds in his custody are managed safely so that they will be available when the members need them.



Another part of his responsibility, however . . . requires him to manage the union money efficiently, so that funds not needed on an immediate cash basis are invested wisely to help build the treasury, or to maintain or improve welfare and pension benefits.

It is this second aspect of the fiduciary responsibility that mystifies many union financial officers.<sup>1</sup>

The purpose of this dissertation is to analyze the investment policy and performance of national unions and to explore the extent to which differences in policy and performance are due to:

- size of funds available for investment
- union constitutional restrictions on investment
- basic structure of the union.

To the extent that differences in performance can be attributed to these determinants, union officials and fund managers will have a basis for comparing their own performance and for adjusting policy where that is indicated.

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<sup>1</sup>Alexander Bookstaver, The Investment of Labor's Funds (Washington: AFL-CIO, 1963), p. 3.

## II. SCOPE AND DESCRIPTION OF ANALYSIS

### National Unions

This dissertation is a study of national labor unions. A national labor union is a parent organization which charters subordinate organizations (usually called local unions), coordinates and directs policy, conducts organizing and bargaining activities, and comprises the top management of the union. While local unions maintain substantial funds to support their activities, the majority of funds which become available for investment are available at the national organization level. A national union typically receives a constitutionally fixed amount or proportion of the membership dues and initiation fees paid to local unions. Special purpose assessments may also be a source of national union funds, although this is infrequent. The apportionment of membership dues appears to be designed to provide the local union with funds for administrative and organizational activities and the national union with funds for longer range development and for combined union requirements such as the accumulation of strike funds. The national union is not dependent on the good will of the local for funds, but has a constitutional right to a specific proportion of dues and fees.

The classification is not wholly descriptive of either size or investment potential. Local organizations of some unions are much larger and have greater funds and resources than the national organization of other unions. However, in terms of union structure and investment policy formulation, the national organizations represent a homogeneous point of focus for analysis. Many of these organizations have a title which designates them as international; but whatever title they use, they are the parent organization and the object of this study. The description of a union organization as international does not mean a world wide organization, but rather refers to the United States and Canada only.

#### Union Size

This study covers the forty-eight largest national labor unions.<sup>2</sup> In union comparisons the most significant criteria of size is usually the number of members in the organization. Unions, of course, are person-oriented and tend to measure success in terms of the number of persons in an industry or a trade who are union members. For investment purposes, however, the flow and magnitude of funds available are the important measures of size. For the most part,

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<sup>2</sup>U. S., Bureau of Labor-Management Reports, Union Financial Statistics (1960), p. 2.

unions with the largest membership also have the largest funds to be managed, although there are several exceptions.

Another potential disagreement as to the definition of size is whether the size of receipts or the size of assets should be the controlling feature. Again, this is more of a theoretical than actual problem because unions with the largest assets are also those with the largest receipts. And again there are some exceptions, especially among smaller unions.

To avoid excessive influence of fixed assets on total asset size and to use the determinant which calls for the greatest fund management, this study is based on the forty-eight largest national unions ranked by receipt size as of the base period for the study--1960.

All national unions with \$2 million or more in receipts for the fiscal year (usually December 31) ending in 1960 are included. These forty-eight largest unions comprise over 88% of total national union receipts for the period and over 92% of total national union assets.<sup>3</sup> Exhibit II-1 shows the number of unions in each receipt size group included in the study.

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<sup>3</sup>Ibid., p. 2.



EXHIBIT II-1. Number of Unions Studied According to Receipt  
Size - 1960

Receipt Size Group	No. of Unions
1. Receipts over \$ 2 million in base year . . . . .	11
2. Receipts over 3 million in base year . . . . .	8
3. Receipts over 4 million in base year . . . . .	5
4. Receipts over 5 million in base year . . . . .	13
5. Receipts over 10 million in base year . . . . .	<u>11</u>
Total Unions . . . . .	<u><u>48</u></u>

Union Types

All the unions included in this study can be conveniently classed in conventional categories descriptive of their basic, or at least original, structure of unionism. Industrial unions are those whose membership includes all types of workers in an industry without reference to the different skills they may use in that industry. Trade or occupational unions are those whose membership includes workers in a particular skill group without reference to the different industries in which they may use that skill. And finally there is a growing number of unions, more evident since the AFL-CIO merger, whose membership is industrial in part and occupational in part, a combination of the basic types. Exhibit II-2 shows the number of unions in each type included in the study.

EXHIBIT II-2. Number of Unions Studied According to Union Types

Union Type	No. of Unions
1. Industrial . . . . .	19
2. Trade or Occupational . . . . .	14
3. Mixed--Industrial and Occupational . . . . .	<u>15</u>
Total Unions . . . . .	<u><u>48</u></u>

Constitutional Restrictions

While the constitutions of national unions define the management authority for investment of funds, they frequently go much further and describe in some detail specific types of securities which are permissible for investment. Clearly, these constitutional definitions of qualified investments can be much more restrictive than mere designation of authority. There would be little freedom of action for an investment officer with absolute authority if that absolute authority was exercisable over only a small range of specifically described investments. This type of contrast will be noted where applicable in this study.

Fortunately, for purposes of analyzing comparative fund performance, the majority of the national unions (28 of the 48 studied) have no constitutional restrictions on types or proportions of investments. Most of the restrictions are concerned with limiting investments to fiduciary and trustee approved "legal lists" and to U. S. Government and sometimes





state and Canadian Government securities. These constitutional restrictions and the number of unions affected by each type of restriction are presented in detail in Exhibit II-3. It is interesting to note that none of the unions are restricted solely to U. S. Government and government guaranteed obligations, although some fund managers apparently voluntarily restrict themselves to these obligations.

EXHIBIT II-3. Number of Unions Studied According to  
Constitutional Restrictions on Investments

Constitutional Restriction Type		No. of Unions
1.	No Restrictions . . . . .	28
2.	Investments approved for fiduciaries, trustee and guardian funds and insurance reserves . . . . .	4
3.	Investments approved for trusts--limited to 30% of cash invested . . . . .	1
4.	U. S. Government, Canadian Government, and U. S. or Canadian Government guaranteed obligations . . . . .	4
5.	U. S. Government, Canadian Government, U. S. State, County and Municipal obligations . . .	1
6.	U. S. Government, State and Municipal general income obligations, obligations approved by Dist. of Columbia Probate Court for trusts . .	2
7.	Bank deposits only; with minor exceptions . . .	4
8.	U. S. Government, Canadian Government, obligations approved for trusts . . . . .	1
9.	U. S. Government, Canadian Government, U. S. or Canadian Government guaranteed obligations, State and Province obligations, Canadian trust company obligations . . . . .	1
10.	Extremely detailed restrictions beyond the scope of these general classifications . . . .	2
Total Unions . . . . .		<u>48</u>

Several of the union financial officers interviewed during the course of this study felt there was a trend toward less restrictive constitutional descriptions of investment management. Such a trend, which requires constitutional amendment, is naturally a slow process. A dramatic example of a union which did pass such a constitutional amendment is the United Auto Workers. The following excerpts from the proceedings of their 17th Constitutional Convention in 1959 reveal their new approach to the purpose and use of union funds.

Article 13, Section 16 of the constitution read as follows before the convention:

The International Secretary-Treasurer shall be the custodian of the funds of this International Union, and at the direction of the International Executive Board shall deposit all funds of the International Union in some responsible bank or banks. He shall invest all funds in excess of two hundred fifty thousand dollars (\$250,000) with banks giving interest-bearing "Certificates of Deposit"; invest such excess in bonds of the United States Government; or he may, with the approval of the International Executive Board, invest not more than forty per cent (40%) of such excess funds in securities which are considered legal investments for life insurance companies incorporated under the laws of the state of New York.<sup>4</sup>

The convention proposed, and adopted, the following statement as the new Article 13, Section 16 of the union constitution:

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<sup>4</sup>International Union United Automobile, Aerospace and Agricultural Implement Workers of America, Proceedings of Seventeenth Constitutional Convention (Atlantic City, N.J., 1959), p. 511.

The International Secretary-Treasurer shall be the custodian of the funds of this International Union. He shall deposit sufficient funds of the International Union in some responsible bank or banks to meet current obligations of the International Union and shall invest the remainder of the funds under procedures and standards determined from time to time by resolution of the International Executive Board.<sup>5</sup>

In addition to the above amendment, Secretary-Treasurer Emil Mazey offered a resolution to the delegates concerning investment policy. The resolution and supporting commentaries were as follows:

Resolved: That in addition to considerations of liquidity, security, and rate of return, the International Executive Board, in investing strike insurance funds and other funds of this International Union give full consideration in investing these funds to the purposes and objectives that will be furthered by the activities which such investments support.

Secretary-Treasurer Mazey: I would like to make one comment on this matter. We are proposing that the International Executive Board be permitted to use up to \$5 million of our Strike Funds for investments in helping to promote hospitals and clinics and housing, as this resolution which I read spells out.

Now, the question may arise in the minds of some delegates that if we use \$5 million for this purpose will there be enough money to deal with the needs of the Union in the event of a strike situation.

The members of the Executive Board are confident that in the event we tie up some of our money for these projects, in the event of an emergency where we reach the level where the \$5 million of our Strike Fund has to be used, we could borrow money to cover that emergency.

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<sup>5</sup>Ibid., p. 511.

However, we recognize it is important that we do everything we possibly can in the medical and housing field, and this is a necessary step, and the only moneys that are available are moneys in our own treasury, and instead of borrowing moneys at 6 and 6-1/2 per cent from the outside, we believe we ought to loan these moneys in order to get these socially necessary projects under way.

I urge the adoption of the resolution.

. . . Motion supported.

Vice President Woodcock: Is there a motion from the floor to adopt the resolution? Somebody make it official for the record.

Delegate Arnold Much, Local Union 5: I so move that we accept the resolution.

Vice President Woodcock: The motion has been duly made and seconded. Now, this does not disturb the liquidity of the Strike Fund. It is still available and if we got down to this point, we could still go out and borrow the money at the higher interest rates that would otherwise be paid if we were borrowing it directly for these purposes. Under the money market of about 15 months ago, it was necessary for the secretary-treasurer to invest these moneys in short-term obligations which yielded as little as 1-3/4 per cent.

Actually, this can bring more income to the Strike Fund.<sup>6</sup>

These statements of the Secretary-Treasurer and Vice President emphasize the approach of this union to the use of investment funds--such funds should be used to support the non-financial objectives of the union; such objectives should not be thwarted by restrictions on the use of funds. If these new uses of funds should happen to be financially wise (recognition of ability to borrow to meet emergencies)

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<sup>6</sup>Ibid., p. 513.

and profitable (higher yield on housing loans than short-term government securities) these are fortunate circumstances rather than primary objectives. There is further comment on this situation in the section of this report on Union Objectives.

### Types of Funds

This dissertation is a comparative study of the policy and performance of general and special funds of national unions. The phrase general and special funds includes all short term funds of the unions. In corporate terminology, these would be referred to as temporary funds and highly liquid investments. The purpose is to see how efficiently the unions handle these temporarily investable funds--some of which turn out to be not so temporary after all.

General funds are the regular operating funds of the unions. Obviously there is a high degree of activity or turnover (fund flow) in general funds and liquidity is of primary importance. However, as we can observe later, stricter cash planning and greater awareness of the liquidity available in short-term and even intermediate investments could improve the return to the union on the use of these funds.

Special funds cover a broad range of activities for which various unions wish to earmark a portion of their receipts. The most common of these special funds is the strike or defense fund. While there is admittedly a need for liquidity in this type of fund, it appears this need is overemphasized. Major strike activities, or potential strike situations, are usually predictable well in advance so that properly timed maturities could provide the liquidity needed at bargaining time, for example, and still provide a reasonable return on the fund. It is also generally observable from the pattern of strike benefit payments that 100% liquidity is not necessary at the beginning of a strike, but rather gradually over a period of weeks and perhaps months. This pattern could also be reflected in the maturities of investments. For the unanticipated strike, these investments would provide high grade collateral for a loan until the desired liquidity is achieved.

Other short-term funds are also included in this study. The most prominent of these are death benefit funds for union membership and retirement funds for union officers and employees. The inclusion of death benefit funds with other short-term investment funds is an unusual feature of several of the unions in this study. Death benefits should not be subject to short-term investment decisions because the liability is actuarially predictable with a high degree of precision, presenting only a routine problem. However,



in the death benefit funds included in this study, the benefits are paid out of funds commingled with operating and strike funds. The probable, but unconfirmed, reason for handling these funds as short-term is the small amount of actual benefits provided--a few hundred dollars in most cases--which can be, in effect, self-insured and paid on a current basis. Some of the unions involved segregate the death benefit fund on some financial statement presentations, but this is an accounting allocation of assets, income and expenses. The death benefit funds which are controlled and invested as long-term funds are excluded from this study.

No long-term retirement or pension funds are included because they present an entirely different investment situation and strategy. The officer and employee retirement funds included are those which are commingled with other short-term funds and whose benefits are paid out of these short-term funds as a regular operating expense.

Union pension funds, which are frequently uppermost in the mind of the general public when union funds are mentioned, are excluded for several reasons. As noted above, they represent long range financial planning based on more actuarially predictable factors and therefore require an entirely different investment strategy than short term funds. Equally important is the fact that union pension funds are not completely under the control of union management. They



are jointly or in many cases trustee administered. The Labor-Management Relations Act (Taft-Hartley Act) specifically prohibits complete union control of these funds, although a few exceptions were permitted, most notably the International Ladies Garment Workers pension fund and the United Mine Workers pension fund. These factors make the pension funds incompatible with the type of analysis contemplated in this study.

### Time Span

Generally availability of data required for a study of this detail is extremely sketchy and in great part nonexistent before the passage of the Labor-Management Reporting and Disclosure Act of 1959. There is no reasonable data available to extend the study further into the past. Several earlier studies of union activity and union history refer to estimates of union assets and dues receipts, but these are admitted to be broad estimates not based on documented data and use terms such as total union or combined union assets. That type of information was not made available by many unions before 1959. Of course, such studies could offer no classification of assets or receipts. Such earlier figures were probably based on estimates of union membership and known dues requirements. They offer no enlightenment for purposes of this study. In addition to many other requirements, the 1959 Act requires all labor

organizations engaged in an industry affecting commerce (which primarily exempts government unions) to file an annual financial report on forms provided by the Secretary of Labor. These reports are uniform and sufficiently detailed to enable an analysis of union investment policy and procedure.

The Labor-Management Reporting and Disclosure Act was passed by Congress on September 14, 1959 and required only incomplete reports for the year 1959. The first full year of data, therefore, is 1960, which is the base year for this study. The most recent year for which complete data is available at the time of this writing is 1963, which is the terminal year of the present study. Investment policy (composition of assets and so forth as described later) can be observed over a four year span (1960-1963), while measures of investment performance (the various measures of growth and return) must be computed in relation to the base year and can be presented for time periods following the base year--presented for the years 1961, 1962, and 1963 in this study.

The relatively short time span for which sufficient data is available prevents drawing broad general conclusions. There is however, sufficient evidence to demonstrate certain characteristics of unions and their management which have contributed to consistently better investment performance for some unions than others over this span. It should also

be interesting to observe the performance criteria in this study over all phases of business cycles and economic activity levels.

### Investment Policy

The definitions of investment policy, and of investment performance as described below, are based on the definitions used in the Wharton School of Finance and Commerce report, A Study of Mutual Funds.<sup>7</sup> Of course, the investment criteria and objectives of union investments are considerably different from those of mutual funds, so these definitions and the analysis based upon them must be adapted to the needs of this study.

Investment policy, as used in this comparative analysis of national unions, is the investment practice of a union as revealed in the structure of union assets in the base year and in subsequent years.

### Investment Performance

Several measures of investment performance will be considered in detail in a later section of this study. All of the measures will be attempts to evaluate the effectiveness with which union assets are administered in keeping

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<sup>7</sup>U. S., Congress, House, Committee on Interstate and Foreign Commerce, A Study of Mutual Funds, 87th Cong., 2nd Sess., 1962, H. Rept. 2274.

with the special objectives of these funds. It is not enough to merely compare yields achieved on total assets or even classes of assets. It is also important to consider measures of performance which include the extent of accomplishment of other objectives of the funds, such as payment of strike or death benefits. Performance then encompasses measurement of growth, yield, benefit payments and other special purposes. The limited amount of significance that can be attached to differences in distributions drawn from a base population of only forty-eight units must be kept in mind. Formal statistical significance testing is not appropriate for this study, but the practical significance limits should be noted. This is particularly important for the yield differentials noted in Section VI.

### III. UNION OBJECTIVES

An analysis of investment policy or performance must be related to the objectives of the funds and of those charged with administering the funds. In the investment of labor union funds, conflicting objectives are at work.

Safety of funds is obviously the dominant financial objective, as will be shown below. All of the union financial executives interviewed stressed the trusteeship nature of union funds. Fear of criticism by membership less knowledgeable in financial matters no doubt also contributes to a conservative approach to investments. On the other hand, the militancy of labor unions in pursuing social and welfare goals requires a psychology which ignores current criticism in the drive towards long range objectives.

The multiplicity of objectives can be brought into perspective by separating them into financial and non-financial objectives of the unions as organizations.

#### Financial Objectives

The financial dilemma of union fund management is familiar to all financial managers: liquidity versus profitability, safety versus income. The solution depends on the needs of fund members, the degree of steadiness of cash



inflow and benefits to be paid or other commitments to be met. The benefits to members must be balanced against risks to members.

Membership approval is not required, in any of the unions studied, for any type of investment decision except where the constitution must be revised to eliminate a restrictive provision. And, of course, union members cannot express their opinion of investment projects by withdrawing their funds. The strongest safeguard for individual members is the potential personal criticism of union officials which is always present due to the public nature of union activities. Union members are aware that funds are not accumulated to earn income, but for other purposes with investment being secondary.

The financial statements of unions reflect this situation. "Proof of honesty is the purpose of union financial statements and the cause of conservatism . . . ." <sup>8</sup>

To confirm, or refute, these general impressions and to provide the proper base for further analysis, the treasurer (frequently titled secretary-treasurer), or his designated representative, of each of the forty-eight national unions included in this study was asked to comment on the financial objectives of union funds under his jurisdiction,

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<sup>8</sup>George Kosmetsky, Financial Reports of Labor Unions (Boston: Harvard University, 1950), p. 132.

excluding pension funds.

Of the forty-eight unions questioned, three did not respond, another three replied in terms too broad to classify as a financial objective or referred to the union constitution. The remaining forty-two (over 87% of the survey) unanimously mentioned safety as the primary criteria for all investment decisions. Liquidity was specifically mentioned in thirty-seven replies and alluded to in the other five replies as being next to safety in priority of fund management.

Obviously, the financial objectives, stated in isolation from other objectives, are the most conservative possible. Safety is preferred to income, liquidity to profitability. However, it will become just as obvious, as yield data is presented later, that the desire for safety and liquidity is not predominant. Yields are too high for these objectives to have been strongly enforced.

It is this author's interpretation of the situation that nonfinancial objectives of unions are stronger determinants of financial policy than are financial objectives; and that the pursuit of these other objectives has caused a relatively high return on the funds committed. This interpretation is consistent with the fact that unions are primarily social organizations, not financial organizations. To be true to their purpose, criteria dealing with financial returns must be subordinated to their social objectives.



This can be seen clearly in those unions (some of the largest) that loan to local organizations for organizational drives and building construction and that invest heavily in expanding union printing plant operations. These investments, which have provided high returns, are dictated by organizational objectives--certainly not by a desire for safety and liquidity.

Let us now review briefly these nonfinancial objectives which are the heart of American unionism.

### Nonfinancial Objectives

The American labor movement as it has grown and evolved has been fashioned by the character, spirit, and aspirations common to the workers of the United States. The concepts and aims are emphasized in the AFL-CIO constitution. The first aim set forth is the securing of "improved wages, hours, and working conditions."<sup>9</sup> They desire to have all workers, without regard to race, creed, color or ancestry, share in the benefits of union organization. Participation in the nation's political affairs is strongly favored without coming under the control of any political party. International interests are recognized in the constitution's commitment to promote "the cause of peace and freedom . . . and to aid, assist, and cooperate with free and domestic labor

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<sup>9</sup>American Federation of Labor and Congress of Industrial Organization, Constitution (Washington: n.d.), p. 2.



movements throughout the world."<sup>10</sup>

Unions have won acceptance, both nationally and in most local communities. This recognition is evident in the day-to-day relationships between workers, their local union officials, and employers. Next to the collective bargaining function of unions is the constant desire to organize the unorganized workers within their jurisdiction. Historically, of course, this was the principal and most challenging union objective. It was in this area that many hard fought struggles occurred. Today, violent clashes of union organizers or strike breakers are rare, although occasionally a tense struggle is precipitated by an obdurate employer or overly militant or undisciplined unionists. Organizing activity, however, is still vital to union health and growth, especially in an expanding or a rapidly changing economy. Unions have found special need for organizing activities when employers or industries are shifting to new localities. Automation in major industries such as steel and automobiles has actually reduced employment, and therefore union membership, even in periods of expanding production.

Among the traditional functions of unions is the maintenance of mutual benefit funds (some of which are included in this study). Public social security programs and the supplemental or fringe benefit clauses of collective

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<sup>10</sup>Ibid., p. 3.

agreements have reduced the earlier importance of the fraternal benefit functions based on member contributions. Some unions, however, especially among the older craft unions, continue to provide a program of sickness, death, unemployment, old-age, disability, and other benefits.

Educational facilities for their members are provided by many national unions. Certain craft unions support trade schools to help members develop or improve skills. Some educational work is aimed at training officials in handling union work; accounting methods, for example, for treasurers; or techniques of handling shop grievances for shop stewards who represent workers in a particular factory.

Most unions publish newspapers or journals. These range in size from leaflets to full-size magazines containing, in addition to union news, special departments and articles on national and international issues. Unions also publish a wide variety of pamphlets and special reports. These, and their radio and television programs, are often designed to inform the public, as well as members, of union activities and objectives.

Perhaps these nonfinancial goals of unions can be summarized as security, advancement, human treatment and dignity. These are accomplished for unions as organizations through recognition, expansion of membership and equality of bargaining power. They are accomplished for members through job security, increased pay and fringe benefits, equal

opportunity for advancement and safe and reasonable working conditions.

To accomplish these objectives, unions must be aggressive; and they are basically militant organizations and risk-takers. What they say (desire for safety and liquidity in fund handling) is overridden by their drive to accomplish other objectives, even if it means financial loss. During the period of this study, it has meant financial gain; but this may be merely fortuitous. In other economic situations, it could mean losses. This author has the definite impression, derived from many interviews with national union representatives, that they would rather be criticized for a big loss in pursuit of union goals than for a small loss due to financial decisions.<sup>11</sup>

Some few unions present a contrast to the situation described above. These are the older, restricted-entry, non-expanding craft unions. In these cases, ultra-conservative investment policy is an observable fact. They do not have riskier outlets for funds for other union purposes such as expansion or construction of local union headquarters, so the financial objectives of safety and liquidity seem to predominate. These are also the unions that continue to

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<sup>11</sup>This opinion was repeatedly emphasized by Arthur Miller, Investment Supervisor of the United Automobile, Aerospace and Agricultural Implement Workers of America and by Joseph S. Sullivan, Resident Counsel of the Amalgamated Meat Cutters and Butcher Workmen of North America.

maintain fraternal types of sickness, death, disability and other benefits and funds for these purposes are rather conservatively invested. Expanding unions, with less of a fraternal atmosphere, have negotiated these benefits to be supported by employers through collective bargaining agreements.

An important influence on financial performance and an influence which is contrary to what has been conventionally accepted as financial policy in other fund managements is the lack of long range financial planning observable in the unions. There is something of an expediency approach to union management which is not surprising in view of the nature of their primary objectives. Their objectives are associated with changing social patterns and customs and must be pursued aggressively when political and economic conditions are ripe. At such times the full use of energy and funds is important to secure further steps toward their objectives, and these periods are followed by cooling off or easing of pressure periods. Such policies of expediency, of total commitment when conditions are right, naturally has an inhibiting influence on long range financial planning. Although this study does not cover a full range of economic cycle, there is little reason to expect that cyclical financial planning will be revealed during recession periods. There is, of course, cyclical planning to the extent that strike funds are brought to a highly liquid position prior to major contract negotiations.

#### IV. SIZE AND GROWTH OF UNION FUNDS

A meaningful study of fund policy and performance must be related to the size of the funds being analyzed. There is, for example, little except deception to be gained from analyzing large changes in percentage when only very small amounts of absolute dollars are involved.

It is generally agreed that unions have significantly large amounts of funds on hand in the form of cash and investments and that these funds are more or less constantly growing through regular dues and potential assessments. In fact, the size of these funds continues to attract business and government attention. The financial reporting requirements of the Labor-Management Reporting and Disclosure Act, from which most of the data for this study is drawn, is the latest evidence of growing interest in this area of finance.

This study, of course, is concerned with national unions. Many local unions, all excluded from this analysis, are very large and represent a large proportion of total union funds. This study is confined to general and special funds. Pension plans, being long-term investment funds, are excluded and these pension plans also represent a large proportion of total union funds. A more detailed description

of the types of unions and funds included in this study was presented in Section II. These two major exclusions, local union funds and pension funds, does not mean there are only a small amount of funds left to analyze. The first purpose of this section is to show just what is involved.

### Asset Size and Growth

For quick orientation, Exhibit IV-1 presents total assets, total liabilities and net assets for the combined forty-eight unions for each year of this study.

EXHIBIT IV-1. Combined Assets and Liabilities - Forty-Eight National Unions (millions of dollars)

Combined Unions	1960	1961	1962	1963
Total Assets	\$ 646.5	\$ 674.0	\$ 641.9	\$ 670.5
Total Liabilities	<u>48.8</u>	<u>51.9</u>	<u>20.5</u>	<u>22.9</u>
Total Net Assets	<u>\$ 597.7</u>	<u>\$ 622.1</u>	<u>\$ 621.4</u>	<u>\$ 647.6</u>

This exhibit shows a situation of large funds (net assets) for the combined unions, but not a situation of rapid growth in asset value. The lack of dramatic growth (8% over the three year period) is not, of course, a summary valuation of investment policy or performance. Situations of steady or perhaps decreasing membership (decreased dues receipts) combined with continued high rates of benefit payments may



account for the lack of substantial growth observed here. And, of course, these funds are not in any sense purely investment funds--other union objectives always take precedence.

The effectiveness of investment policy and performance will be revealed more clearly in Sections V and VI of this study. Section V will analyze how policy has shifted during the three year period as revealed in changing asset composition, and types and sizes of loans made and received. Section VI will attempt to analyze investment performance using multiple criteria of growth, benefits, yields and so forth.

For the present, a look behind the aggregate figures of Exhibit IV-1 will show what size and growth patterns are evident according to the classification of union type, and size described earlier; bearing in mind that any conclusions are premature until further evidence of policy and performance is presented.

Exhibit IV-2 shows a rather dramatic growth of industrial union net assets--up \$47.8 million or 18%--due in part to a growth in assets and in part to a sharp decrease in liabilities. Again, it is too early to say how much credit can be given to outstanding performance or how much may simply be the result of stable or growing membership.

EXHIBIT IV-2. Assets and Liabilities of National Unions By  
Type of Unions (millions of dollars)

Type	1960	1961	1962	1963
Industrial Unions:				
Total Assets	\$ 301.0	\$ 320.6	\$ 309.1	\$ 321.4
Total Liabilities	<u>31.2</u>	<u>34.4</u>	<u>3.5</u>	<u>4.8</u>
Total Net Assets	<u>\$ 269.8</u>	<u>\$ 286.2</u>	<u>\$ 305.6</u>	<u>\$ 316.6</u>
Occupational Unions:				
Total Assets	\$ 128.9	\$ 137.3	\$ 115.8	\$ 116.7
Total Liabilities	<u>5.3</u>	<u>6.5</u>	<u>7.7</u>	<u>7.3</u>
Total Net Assets	<u>\$ 123.6</u>	<u>\$ 130.8</u>	<u>\$ 108.1</u>	<u>\$ 109.4</u>
Mixed Unions:				
Total Assets	\$ 216.6	\$ 216.0	\$ 216.9	\$ 232.4
Total Liabilities	<u>12.2</u>	<u>11.0</u>	<u>9.3</u>	<u>10.8</u>
Total Net Assets	<u>\$ 204.4</u>	<u>\$ 205.0</u>	<u>\$ 207.6</u>	<u>\$ 221.6</u>

In diametric contrast, occupational unions experienced, in aggregate, a decline in net assets of \$14.2 million, a decrease of 11% over the period of study. In this case, decreasing assets have combined with increasing liabilities resulting in the sharply decreased net asset figure.

Something of a middle course is shown for those unions classified as mixed, a combination of industrial and occupational membership. They experienced a net asset gain of \$17.2 million or 8% which is the same percentage increase for the aggregate of all unions as shown in Exhibit IV-1.

One further presentation of size and growth, or decline, of net assets will be useful as background data for

the policy and performance discussions which follow. The unions in this study have been classified according to size of total receipts from all sources in the base year 1960, as was described earlier. Since these receipts are funds immediately subject to cash planning techniques, asset policy and investment decisions, the size classification will be an important determinant in evaluating both policy and performance. First, the relation between receipt size and asset size and growth is partially revealed by the comparison presented in Exhibit IV-3.

The reader is cautioned not to be excessively influenced by absolute dollar figures such as are presented in Exhibit IV-3. Proportions and trends of change are more important than the specific dollar figures at this point. For example, it might appear from the data in Exhibit IV-3 that unions with receipts over \$2 million are larger in net assets than unions with receipts over \$4 million. There are, however, different numbers of unions in the various receipt classes so more aggregates of assets do not reveal whether unions in one group are larger or smaller than unions in any other group. For the curious reader, average net assets per union according to receipt size are shown below for 1963 as Exhibit IV-4.

EXHIBIT IV-3. Assets and Liabilities of National Unions By  
Receipt Size of Union (millions of dollars)

	1960	1961	1962	1963
<hr/>				
Unions with receipts over \$ 2 million in base year:				
Total Assets	\$ 38.1	\$ 40.1	\$ 41.0	\$ 39.5
Total Liabilities	<u>1.1</u>	<u>1.9</u>	<u>2.6</u>	<u>1.9</u>
Total Net Assets	<u>\$ 37.0</u>	<u>\$ 38.2</u>	<u>\$ 38.4</u>	<u>\$ 37.6</u>
Unions with receipts over \$ 3 million in base year:				
Total Assets	\$ 52.1	\$ 56.1	\$ 68.1	\$ 64.9
Total Liabilities	<u>5.0</u>	<u>5.1</u>	<u>5.2</u>	<u>6.5</u>
Total Net Assets	<u>\$ 47.1</u>	<u>\$ 51.0</u>	<u>\$ 62.9</u>	<u>\$ 58.4</u>
Unions with receipts over \$ 4 million in base year:				
Total Assets	\$ 28.5	\$ 31.5	\$ 33.3	\$ 33.5
Total Liabilities	<u>3.3</u>	<u>3.9</u>	<u>4.7</u>	<u>4.8</u>
Total Net Assets	<u>\$ 25.2</u>	<u>\$ 27.6</u>	<u>\$ 28.6</u>	<u>\$ 28.7</u>
Unions with receipts over \$ 5 million in base year:				
Total Assets	\$160.9	\$160.8	\$165.2	\$174.4
Total Liabilities	<u>7.9</u>	<u>6.6</u>	<u>3.8</u>	<u>5.0</u>
Total Net Assets	<u>\$153.0</u>	<u>\$154.2</u>	<u>\$161.4</u>	<u>\$169.4</u>
Unions with receipts over \$10 million in base year:				
Total Assets	\$367.0	\$385.5	\$334.3	\$358.3
Total Liabilities	<u>31.5</u>	<u>34.5</u>	<u>4.2</u>	<u>4.6</u>
Total Net Assets	<u>\$335.5</u>	<u>\$351.0</u>	<u>\$330.1</u>	<u>\$353.7</u>
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EXHIBIT IV-4. Average Net Assets Per Union By Receipt  
Classification - 1963 (millions of dollars)

Receipt Classification	Average Net Assets Per Union - 1963
Receipts over \$ 2 million in base year	\$ 3.4
Receipts over 3 million in base year	7.3
Receipts over 4 million in base year	5.7
Receipts over 5 million in base year	13.0
Receipts over 10 million in base year	32.1

Obviously, average net assets tend to reflect the rate of annual receipts which is the expected situation. The average net assets of that \$4 million receipt classification is slightly less than those of the \$3 million receipt classification, but the amount is not significant and the possible causes are so many and varied that we need not attach any importance to this deviation.

Of more significance for the present study is the percentage of size changes derived from Exhibit IV-3. The \$2 million receipt classification shows no stable trend and shows an increase over the whole period of study of only \$.6 million or 1.7%. Similarly, the \$10 million receipt classification does not exhibit a stable trend and shows an increase over the whole period of only 5.4%, that is \$18.2 million. It was previously shown (Exhibit IV-1) that the average net asset increase of all unions over the entire period was 8%. (Note: These percentage figures are not

annual rates of growth, but represent the total growth from the 1960 base period through 1963.)

The \$3 million, \$4 million and \$5 million receipt classifications all show net asset increases greater than the 8% average, but in reverse proportion to size. These three classifications also show stable trends of increase in each year of the study. The \$3 million receipt classification increased \$11.3 million or 24%, the \$4 million receipt classification increased \$3.5 million or 14%, and the \$5 million receipt classification increased \$16.4 million or nearly 11%.

It is apparent that receipts alone are not an indication of potential asset growth. Too many other factors play critical roles in determining the size and trend of union funds, among which are constitutional and managerial restrictions, benefits to be paid, as well as political and educational causes to be financed in promotion of each union's objectives. These will be reflected in performance equations presented later.

This section has documented the size of the funds being considered both in aggregate and according to various classifications of unions, which will acquire further significance as the analysis proceeds.

### Assets and Growth Compared to Membership

Size and growth of union assets should be compared to the size and growth of union membership which is the prime determinant of fund receipts. That there has been any asset growth at all is a significant accomplishment for several unions which have experienced a steady decline in membership, and therefore in dues receipts. A broad view is provided by a Department of Labor report<sup>12</sup> on membership and structure of labor unions, which summarizes as follows:

National and international unions with headquarters in the United States reported a net decline of about 487,000 members between 1960 and 1962, according to the Bureau of Labor Statistics latest biennial survey. Since its peak in 1956, the American labor movement had lost about 847,000 members, reversing a fairly consistent upward trend that had existed from the early 1930's. A major portion of this decline occurred in manufacturing, where particular industries have experienced considerable loss of employment. The decline in union membership, however, cannot be attributed to any single cause. A small increase in membership for 1962 over 1961 levels may foreshadow a change in direction.<sup>13</sup>

The membership of the unions in the Department of Labor survey was 18,117,000 in 1960 and 17,630,000 in 1962, revealing the 487,000 member decline reported above. The unions in this survey include 130 AFL-CIO affiliated union, 51

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<sup>12</sup>U. S., Bureau of Labor Statistics, Directory of National and International Labor Unions in the United States, 1963 (1964).

<sup>13</sup>Ibid., p. 39.

unaffiliated unions and Federal labor unions.<sup>14</sup>

The forty-eight unions in this study had a combined membership of 14,132,776 and 13,594,734 in 1962 for a decline of 538,042 members. This decline is greater than the decline reported by the Department of Labor for all unions because the Department of Labor figures include Federal unions which increased in membership dramatically during this period. Membership of the unions in this study according to union types is presented in the following exhibit.

EXHIBIT IV-5. Membership of Forty-Eight National Unions By Type of Union - 1960 and 1962 (thousands)

Union Type	Union Membership	
	1960	1962
Industrial Unions	5,713	5,205
Occupational Unions	2,399	2,482
Mixed Unions	<u>6,020</u>	<u>5,907</u>
Total Membership	<u><u>14,132</u></u>	<u><u>13,594</u></u>

The ability, or lack of ability, to maintain assets in the face of the membership declines shown above is emphasized by the presentation of Net Asset Per Capita data in Exhibit IV-6.

<sup>14</sup>Ibid., p. 46.





EXHIBIT IV-6. Net Assets Per Capita and Percentage Change  
From 1960 to 1962 By Union Type (millions of  
dollars)

Union Type	Net Assets Per Capita		Percent Change
	1960	1962	1960 to 1962
Industrial Unions	\$ 47.2	\$ 58.7	+ 24.4
Occupational Unions	51.5	43.6	- 15.3
Mixed Unions	<u>34.0</u>	<u>35.1</u>	<u>+ 3.2</u>
Combined	<u>\$ 42.3</u>	<u>\$ 45.7</u>	<u>+ 8.0</u>

Comparing Exhibit IV-6 to the membership data of Exhibit IV-5 it appears that there is a lag effect in unions with declining membership; that is, assets do not decrease as rapidly as membership. However, further reference to Exhibit IV-2 reveals that the types of unions with declining memberships (Industrial and Mixed) actually had increasing assets, while Occupational unions had increasing membership and decreasing assets. This contrast is more sharply observable in Exhibit IV-7 below which compares the percentage change in assets with percentage change in membership.

There is no definitive explanation as to why this contrast should exist. A partial explanation no doubt lies in the strike pattern during this particular period of time.

EXHIBIT IV-7. Percent Asset Change vs Percent Membership Change 1960 to 1962 By Union Type

Union Type	Percent Asset Change	Percent Membership Change	Percent Asset Per Capita Change
Industrial Unions	+ 13.3	- 8.9	+ 24.4
Occupational Unions	- 12.5	+ 3.5	- 15.3
Mixed Unions	<u>+ 1.6</u>	<u>- 1.9</u>	<u>+ 3.2</u>
Combined	<u>+ 4.0</u>	<u>- 3.8</u>	<u>+ 8.0</u>

The large industrial unions experienced a period of few strikes--major contracts either continued uninterrupted during the period or were settled without resort to strike for the most part--which enabled a build up of strike funds. Strike funds are a significant part of total funds in this study. Several of the large industrial unions and mixed unions (United Auto Workers, United Steelworkers, Teamsters, for example) had significant dues increases just prior to or during the period of this study, which may be the strongest factor in the asset and membership pattern. Certainly this contrast should be kept in mind for comparison to policy and performance results of the following sections of this study. It is important to remember that asset size and growth has occurred in spite of, not because of, membership changes. Most probably the growth can be attributed to increased dues payments by the union members.

## V. INVESTMENT POLICY

Investment policy, in the present study, encompasses the actions of investment managers as reflected in the structure of portfolios at given dates, and the frequency, timing, and to some extent the methods of portfolio changes.<sup>15</sup>

In adapting the above statement to the requirements for judging union investment policy, it is well to remain aware that unions are not primarily investment funds and any discussion of policy must be in light of the other economic and social goals of the unions. Union investment policy is observable through an analysis of asset composition and through an analysis of types of loans made and received. These analyses will comprise the format of this section on investment policy.

### Asset Composition<sup>16</sup>

The preceding section gave some description of the magnitudes involved. The primary concern here will be with percentage relationships. In discussing union investment potential, liabilities incurred are equally as important as

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<sup>15</sup>U. S., Congress, House, Committee on Interstate and Foreign Commerce, A Study of Mutual Funds, 87th Cong., 2nd Sess., 1962, H. Rept. 2274, p. 9.

<sup>16</sup>Appendix II presents a description of accounts and terminology of union financial statements as required by the Dept. of Labor, Bureau of Labor-Management Reports for uniformity in reporting.

assets available, so liability data will also be presented throughout.

To first observe whether the type of union and its basic operation may have some effect on asset holdings, a comparison of percentage style balance sheets for each of the three union types is presented in Exhibit V-1.

EXHIBIT V-1. Percentage Composition of Balance Sheets By  
Union Type: Average for the Period 1960-1963

	Industrial Unions (%)	Occupational Unions (%)	Mixed Unions (%)
Cash on Hand	.1	.0	.1
Cash in Banks	23.4	9.3	13.9
Accounts Receivable	.1	1.4	.5
Loans Receivable	17.3	7.0	1.4
U. S. Treasury Securities	23.4	61.9	33.4
Mortgage Investments	5.5	.2	6.2
Other Investments	23.9	12.0	24.2
Fixed Assets	5.8	4.6	19.3
Other Assets	<u>.5</u>	<u>3.6</u>	<u>1.0</u>
Total Assets	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Accounts Payable	.2	1.1	.8
Loans Payable	.1	.3	.0
Mortgages Payable	.1	.0	1.7
Other Liabilities	5.5	4.0	2.3
Net Assets	<u>94.1</u>	<u>94.6</u>	<u>95.2</u>
Total Liabilities and Net Assets	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

It is readily apparent that, on the average, industrial unions have a considerably higher proportion of assets in the form of cash and loans receivable than other types of unions. Occupational and Mixed unions on the other hand are more concentrated in U. S. Treasury Securities. What effect these compositions have on investment performance will be shown in Section VI.

The "Other Liabilities" category represents primarily large special purpose reserves which were on many union books in 1960 but have steadily decreased. "Net Assets" is the equivalent of Net Worth on the corporate balance sheet.

Exhibit V-1 is an average for the entire period of this study. A couple of major trends in asset composition add further significance to these average balance sheets. Industrial unions' cash in banks as a percent of total assets increased steadily throughout the period: 1960 = 16.1%, 1961 = 20.5%, 1962 = 25.6%, 1963 = 31.1%. Loans receivable moved just as steadily in the opposite direction: 1960 = 23.3%, 1961 = 19.1%, 1962 = 16.9%, 1963 = 10.2%. The proportion of assets in the form of Treasury securities decreased even more dramatically from 32.5% in 1960 to 16.9% in 1963; which was partially offset by an increase in other investments from 16.5% in 1960 to 29.1% in 1963.

Occupational unions did not have such pronounced changes in composition. U. S. Treasury securities did

fluctuate from 67.8% in 1960 to 54.0% in 1963 while other investments increased from 8.7% in 1960 to 14.5% in 1963. Other changes were minor with no pronounced trends evident. Mixed unions have shown a steady increase in the proportion of cash held: 10.2% in 1960, 19.7% in 1963; which is accounted for by slightly decreased U. S. Treasury holdings (from 36.2% in 1960 to 31.3% in 1963) and decreased holding of other investments (from 32.1% in 1960 to 20.4 in 1963).

The data cited above suggests that current operating funds are a large variable element in the total funds. Actually, operating funds are relatively unchanged throughout the study, especially throughout the larger unions which have the strongest influence on this data. The implication of variability arises because of union classification of assets which frequently is not consistent between unions and is not necessarily descriptive of the actual situation. For example, the holdings recorded as "Cash in Banks" in large part (especially industrial unions) is composed of certificates of deposit held for (or at least allocated on financial statements) large strike and other funds. Similarly, many loans and mortgage holdings, especially where subordinate unions are concerned, are classified as "Other Investments."

Exhibit V-2 shows what affect the size of union receipts has on the composition of the balance sheet.

EXHIBIT V-2. Percentage Composition of Balance Sheets By  
Receipt Size of Union: Average for the Period  
1960-1963

	Receipts in Base Year Over				
	\$2 mil. (%)	\$3 mil. (%)	\$4 mil. (%)	\$5 mil. (%)	\$10 mil. (%)
Cash on Hand	.2	.0	.0	.0	.1
Cash in Banks	20.6	22.9	16.8	10.3	19.7
Accounts Receivable	2.6	1.2	1.3	.3	.1
Loans Receivable	2.1	1.5	.4	5.5	15.2
U.S. Treas. Securities	31.0	35.1	71.0	46.8	25.1
Mortgage Investments	.2	.1	.8	2.2	7.5
Other Investments	24.7	18.7	5.1	21.1	23.7
Fixed Assets	8.0	18.7	3.9	13.3	8.0
Other Assets	<u>10.6</u>	<u>1.8</u>	<u>.7</u>	<u>.5</u>	<u>.6</u>
Total Assets	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Accounts Payable	.8	.5	3.1	.5	.4
Loans Payable	1.0	.1	.3	.2	.0
Mortgages Payable	.0	6.4	.2	.1	.0
Other Liabilities	3.0	2.0	9.7	2.7	4.8
Net Assets	<u>95.2</u>	<u>91.0</u>	<u>86.7</u>	<u>96.5</u>	<u>94.8</u>
Total Liabilities and Net Assets	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Size of receipts appears not to have a large influence over the composition of assets, although unions with receipts over \$10 million in the base year exhibit a higher proportion of assets in the form of loans receivable. The group of unions with receipts over \$4 million is considerably out of line with all other receipt groups in terms of the extremely high percent of assets held as U. S. Treasury Securities (71%) and the comparatively low percent held as other investments (5.1%). However, this group has the smallest number of



unions (5 unions with receipts of \$4 million or over) and the peculiar circumstances of one or two unions could distort the patterns. There is not sufficient evidence to say that this group should have a different asset pattern merely because of the size of receipts. A similar out-of-line situation appears for the \$3 million receipt group in the case of mortgages payable.

The \$5 million receipt group experienced a sharp drop in percent of U. S. Treasury holdings between 1961 and 1962 offset by scattered increases in other assets. The U. S. Treasury percentages for this group are: 1960 = 55.2%, 1961 = 53.6%, 1962 = 39.1%, 1963 = 39.7%. The only other receipt group with significant trends of composition change is the \$10 million receipt group which shows a steady increase in the proportion of cash held from 12.1% in 1960 to 29.7% in 1963. This cash holdings increase is accounted for by similarly steady decreases in loans receivable (from 19.7% in 1960 to 10.1% in 1963) and in U. S. Treasury securities (from 32.7% in 1960 to 18.3% in 1963).

It would seem more likely that the proportions of asset composition would be influenced to a greater extent by constitutional restrictions on investment than by either size of funds received or type of union. Comparative percentage balance sheets in relation to constitutional restrictions are presented as Exhibit V-3.



A clear pattern of cause and effect emerges from the data in Exhibit V-3. (A detailed description of the restrictions discussed is shown in Exhibit II-3.) Unions without any constitutional restrictions, show an asset composition reasonably balanced among cash, treasury securities, mortgages, other investments and fixed assets. At the other extreme are the groups restricted almost entirely to government securities which, of course, have nearly all investments in the form of U. S. Treasury Securities. Those union groups restricted to investments approved for fiduciaries and trustees have proportionately smaller percentages of assets held as U. S. Treasury Securities. Whether the more restrictive provisions act as a safeguard or merely hinder fund performance will be discussed in Section VI. It is interesting to observe that the restriction group confined to bank deposits, with some specific exceptions has over one-third of assets in the form of loans receivable. Whether this is an attempt to bypass constitutional restrictions or merely the result of desires to put bank balances to work is an interesting speculation.

What can be concluded from the data thus far presented? It can be concluded that investment policy, as reflected in the composition of assets, is quite directly a function of constitutional restrictions which the unions have imposed on themselves and is also a function of the

basic orientation of unionism (industrial, occupational, or mixed). Of course, it would be expected that this orientation would make itself felt in the form of constitutional restrictions, or the lack of restrictions. It can also be concluded that investment policy, as reflected in asset composition, does not bear a close relationship to the size of receipts of the union.

#### Loans Made and Repaid

Union funds are not accumulated for the purpose of making loans and the unions seem to have a natural aversion to this activity. Nevertheless, when substantial amounts of funds are available, short-term loans to businesses, subsidiary organizations as well as to union employees and members can be an attractive investment outlet. A study of the loaning activity of national unions over the 1960 through 1963 period and interviews with the national officers of unions where loaning of funds is more prevalent reveals that the purpose of nearly all these loans is not the income to be gained (although the return is usually very satisfactory), but the fulfillment of other union objectives.<sup>17</sup> Loans are made to subsidiary organizations, at lower rates than the subsidiary could obtain in the market, for organizational

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<sup>17</sup>Based on interview with Alexander Bookstaver, Director of Investments, AFL-CIO in June, 1963.

and building activities; and loans are made to business organizations during seasonal slumps and even more protracted declines in large part for the purpose of maintaining employment for union members. National unions apparently do not feel under obligation to act as ready loan sources for locals, and many requests for loans are said to be refused. Of course, loans to locals for organizational and promotional activity, as well as for construction of union office and meeting space is right in line with many national unions' objectives and are therefore very desirable investment outlets.<sup>18</sup>

The loaning activity of all types of unions has declined steadily throughout the period of this study. Since this study begins at the time of the passage of the Labor-Management Reporting and Disclosure Act, we can observe that loaning of funds by national unions has declined steadily since the passage of that act. This does not presume a cause and effect relationship. There is not sufficient evidence to determine whether loans were a declining activity before the act was passed or whether the absence of a recession has eased the demand for union loans to businesses or whether lack of growth of many unions has eased the demand for loans by subsidiary labor organizations.

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<sup>18</sup>Based on interviews with Joseph D. Keenan, International Secretary of the International Brotherhood of Electrical Workers and with Alexander Bookstaver, Director of Investments, AFL-CIO in June 1963.

It may also be that the financial disclosure requirements of the act have caused union officials to become wary of this activity for fear of being misinterpreted and exposed to criticism.

Total loans made by all the national unions in this study during the years 1961 through 1963 was \$16,073,448 while total loans repaid during this period was \$21,235,222 for a net decline of this type of asset of \$5,161,774.

Exhibit V-4 presents the dollar and percentage figures of various types of loans made and repaid during the period of study according to the type of union involved.

Perhaps the most obvious comparison in Exhibit V-4 is the small amount of loans from industrial unions to business enterprises and the high rate of repayment of this type of loan outstanding before the period of this study. In direct contrast, occupational unions have continued a very high proportion of their loans to business enterprises. Union officials have suggested this is due to the high stake the trade or occupational unions feel in keeping the businesses in which they are organized active and going concerns in order to maintain employment for members.<sup>19</sup>

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<sup>19</sup>This opinion was suggested as an underlying psychology of some occupational unions by Alexander Bookstaver, Director of Investments, AFL-CIO.

EXHIBIT V-4. Union Loans Receivable By Type of Union Granting Loans: Total for the Years 1961 through 1963 (millions of dollars)

Type of Loan	Industrial Unions		Occupational Unions		Mixed Unions	
	Amount	%	Amount	%	Amount	%
<u>Loans Made by Unions To:</u>						
Officers, Employees, Members	\$ .2	2.2	\$ .000	.000	\$ .000	.2
Subsidiary Labor Organizations	.8	9.3	.000	.000	.8	43.2
Officers and Subsidiary Groups*	.1	.3	.000	.000	.7	40.0
Business Enterprises	.6	7.6	5.4	94.7	.000	.3
All of Above Types, too Small to Separate	6.9	80.6	.3	4.7	.3	16.3
Total Loans Made	<u>\$ 8.6</u>	<u>100.0</u>	<u>\$ 5.7</u>	<u>100.0</u>	<u>\$ 1.8</u>	<u>100.0</u>
<u>Loans Repaid to Unions From:</u>						
Officers, Employees, Members	\$ .2	1.7	.5	11.7	\$ .000	1.3
Subsidiary Labor Organizations	.4	2.9	.9	20.4	.9	20.3
Officers and Subsidiary Groups*	.000	.1	.000	.000	.2	3.6
Business Enterprises	5.6	45.7	.8	17.9	.000	.2
All of Above Types, too Small to Separate	6.1	49.6	2.3	50.0	3.3	74.6
Total Loans Repaid	<u>\$12.3</u>	<u>100.0</u>	<u>\$ 4.5</u>	<u>100.0</u>	<u>\$ 4.4</u>	<u>100.0</u>

\*Loans made to officers and repaid from officers are partially combined with employees and members loans and partially combined with subsidiary group loans. This is due to different groupings of data by the reporting unions.

Although this type of activity is interesting to observe, it is decreasing in importance at the present time and does not require further analysis as an investment activity. It is probable that loans granted by unions are primarily for organizational and other objectives, not directly in anticipation of the return on this type of investment.

#### Loans Obtained and Repaid

National unions have exhibited a great aversion to borrowing money. The amounts involved are relatively small and repayment is rapid. The reason these unions do not borrow is they do not have to borrow. With minor exceptions, annual receipts from all sources exceeded annual disbursements for each union for each year of the study. There is some short-term borrowing, especially from banks, which is usually repaid within a few months--merely to compensate for timing of cash flows.

In the case of industrial unions, slightly over \$1 million was borrowed during the period 1961 through 1963 and 99.4% of this was from commercial banks. During the same period, over \$800 thousand was repaid resulting in only a slight increase in loans payable for the period. Occupational unions borrowed \$4 million during the same period, 48.6% from commercial banks and 51.4% from business enterprises. They repaid nearly the entire \$4 million,



emphasizing the very temporary nature of this borrowing. The unions classified as mixed did not undertake any new borrowing during the period but did repay some small loans previously obtained from subsidiary organizations.



## VI. INVESTMENT PERFORMANCE

Once the basic measures of performance are developed, the comparative presentation is relatively simple, and is certainly more direct than interpreting policy from after the fact data, as was required in the preceding section. In line with the analysis already presented, invested funds only will be assumed to be available for investment.

### Yield

In comparing the yields achieved by unions on invested funds, it is important to re-emphasize that the unions' primary objective is not the highest return on funds. Yield comparisons are important as a measure of efficiency on the employment of short-term funds, but it remains for the performance comparisons to measure comparative success in achieving total goals.

Each of the exhibits in this section will include summary data for all forty-eight national unions combined to enable easy comparison between the various classifications of unions and the combined average of all. The yield equation in this presentation is an expression of earnings as a percent of average invested funds, which is computed for each year as follows:



$$Y = \frac{E}{(I_1 + I_2)/2}$$

Exhibit VI-1 presents the yield results for each year of the study with unions classified according to their basic structure of unionism.

EXHIBIT VI-1. Yields on Invested Funds By Type of Union  
(In Percent)

Type of Union	1961	1962	1963
Industrial	3.6	3.5	4.8
Occupational	3.7	3.6	4.4
Mixed	5.0	5.0	5.4
Average of All Unions Studied	4.1	4.0	4.9

Perhaps the most striking observation is the relatively high level of yields that the unions have maintained on invested funds.

Some consistencies in pattern are also notable. All yields of all types of unions declined very slightly in 1962 as compared with 1961 (except mixed unions which was unchanged), but rose sharply in 1963 by .5% to 1.3%. Yields achieved by industrial unions on invested funds is very close to occupational yields in 1961 and 1962 and then exceeds the occupational yield in 1963.

While all yields increased in 1963 even above the 1961 levels, the jump in industrial union yield to 4.8% is outstanding by any criteria. Three types of activities are responsible for this dramatic increase. There was a sizable increase in loans to local unions, at what appears to be 5% or higher rates of interest. A large portion of this activity is apparent in the Textile Workers, Ladies' Garment Workers and Electrical Workers (IUE) unions but the reasons for these loans cannot be directly confirmed. In addition, there was an increase, especially in the Mine Workers and Ladies' Garment Workers, in mortgage lending activity. These two changes are not observable directly on Exhibit IV-1 because they are concealed in the "Other Investment" category of assets. These "Other Investments" increased in industrial unions from 16.5% in 1960 to 29.1% in 1963 as was noted in Section IV. The other activity which also had some effect on the large yield increase was a large increase in holdings of certificates of deposits, especially by the Auto Workers Union, many of which were purchased from some California banks offering the maximum legal rate, but also selling them at a discount from face value to cause an unusually high yield on this type of investment. The increase in bank cash from 16.1% in 1960 to 31.1% in 1963 is also noted in the comments following Exhibit IV-1. It is interesting to note that an early 1965 bank failure in California has caused

considerable embarrassment to a few unions, and presumably considerable loss, due to these holdings of discounted certificates of deposit. Some stock and mutual fund purchases in 1962 also contributed slightly to higher yields in 1963.

It was shown in previous data that occupational unions have a very high proportion of assets in treasury securities while industrial unions have more widespread holdings. These patterns may serve to keep somewhat of a lid on occupational union yields as compared to industrial unions. Mixed unions posted yields higher than either straight industrial or straight occupational unions in each year. Mixed unions, therefore, also exceeded the average yields of the entire study in every year. The predominant generality observed is that mixed unions' yield on invested funds is consistently 1% or more above other types of unions.

Yields as a function of the receipt size of unions are the next consideration. Exhibit VI-2 shows this comparative data.

Yields are in inverse relation to size of fund receipts. This pattern is not absolute, there are some exceptions (\$3 million and \$4 million receipt groups in 1961), but it is too prevalent to be ignored. The \$2 million and \$3 million receipt groups, for example, are consistently posting significantly higher yields than the \$5 million and \$10 million receipt groups.

EXHIBIT VI-2. Yields on Invested Funds By Receipt Size of Union (In Percent)

Receipt Size of Union In Base Year	1961	1962	1963
Receipts Over \$ 2 million	5.1	5.7	5.7
Receipts Over 3 million	6.7	4.8	5.6
Receipts Over 4 million	3.1	3.4	3.6
Receipts Over 5 million	4.4	4.6	4.9
Receipts Over 10 million	3.7	3.5	4.6
Average of All Unions Studied	4.1	4.0	4.9

Earlier data documented the higher proportions of assets held as cash or fixed assets by the larger receipt size unions. Exhibit VI-2 now demonstrates the results of these policies in terms of poorer yields. These larger unions might wish to argue that greater cash holdings are necessary because they have greater liquidity needs. Such argument is plausible on the surface but, as we shall see later, does not necessarily stand the test of comparative performance (Exhibit VI-4). We are forced to observe that larger unions' performance generally falls short of smaller unions' performance.

Yield data classified according to type of constitutional restriction bears a strong relationship to the data presented according to type of union (Exhibit VI-1). There is no added insight to be gained from presenting the detail of yields by constitutional restriction class.



## Performance<sup>20</sup>

Measures of fund performance must take into account the varying objectives of the funds being compared. In the case of the national unions in this study, general operating funds, death benefit funds, strike funds and other special purpose funds are present in most of the unions. Most of these are invested jointly although some unions do make separate investment decisions for each type of fund. Fortunately, all the unions in this study report in detail on the disbursements of these funds to members, union employees and so forth. This record of disbursements enables an attempt at incorporating the various union objectives into a composite measure of performance. All of these disbursements for strike assistance, death benefits, local union assistance, welfare programs, medical payments, and so forth reveal the varying objectives of the unions accumulating the funds. These disbursements are grouped under the title benefits in this analysis.

The performance measures used in this report are based on type performance measures developed by the Wharton School of Finance and Commerce for their report on mutual

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<sup>20</sup>Measures of performance are subject to varying views of reliability and validity. In this light, Dissertation Committee Chairman Professor Roland I. Robinson wishes to have recorded his reservations on the use of formulas for this purpose. The author concurs in these reservations and emphasizes that the conclusion of the union performance measuring attempts is that nonquantitative appraisals will have to suffice.

funds.<sup>21</sup> Of course, the mutual fund study was interested in dividend and capital gain disbursements. Union analysis is concerned with benefit disbursements. Two performance measures are used initially. The first is a measure of change in net assets held by the union, adjusted for benefit disbursements, and is computed by the following equation:

$$P_1 = \frac{A_2 + B}{A_1}$$

Explanation of symbols:

$P_1$  = Performance based on change in net assets

B = Benefit disbursements during the period

$A_1$  = Net assets at beginning of period

$A_2$  = Net assets at end of period.

Clearly, this formula expresses the value of net assets at the end of the period plus benefits paid during the period as a percent of net assets at the beginning of the period. The second equation is a measure of change in invested assets held by the union adjusted for benefit disbursements, as expressed in the following equation:

$$P_2 = \frac{I_2 + B}{I_1}$$

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<sup>21</sup>U. S., Congress, House, Committee on Interstate and Foreign Commerce, A Study of Mutual Funds, 87th Cong., 2nd Sess., 1962, H. Rept. 2274, p. 290.

Explanation of symbols:

$P_2$  = Performance based on change in invested assets

B = Benefit disbursements during the period

$I_1$  = Investments held at beginning of period

$I_2$  = Investments held at end of period.

A positive change (result greater than 100%) can be interpreted as favorable performance regardless of the varying union objectives which are expressed as symbol B. The primary concern remains comparative performance rather than absolute performance. It does not appear defensible for a union or group of unions to be satisfied with a small positive performance indicator if other union groups have been able to post substantial positive performance records. The results of these measures as tentatively applied to various groupings of unions is presented next. The first comparison will again be according to the basic type of unions, as shown in Exhibit VI-3.

As in the preceding presentation of yield data, a general decline in performance can be noted in 1962, with the sole exception of the mixed unions. Mixed unions demonstrate a trend of continued improvement in both measures of performance. Occupational unions on the average have achieved performance levels considerably higher than either industrial or mixed unions, but have done this at the cost of greater volatility of performance. Much more radical

swings in performance levels are a characteristic of occupational unions as compared to other types and to the average of all unions. Industrial unions can be characterized as fairly consistent in these performance measures throughout the period of this study, but that performance should not be termed satisfactory. The performance is positive in all but one instance ( $P_2$  in 1962) but is consistently below other types of unions and below the average of all unions in the study.

EXHIBIT VI-3. Performance Based on Assets ( $P_1$ ) and Invested Funds ( $P_2$ ) By Type of Union (In Percent)

Type of Union	1961		1962		1963	
	$P_1$	$P_2$	$P_1$	$P_2$	$P_1$	$P_2$
Industrial	115.3	111.4	114.1	97.9	110.1	104.5
Occupational	130.0	134.4	104.3	103.5	136.0	142.3
Mixed	113.1	114.5	120.5	122.2	122.9	125.6
Average of All Unions Studied	117.6	117.4	114.1	106.4	118.9	119.0

The next basis of comparison is according to receipt size of the unions as shown in the performance results in Exhibit VI-4.



EXHIBIT VI-4. Performance Based on Assets ( $P_1$ ) and Invested Funds ( $P_2$ ) By Receipt Size of Union (In Percent)

Receipt Size of Union In Base Year	1961		1962		1963	
	$P_1$	$P_2$	$P_1$	$P_2$	$P_1$	$P_2$
Receipts Over \$ 2 million	118.8	121.6	116.0	119.7	118.7	127.4
Receipts Over 3 million	125.8	143.2	146.0	168.5	106.8	115.2
Receipts Over 4 million	121.4	122.4	119.8	124.0	118.1	126.6
Receipts Over 5 million	109.3	108.2	114.2	113.1	114.7	114.4
Receipts Over 10 million	119.8	118.2	108.8	94.6	123.4	120.4
Average of All Unions Studied	117.6	117.4	114.1	106.4	118.9	119.0

During both 1961 and 1962, the smaller unions (\$2 million and \$3 million receipts) out performed the larger unions (\$5 million and \$10 million receipts) as was noted in earlier yield comments. This performance gap is narrowed somewhat in 1963, especially by the \$10 million receipt group unions, but not enough to reverse the earlier statement that smaller unions are outperforming the very large unions in terms of yield and in terms of overall performance. It should be noted, however, that the \$10 million receipt group performed slightly over the average of all unions combined, except for the year 1962. We cannot say therefore that we have an inverse relationship between size and these overall performance measures.

The results of the two performance measures presented above appear plausible because they tend to parallel the

results of the yield formula as presented earlier in this section. However, more detailed inspection of individual union performance reveals that these formulas are not measuring the ability and efficiency of union investment management as intended because of wide variations in asset increases and benefit payment capability arising from other than investment cash inflows. The primary distortion arises mainly from the considerable variation of dues as a proportion of total receipts. The effect of increased dues in some large unions has caused increased assets, increased funds available for investment, and continued benefit payments despite shrinking membership and shrinking income from other sources, as was discussed in Section IV of this report. The two performance formulas presented above could better be interpreted as measures of unions' overall ability to maintain themselves from all income sources and to grow. Apparently this ability is quite strong.

In an attempt to eliminate the effect of noninvestment income and to measure performance as a result of investment policy and acumen, a modification of the original ( $P_1$ ) formula was developed and tested. The equation for this adjusted measure of performance is:

$$P_3 = \frac{(A_2 + B) (E/R)}{A_1}$$

Explanation of symbols:

$P_3$  = Performance adjusted for investment inflow

B = Benefit disbursements during the period

$A_1$  = Net assets at beginning of period

$A_2$  = Net assets at end of period

E = Investment income during the period

R = Total receipts during the period.

This formula is an attempt to modify asset increases and benefit disbursements by the proportion that investment income is to total receipts. This approach is intended to place a premium on (1) maintaining a high proportion of assets in the form of investments and (2) yield on assets that are invested, and to reflect the effects of these conscious policy decisions. The results of this measure as applied to type of union and to receipt size are presented in Exhibit VI-5.

The figures in Exhibit VI-5 are not yields but measures of relative performance. They represent the percentage increase in net assets, adjusted for benefits paid, arising from return on invested funds. The results of this measure do not parallel the results of the two performance measures originally tested. Occupational unions have not kept pace with either industrial or mixed unions according to this performance measure, whereas occupational unions outperformed both industrial and mixed under the original performance measures tested. Occupational unions show a greater





volatility of performance under the new performance measure as was also the case under the prior measures.

EXHIBIT VI-5. Performance Adjusted for Investment Inflow ( $P_3$ )  
By Type and Receipt Size of Union (In Percent)

	1961	1962	1963
<u>Type of Union</u>			
Industrial	4.5	4.2	4.7
Occupational	5.1	3.3	4.1
Mixed	7.5	6.4	6.9
Average of All Unions Studied	5.4	4.5	5.1
<u>Receipt Size of Union in Base Year</u>			
Receipts Over \$ 2 million	4.8	4.3	5.7
Receipts Over 3 million	7.5	6.4	6.8
Receipts Over 4 million	4.0	4.4	5.0
Receipts Over 5 million	6.7	6.1	5.9
Receipts Over 10 million	4.9	3.9	4.3
Average of All Unions Studied	5.4	4.5	5.1

There is a scattered pattern of results when performance ( $P_3$ ) is compared according to receipt size of unions. The \$3 million receipt group outperformed all other size groups in each year of measurement. However, the \$2 million receipt group was a relatively low performer throughout the period of this study. Similarly, the \$5 million receipt group was a relatively high performer and was above the average of all unions studied for each year, but the \$10 million

receipt group was a relatively low performer and was below the average of all unions studied throughout the period of study. The measure of performance used here was designed to eliminate the influence of receipts from any source except investments, so there is no reason to expect any uniform pattern of results when unions are grouped according to total receipt size. There is not a uniform pattern.

The results of this last performance measure ( $P_3$ ) again appear plausible when the comparison is among types of unions, but again a more detailed inspection of individual union performance reveals a deficiency in the measure. The size of union assets and size and disposition of noninvestment receipts exerts a strong influence on the performance index computed. In other words, despite the general impression to the contrary, unions are not homogeneous institutions and also have considerably different objectives as was discussed in Section III of this report. The performance formula ( $P_3$ ) presented above must at best be considered a compromise performance measure applicable over a narrow range of union size and comparable only among unions with similar objectives. This study of forty-eight national unions comprises over 92% of total national union assets and has shown a wide variation in policy and objectives. Therefore, it is necessary to conclude that a formula approach to performance measurement is not appropriate, except in very restricted ranges, to unions. Nonquantitative appraisals of how well objectives are achieved will have to suffice.

## VII. A CASE OF CONTRAST: UNITED AUTO WORKERS VERSUS AMALGAMATED MEAT CUTTERS

The purpose of presenting a case comparison of two major unions is not to present the typical situation, but to provide a deliberate contrast in financial policy in more depth, more personally and in sharper focus than is observable from the structure of the report thus far. The degree to which these two unions fit the previously presented patterns for their type, size, and constitutional restriction groups will also be observable.

### Classification of Unions

The two unions selected for this presentation are the United Automobile, Aerospace and Agricultural Implement Workers of America and the Amalgamated Meat Cutters and Butcher Workmen of North America. They are both large unions as defined for this study. The Auto Workers had receipts in excess of \$10 million in the base year (1960) and had 1,136,140 members at that time. The Meat Cutters had receipts in excess of \$5 million in the base year and 33,482 members.

The Auto Workers are clearly classified as an industrial union representing nearly all workers in a plant or an industry without reference to the different skills they may

use in that industry. The Meat Cutters union historically has been a trade or occupational type union drawing its members from specific skill groups, but has expanded its representation to include all interested workers in the meat processing industry. In some cases they may represent all the workers in a plant and in other cases just the traditional butcher skills, so this union is classified as a mixed union.

The Auto Workers Union has no constitutional restriction on the type of investment that may be made. The constitution on this point states:

The International Secretary-Treasurer shall be the custodian of the funds of this International Union. He shall deposit sufficient funds of the International Union in some responsible bank or banks to meet current obligations of the International Union and shall invest the remainder of the funds under procedures and standards determined from time to time by resolution of the International Executive Board.<sup>22</sup>

Clearly, the Executive Board has full power to permit or prescribe any investment of funds. The Meat Cutters, however, are constitutionally restricted to investments approved for trust funds. The constitution makes this restriction in the following language:

Power is hereby vested in the International Executive Board to authorize the International Secretary-Treasurer from time to time, as surplus funds

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<sup>22</sup>International Union United Automobile, Aerospace and Agricultural Implement Workers of America, Constitution (Atlantic City, N.J., 1962), Art. 13, Sect. 16, p. 42.

of the organization accumulate, to invest said funds, or other funds under its supervision, custody and control in such a manner that will produce a fair and equitable rate of interest. However, such investments must be made in accordance with the provisions and restrictions having to do with the investment of trust funds under the laws of the State of Illinois entitled, "An Act Concerning the Powers of Trustees," in force July 1, 1935, and as amended May 17, 1945.<sup>23</sup>

The Meat Cutters therefore are considerably more restricted in scope of investment decisions than the Auto Workers. As noted below, this is in line with the expressed objectives of these unions.

Both the Meat Cutters and Auto Workers have several different types of funds to be administered. The Meat Cutters administer a General Fund, Death Benefit Fund and Strike Fund. In addition they approve and direct all investments of a Retirement Fund which is on deposit with a corporate trustee and is not included in this study. The Auto Workers have a larger array of funds which reflect their social objectives. The funds they administer are: Strike Fund, Free World Labor Defense Fund (since January 1962 earnings from the strike fund are allocated to this fund), Fair Practices and Anti-Discrimination Fund, Education Fund, Recreation Fund, Special Citizenship Fund, and Retired Members Fund.<sup>24</sup>

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<sup>23</sup>Amalgamated Meat Cutters and Butcher Workmen of North America, Constitution (Atlantic City, N.J., 1960), Art. II, Sect. 22, p. 20.

<sup>24</sup>A detailed description of these funds is found in the United Auto Workers Constitution, Art. 16, Sect. 12.

### Union Objectives

These two unions present a contrast in objectives and, as will be shown later, the policy that is an expression of their objectives. A large part of their financial objectives is revealed in the excerpts from their constitutions cited above showing the freedom or lack of freedom allowed in making investment decisions. Both unions responded similarly to a request for a statement of financial objectives: both emphasized safety as the primary consideration and liquidity as a very high priority. Even here though some contrast was evident. The Auto Workers emphasized that liquidity was rarely a problem because of the large cash inflow while the Meat Cutters specifically emphasized that only liquid investments would be considered, except for some construction loans to local unions.

It is in the area of nonfinancial objectives that the sharp contrast between these unions is most evident. No contrast is evident from a reading of objectives as stated in the constitution. Both subscribe to all activities, political, economic, social and educational, for the betterment of members and of workingmen in general. Interviews with union officials, however, reveal a different view. To the Auto Workers,<sup>25</sup> social objectives are extremely important.

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<sup>25</sup>Based on interviews with Emil Mazey, Secretary-Treasurer, Sam Fishman, Assistant to Secretary-Treasurer and Arthur Miller, Investment Supervisor of the International Union United Automobile, Aerospace and Agricultural Implement Workers of America.

The types of funds they maintain partly reveals this. They are extremely interested in member mortgages, not as a landlord but through guarantees or by providing funds for cooperating mortgage lenders. Health and medical facilities are vigorously promoted especially in areas where union membership is concentrated. Educational and recreational facilities are also promoted with funds as well as energy. Stocks and mutual funds and loans to subsidiary organizations and other unions are quite suitable investment outlets depending on liquidity needs at any particular time. The Meat Cutters<sup>26</sup> take a dim view of social type investments such as mortgages and an even dimmer view of stocks and mutual funds as proper investment outlets. The officers view their function as a trusteeship and not as innovators. Social programs are a government function not a union function. They have little use for the investment suggestions of the AFL-CIO Investment Department which they consider experimental and unconservative. Further contrast of views will be noted in the data on investment policy later.

### Size and Growth

Before showing how the above objectives are reflected in investment policy and performance, a brief comparison of

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<sup>26</sup>Based on interviews with Patrick E. Gorman, Secretary-Treasurer and Joseph S. Sullivan, Resident Counsel of the Amalgamated Meat Cutters and Butcher Workmen of North America.



size and growth is presented because these factors also have significant influence on investment policy and performance. Exhibit VII-1 presents net asset, membership and net asset per capita data for the years 1960 and 1962.

EXHIBIT VII-1. Net Assets, Membership and Net Assets Per Capita - 1960 and 1962: United Auto Workers and Amalgamated Meat Cutters

	1960	1962	Percent Change 1960 to 1962
<u>Net Assets:</u>			
United Auto Workers	\$48,125,258	\$69,834,264	+ 45.1
Amal. Meat Cutters	14,548,889	12,393,028	- 14.8
<u>Membership:</u>			
United Auto Workers	1,136,140	1,073,547	- 5.5
Amal. Meat Cutters	333,482	333,023	- .1
<u>Net Assets Per Capita:</u>			
United Auto Workers	\$42.4 Mil.	\$65.1 Mil.	+ 53.5
Amal. Meat Cutters	43.6 Mil.	37.2 Mil.	- 14.7

The Meat Cutters show only a slight decline in membership between 1960 and 1962 but a large (14.8%) decline in net assets with a resultant similar decline in assets per capita. The Auto Workers, with a more significant membership decrease, increased net assets dramatically (45.1%) and therefore increased assets per capita even more dramatically (53.5%). Unquestionably, such shifts will affect investment strategy, but even more significantly these shifts are

themselves a reflection of union objectives and the strength of their desire to achieve those objectives. The Meat Cutters seem satisfied to let fund drops (such as arise from strike payments) gradually build up, and this "cyclical" approach is a workable financial policy. By the end of 1963 Meat Cutter net assets were up to \$13.5 million. The militancy of the Auto Workers does not correspond with such a conservative approach. Despite declining membership, a dues increase was approved (from \$3.00 to \$5.50 per month effective January 1, 1960) and this contributed to a large portion of the asset gain.

According to this net asset and membership comparison, the Auto Workers had results superior to the average for industrial unions (see Exhibit IV-7) and the Meat Cutters had results below the average for mixed unions (Exhibit IV-7). Industrial unions averaged a membership decrease of 8.9% and net asset increase of 13.3%, while the Auto Workers had a lesser membership decrease (5.5%), and a considerably larger net asset increase (45.1%). On the other hand, mixed unions averaged a membership decrease of 1.9% and a net asset increase of 1.6%, while the Meat Cutters had a very small membership decrease (.1%) and also had a net asset decrease (14.8%).

### Investment Policy

As in Section V of this report, investment policy will be observed as it is revealed in the composition of assets and in loans made and received. Percentage balance sheets for the period 1960 through 1963 for the two unions are presented in Exhibit VII-2.

EXHIBIT VII-2. Percentage Composition of Balance Sheets:  
Average For the Period 1960 - 1963: United  
Auto Workers and Amalgamated Meat Cutters  
(In Percent)

	United Auto Workers	Amalgamated Meat Cutters
Cash in Banks	35.3	11.7
Accounts Receivable	.4	....
Loans Receivable	7.8	3.9
U. S. Treasury Securities	23.4	51.0
Mortgage Investments	1.2	....
Other Investments	17.4	7.4
Fixed Assets	14.4	26.0
Other Assets	<u>.1</u>	<u>....</u>
Total Assets	<u>100.0</u>	<u>100.0</u>
Accounts Payable	.1	....
Other Liabilities	.6	3.1
Net Assets	<u>99.3</u>	<u>96.9</u>
Total Liabilities and Net Assets	<u>100.0</u>	<u>100.0</u>

The heavy concentration of Meat Cutter assets in U. S. Treasury securities is expected in accordance with their objectives, and the greater diversification of assets by the Auto Workers is also in line with their objectives. The high proportion of assets in the Cash in Banks category represents large amounts of certificates of deposit and is not a concentration of demand deposits. Some interesting trends in asset composition are not revealed in the above balance sheet which is an average for the entire period of study. Treasury Securities held by the Auto Workers have declined in proportion to total assets steadily and rapidly: 1960 = 49.8%, 1961 = 27.6%, 1962 = 19.3%, 1963 = 9.3%. This was offset by an increase in Loans Receivable from 3.5% in 1960 to 9.1% in 1963 and by a large increase in Other Investments as follows: 1960 = 8.4%, 1961 = 7.4%, 1962 = 14.6%, 1963 = 31.3%. The Meat Cutters also show a decline in Treasury Securities over the period of study from 64.5% in 1960 to 49.7% in 1961 to 45.6% in 1962 and to 41.3% in 1963. This does not represent the same motivation as for the Auto Workers, however, because nearly the entire decrease is offset by increased proportions of Cash in Banks which moved from 5.5% in 1960 to 19.1% in 1963. Of course, the constitutional restriction of the Meat Cutters is a major determinant of investment policy and is reflected in the concentration of funds in Treasury Securities and certificates of deposit.

Further discussions with Meat Cutter investment officials<sup>27</sup> revealed an even more restrictive personal view of union fund investment than required by the constitution. This union is not interested in mortgages of any type except loans to local unions for building construction. Neither are they interested in FHA or other government guaranteed mortgages because the effectiveness of these guarantees is untested and therefore do not significantly reduce the risk of mortgage lending. No more than \$10,000 will be committed to any one commercial bank's time deposits or certificates of deposit because that is the limit of FDIC insurance. The bank failure referred to in Section VI no doubt served to reinforce this policy. The practice of using separate accounts to deposit more than \$10,000 is felt to be outside the intent of the FDIC act and therefore a very risky device.

During the three year period 1961 through 1963, the Auto Workers loaned over \$2.1 million to subsidiary unions and to other labor organizations and received repayments from these same types of organizations of \$1.0 million. The Meat Cutters loaned \$.7 million and received repayments of \$.2 million during the same period. This does not actually represent a significant contrast due to the difference in size of the two unions, but there is contrast in the fact

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<sup>27</sup>Based on interviews with Joseph S. Sullivan, Resident Counsel of the Amalgamated Meat Cutters and Butcher Workmen of North America.

that this is an increasing activity for the Auto Workers and a decreasing activity for the Meat Cutters. Loans Receivable were up to \$8 million or about 11% of assets of the Auto Workers by the end of 1963. Neither union borrowed money during the period of study.

Exhibit VII-3 presents the Auto Workers investment portfolio as on December 31, 1963 to emphasize the diversity of investments in which they have funds. There is little point in presenting a detail listing of Treasury Securities and certificates of deposit for the Meat Cutters; the contrast is obvious without it.

### Yield

Earlier in this study it was stated that unions with aggressive nonfinancial objectives showed higher yield results than others. If this is applicable to this comparison between the Auto Workers and Meat Cutters, the Auto Workers should have higher yields. They do. Exhibit VII-4 presents a summary of yields on invested funds for these two unions. The same yield formula presented earlier was used for these unions:

$$Y = \frac{E}{(I_1 + I_2)/2}$$

EXHIBIT VII-3. United Auto Workers Investment Portfolio: December 31, 1963

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	Maturity Date	Interest Rate (%)	Yield	Maturity Value	Cost
U. S. Treasury Bonds:					
Safekeeping No. 8299	2-15-69	4	4.0	\$ 800,000.00	\$ 880,000.00
2661	2-15-65	2-5/8	2.62	3,000,000.00	3,000,000.00
4332	2-15-65	2-5/8	2.62	1,000,000.00	1,000,000.00
6474	11-15-67	3-5/8	3.53	30,000.00	29,700.00
Chicago Board of Education	5-15-61	4-3/8	....	30,000.00	29,662.50
Fed'l. Sav. & Loan Assoc.	....	4-4-8/10	4-4.8	19,410,000.00	19,410,000.00
Savings Acct. - The Pub. Bank	....	3-1/2-4	3.5-4	3,296,699.88	3,296,699.88
Canadian Municipal Bonds	1962-1983	5-6-1/2	5.5-6	6,048,359.44	6,110,104.81
Mutual Funds	....	....	....	5,385,647.69	5,385,647.69
Gt. Western Fin. Corp. Notes	10-9-64	5	5.0	4,600,000.00	4,600,000.00
Trans-World Fin. Corp. Notes	9-27-64	5-1/4	5.25	3,000,000.00	3,000,000.00
United Fin. Corp. Prom. Notes	1-7-65	5-1/4	5.25	1,500,000.00	1,500,000.00
Fed'l. Home Loan Bank Notes	1964-1967	3.5-4-1/8	3.5-4.05	2,400,000.00	2,396,031.25
Fed'l. Intermed. Cred. Bk. Deb.	6-1 & 7-1-64	3-3/4-3-7/8	3.75-3.85	600,000.00	600,000.00
Certificates of Deposit	10-5 & 10-23-64	3-7/8-4	3.85-4.0	3,900,000.00	3,900,000.00
Lytton Fin. Corp. Note	11-2-64	5	5.0	2,000,000.00	2,000,000.00
ATA Debenture Bond	1-1-68	5	5.0	10,000.00	10,000.00
Certificates of Deposit	1964	4-5	4-5	750,000.00	750,000.00
Government of Canada Bond	9-1-72	4-1/4	4.25	10,000.00	10,000.00
State of Israel Bonds	1967-1971	5	5.0	490,500.00	327,000.00
Savings Accounts:					
Coml. Bank of N. Am.	....	3-1/2-4	3.5-4	2,191,188.27	2,191,188.27
Mich. Nat. Bank of Flint	....	3-1/2-4	3.5-4	3,000,000.00	3,000,000.00
Mich. Bank, Detroit	....	3-1/2-4	3.5-4	2,600,738.95	2,600,738.95
Amal. Trust & Sav. Bank	....	3-1/2-4	3.5-4	1,108,691.60	1,108,691.60
Federal Land Bank Bonds	8-20-64	3-7/8	3.8	300,000.00	300,187.50
Loans Receivable	....	....	....	8,046,761.00	8,046,761.00
TOTAL INVESTMENTS				\$75,588,586.83	\$75,482,413.45

EXHIBIT VII-4. Yields on Invested Funds: United Auto  
Workers and Amalgamated Meat Cutters  
(In Percent)

	1961	1962	1963
United Auto Workers	4.1	4.5	5.2
Amalgamated Meat Cutters	3.6	2.8	3.3

In addition to achieving significantly higher yields on invested funds than the Meat Cutters, the Auto Workers were consistently higher than the average for industrial unions throughout the period of study. Exhibit VI-1 showed average industrial union yields of 3.6% in 1961, 3.5% in 1962, and 4.8% in 1963. Average mixed union yields, also shown on Exhibit VI-1, were 5.0% in 1961, 5.0% in 1962 and 5.4% in 1963, all far above the yields of the Meat Cutters.

This type of comparison does not reveal that one union is a success and another a failure. Success or failure is a judgment which must be based on overall achievement of objectives. The Meat Cutters do not subscribe to militant social objectives and view such goals as a job for the government. Perhaps their conservative investment policies and the resulting low yields serve their purposes satisfactorily. The Auto Workers have very aggressive objectives and do not hesitate to commit funds heavily for their fulfillment. A more aggressive investment policy and resultant



higher yields follows from this philosophy of management. The difficulties in developing a formula approach to measure relative achievement of diversified objectives have already been presented. As was noted earlier, nonquantitative appraisals of how well objectives are achieved will have to suffice.

## VIII. SUMMARY

There is a considerable bulk of data presented throughout the preceding report. To keep this data in reasonable perspective, it is well to restate in broad terms the major observations that have emerged.

### Size and Growth of Funds

1. The amount of money in national union general and special funds is very large, represents a sizable force for the achievement of union objectives, and is worthy of serious study by investment practitioners both within and external to the unions.
2. There has not been a significant growth of these funds in aggregate during the period of this study, although this factor varies widely among specific unions. Growth of these funds in industrial unions has been very large while occupational unions have experienced a decrease during the period of this study. There has been considerable growth in the middle size unions studied, but little growth in the smallest and largest unions.
3. Instances of significant growth in union funds can be attributed to increases in membership dues as a major factor rather than to management of invested funds.

4. Lack of significant growth throughout all unions can be attributed to a period of declining membership.

#### Investment Policy

1. Size of fund receipts by unions has little relation to investment policies adopted.
2. Industrial unions have a broader range of investments than occupational unions (heavily concentrated in treasury securities) or mixed unions.
3. Unions with no constitutional restrictions or very few restrictions also have a broader range of investments than more restricted unions.
4. Investment policy, as reflected in the composition of assets, is quite directly a function of constitutional restrictions which the unions have imposed on themselves and is also a function of the basic orientation of unionism (industrial, occupational, or mixed).
5. Union investment policy appears to be a policy of expediency not yet subjected to long range financial planning.

#### Investment Yields

1. Investment yields are directly related to patterns of investment policy adopted by the unions.
2. Yield on invested funds throughout the period of study are consistently at levels which could not be achieved through adherence to conservative investment policy normally associated with short term funds. Clearly

nonfinancial objectives of unions (especially large industrial unions) far overshadow financial objectives and many short-term funds are committed to risks uncommon to short-term funds of other investors.

3. Mixed and occupational unions generally achieved higher yields than industrial unions throughout the period of study.
4. Yields on invested funds tend to be inversely related to the receipt size of the union.

#### Investment Performance

1. A formula approach to performance measurement is not appropriate to unions, except in very restricted ranges of asset and receipt sizes. Union sizes and fund flow ranges are too great and union objectives are not sufficiently homogeneous to apply a quantitative performance measure.

#### Relative Yield Summary

To summarize comparative results in tabular form, the following exhibits present yield results by union type and by union receipt size as percentages of the results achieved by all unions in the study. The following data are not absolute results, but comparative results--results of certain classifications as a percent of average results.

EXHIBIT VIII-1. Yield By Type of Union As Percent of Average Yield

Type of Union	Relative Yield Based on Invested Funds
Industrial . . . . .	88.9
Occupational . . . . .	91.6
Mixed . . . . .	123.9

EXHIBIT VIII-2. Yield By Receipt Size of Union As Percent of Average Yield

Receipt Size Classification	Relative Yield Based On Invested Funds
Receipts Over \$ 2 million in base year . . . . .	127.5
Receipts Over 3 million in base year . . . . .	164.8
Receipts Over 4 million in base year . . . . .	75.6
Receipts Over 5 million in base year . . . . .	108.4
Receipts Over 10 million in base year . . . . .	89.7

The above tables are handy summaries in judging how various types of unions compared to the averages of all unions in the study. As such, they serve to confirm statistically the major observations noted in yield section of the report.

For example, it has been observed that yields tend to be inversely related to receipt size of unions. Exhibit VIII-2 shows yields in the \$2 million and \$3 million receipt classes to be a higher percent of average union yields than the yields achieved by \$5 million and \$10 million receipt class unions.

This section completes the comparison of investment policy and performance of national unions' general and special funds by summarizing the relations of union size, type and constitutional restriction to fund growth, investment policies and yields, which is the purpose of this dissertation.

## APPENDICES

## APPENDIX I

### National Labor Unions Included in Analysis Classified According to Union Type

The unions within each classification are listed alphabetically according to their short form or common usage name. The official name follows the short form designation.

#### INDUSTRIAL UNIONS

##### Auto Workers:

International Union, United Automobile, Aerospace and  
Agricultural Implement Workers of America

##### Chemical Workers:

International Chemical Workers

##### Clothing Workers:

Amalgamated Clothing Workers of America

##### Communication Workers:

Communication Workers of America

##### Electrical Workers, IUE:

International Union of Electrical, Radio and Machine  
Workers



Ladies' Garment Workers:

International Ladies' Garment Workers Union

Maritime:

National Maritime Union of America

Mine Workers:

United Mine Workers of America

Oil, Chemical and Atomic Workers:

Oil, Chemical and Atomic Workers International Union

Packinghouse Workers:

United Packinghouse, Food and Allied Workers

Papermakers:

United Papermakers and Paperworkers

Potters:

International Brotherhood of Operative Potters

Pulp Workers:

International Brotherhood of Pulp, Sulphite and  
Paper Mill Workers

Rubber Workers:

United Rubber, Cork, Linoleum and Plastic Workers  
of America

Steelworkers:

United Steelworkers of America

Street and Motor Coach Employees:

Amalgamated Association of Street, Electric Railway  
and Motor Coach Employees of America

Textile Workers:

United Textile Workers of America

Transport Workers:

Transport Workers Union of America

Woodworkers:

International Woodworkers of America

OCCUPATIONAL UNIONS

Airline Pilots:

International Airline Pilots Association

Bricklayers:

Bricklayers, Masons and Plasterers' International  
Union of America

Building Service Employees:

Building Service Employees' International Union

Hotel and Restaurant Employees

Hotel and Restaurant Employees and Bartenders Inter-  
national Union

Lithographers:

Amalgamated Lithographers of America

Locomotive Engineers:

Brotherhood of Locomotive Engineers

Locomotive Firemen:

Brotherhood of Locomotive Firemen and Enginemen

Maintenance of Way Employees:

Brotherhood of Maintenance of Way Employees

Musicians:

American Federation of Musicians

Photo-Engravers:

International Photo-Engravers Union of North America

Railroad Trainmen:

Brotherhood of Railroad Trainmen

Railroad and Steamship Clerks:

Brotherhood of Railway and Steamship Clerks, Freight  
Handlers, Express and Station Employees

Retail Clerks:

Retail Clerks International Association

Typographical:

International Typographical Union

MIXED--INDUSTRIAL AND OCCUPATIONAL UNIONS

## Bakery Workers:

Bakery and Confectionery Workers' International  
Union of America

## Boilermakers:

International Brotherhood of Boilermakers, Iron  
Shipbuilders, Blacksmiths, Forgers and Helpers

## Carpenters:

United Brotherhood of Carpenters and Jointers of  
America

## Electrical Workers, IBEW:

International Brotherhood of Electrical Workers

## Hod Carriers:

International Hod Carriers' Building and Common  
Laborers' Union of America

## Iron Workers:

International Association of Bridge, Structural and  
Ornamental Iron Workers

## Machinists:

International Association of Machinists

## Meat Cutters:

Amalgamated Meat Cutters and Butcher Workmen of  
North America

Molders:

International Molders and Foundry Workers Union of  
North America

Operating Engineers:

International Union of Operating Engineers

Painters:

Brotherhood of Painters, Decorators and Paperhangers  
of America

Plumbers:

United Association of Journeymen and Apprentices of  
the Plumbing and Pipe Fitting Industry of the United  
States and Canada

Printing Pressmen:

International Printing Pressmen and Assistants'  
Union of North America

Sheet Metal Workers:

Sheet Metal Workers' International Association

Teamsters:

International Brotherhood of Teamsters, Chauffers,  
Warehousemen and Helpers of America.

## APPENDIX II

### Description of Financial Statement Information Designated By Department of Labor For Uniform Reporting Under the Labor Management Reporting and Disclosure Act of 1959

The purpose and structure of labor organization accounting is different from traditional corporate accounting and has not been uniform even among labor organizations. The Labor-Management Reporting and Disclosure Act of 1959 requires every labor organization in an industry affecting commerce to file a financial report annually with the Secretary of Labor. For uniformity of interpretation and ease of analysis, the Department of Labor has prescribed a reporting form, Form LM-2 (Revised), and defined the financial information to be reported. The individual required to sign the report (union president, secretary or treasurer) is personally responsible for correctness and penalties are provided for willful misrepresentation and false statements. Complete details of financial conditions and operations are included in the reports, including details on all special funds and subsidiary organizations. These reports are the basis for most of the financial data which forms the core of this dissertation. Further detail in specific cases was

secured by correspondence and personal interview.

The following account descriptions and comments are derived from Instructions for Labor Organization Annual Report, LM-2 (Revised) published by the Bureau of Labor-Management Reports to provide for uniform financial reporting by labor organizations.

### Assets

Cash on Hand - all cash, including checks, money orders, bank drafts, etc., which is not on deposit in banks or other financial institutions. Includes cash in petty cash, undeposited funds, and money in safe deposit boxes.

Cash in Banks - all cash not listed as on hand. Includes deposits in banks and other financial institutions such as building and loan associations, and credit unions, certificates of deposit and escrow accounts.

Accounts Receivable - all accounts receivable from any source.

Loans Receivable - all direct or indirect loans (whether or not evidenced by promissory notes or secured by mortgages) owed by individuals, businesses or labor organizations. Excludes loans of an investment nature, such as arrangements with a bank for block purchase of mortgages. A supporting schedule lists loans to officers, employees, members and business organizations and provides for reporting details on loans written off as uncollectible.

U. S. Treasury Securities - book value of U. S. Treasury securities. Original cost, if different from book value, is reported separately.

Mortgage Investments - book value of all mortgages purchased on a block basis from banks or other financial institutions. Unrecovered cost, if different from book value, is reported separately. Loans secured by mortgage are reported under Loans Receivable.

Other Investments - book value of all investments not included in the above accounts. Includes U. S. government obligations other than Treasury, state, municipal, and foreign securities. A supporting schedule details the investments grouped in this account and distinguishes between marketable securities and other investments.

Fixed Assets - net book value of all fixed assets such as land, building, automobiles and office furniture and equipment. If fixed assets are expensed as purchased, the fair market value is estimated. A supporting schedule details all major assets showing original cost, accumulated depreciation and net book value.

Other Assets - book value of all assets not provided for in the above accounts. A supporting schedule details these miscellaneous assets.



### Liabilities

Accounts Payable - obligations incurred on an open account for goods and services rendered.

Loans Payable - all loans owed by the labor organization except those secured by mortgages or similar liens on real estate. A supporting schedule details the source of loans by general category such as banks, other unions and individuals, and provides the specific name of any business enterprise to whom a loan was payable any time during the year. Any loans payable written off during the reporting period must also be reported.

Mortgage Payable - any obligations of the labor organization which were secured by mortgages or similar liens on real estate.

Other Liabilities - any debts not included in the above liability categories. A supporting schedule itemizes these liabilities by general categories. Special purpose reserves, which are an allocation of certain assets for specific purposes, are excluded from the liability accounts for these reports.

### Receipts

Dues - total dues received. This includes dues paid directly to the union, dues received from employers through a checkoff arrangement, and dues received from an affiliate

union according to agreed allocations. Dues collected on behalf of other unions is reported separately as in the transmittal of those dues to the other union.

Per Capita Tax - total per capita taxes received. The description of amounts included and excluded is similar to the above description for dues.

Fees, Fines, Assessments, Work Permits - amounts received arising from these sources are grouped in a single account for this report.

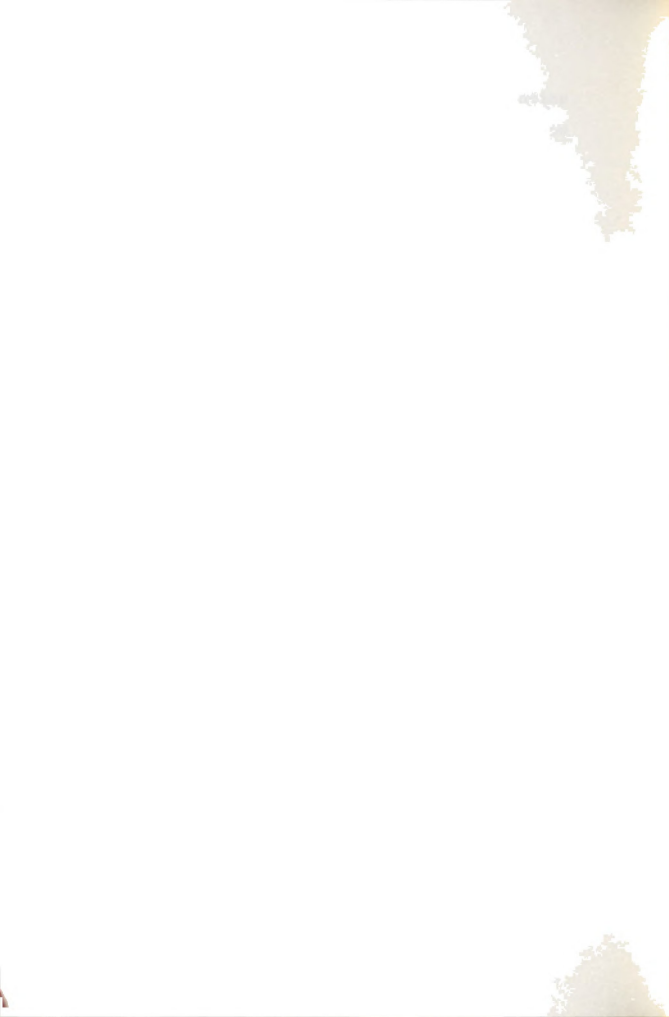
Interest - total amount of interest received on savings accounts, bonds, mortgages, loans and all similar sources.

Dividends - total amount of dividends received from any stock held.

Rents - total amount of rental income.

Loans Obtained - total amount received during the year from all loans obtained by the union. A supporting schedule provides details of sources and amounts. If the amount received from a loan was less than face value, due to discounting by a bank or for any other reason, a separate explanation is required.

Sale of Investments and Fixed Assets - total amount received from sale or redemption of any investments or fixed assets. A supporting schedule provides details on original cost, sales price and book value at time of sale for all categories of investments and assets.



Repayment of Loans Made - total amount received from this source. A supporting schedule details the type of individual or organization to whom the loan was made, the amount of loan, amount of repayment and balance outstanding.

### Disbursements

Rather detailed accounts are provided for classifying and reporting disbursements, apparently reflecting concern over the use of union funds. Many of these disbursement accounts and supporting schedules detail amounts paid to affiliate unions, to officers and employees, for administrative and professional services, and for educational and publicity purposes. These types of expenditures and their classification have no bearing on the analysis in this dissertation, except as total amounts spent. The following disbursement accounts do have a direct bearing on the analysis.

Benefits - all disbursements for direct or indirect benefits of members, officers and employees of the union. A separate schedule details the type of benefit, such as strike, pension, welfare, and so forth, to whom the benefit was paid, such as union members or union employees, and the amount of each type of benefit disbursed.

Loans Made - the total amount disbursed for all direct and indirect loans made. A supporting schedule

provides the detail on the type of organization or individual to whom the loans were made and the amounts loaned.

Purchase of Investments and Fixed Assets - the total amount disbursed for the purchase of any investments or fixed assets. A supporting schedule provides details on types of investments and assets, purchase prices and book value. If only a portion of the purchase price was paid during the reporting period, while the balance owed is secured by a mortgage or similar lien, further detail is required.

Although the above descriptions are not as detailed and specific as the instructions provided by the Department of Labor, they serve the purpose of defining the types of data reported under various account titles referred to throughout this dissertation.

A detailed review of the Department of Labor instructions for union financial reporting reveals many union transactions still open to some interpretation, so absolute uniformity of reporting cannot be expected. Nevertheless, the high degree of uniformity that is provided by the required financial reports provides the first reasonable basis for financial analysis and comparison of unions.

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### Documents

Constitutions. Constitutions of the forty-eight unions analyzed in this dissertation. Detail list of unions appears as Appendix I.

Financial Reports. Annual financial reports for the years 1959 through 1963 for the forty-eight unions analyzed in this dissertation. Detail list of unions appears as Appendix I.

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