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Strategies for unions to provide benefits and financial services to workers: Experiences in the United States

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Richard C. Koven

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Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,[1] and which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,[2] in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.[3]

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.[4] The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

José Manue Executive Director
Employment Sector l Salazar-Xirinachs

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1 See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

2 See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

3 See http://www.ilo.org/gea. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work, "Vision" document*, ILO, 2006.

4 See http://www.ilo.org/employment.

Foreword

Faced with shrinking membership worker organizations in many countries have to imagine ways to retain old and attract new members. Rendering services more useful to the daily income and consumption situation of worker households is such a strategy. These services are more or less distantly related to collective bargaining. Access to financial services, for example, can be an issue for workers in countries with uncompetitive financial markets, information asymmetries and low levels of financial literacy. As a result workers may pay more for housing loans, credit cards, remittances, contractual long-term savings plans etc. than other groups of the active populations. This reduces real purchasing power and - in extreme cases - undermines the trade unions' efforts in collective bargaining[5].

The constituents of the ILO have become aware of these challenges; they recognize that a functioning "Social Dialogue" includes initiatives to strengthen the capacity of worker and employer organizations to provide services to their members. In November 2005, the ILO Governing Body adopted a policy on social finance[6], which specified this by focusing on the capacity of social partners to provide services in the field of finance.

The issue is not new: trade unions in Europe and North America have since the late 19th century set up savings and credit cooperatives for factory workers. The experience so far seems to suggest that the more trade unions sought to be directly involved in the governance of financial institutions, the more difficulties emerged in ensuring their sustainability. Work by the Office therefore interprets "capacity" by trade unions in access to finance issues widely, encompassing information and counselling services, consumer protection, advocacy, campaigning and policy activism all the way to the direct control of financial institutions intended to serve the interests of workers.

Craig Churchill
Social Finance Programme

5 See Social Finance Working Papers on over-indebtedness in France (No. 43) Germany (No. 44) and Brazil (forthcoming).

6 www.ilo.org/public/english/standards/relm/gb/docs/gb294/pdf/esp-3.pdf

Executive Summary

In the United States, trade unions have long played a leading role in providing benefits and financial services for workers. Going back over 100 years, they have set up their own health and pension plans, established insurance and banking institutions, and more recently assisted members with direct access to individual financial services.

What have been the successes and challenges of these endeavours? What does union leadership see as the key lessons learnt from past results, and what challenges do they see ahead?

To answer these and other questions, this paper looks at the history of union influence in the development of employment-based benefits and financial services institutions. It turns out that the union experience in these endeavours is inextricably tied to a dynamic economic, social and political context and especially to the ebb and flow of government policies and regulation. Unions have also found that employer cooperation is critical to establishing and managing successful benefit programs. When unions have sought to build their own financial services institutions, they have learnt that insurance companies and banks are highly regulated, capital intensive institutions that require substantial technical resources, and accordingly are best managed by independent professionals given free reign to diversify across product and customer segments to succeed. These professionals in turn report that they are tasked with balancing the absolute need to operate efficiently managed, outwardly focused institutions against the indisputable advantage of remaining focused on their union niche.

The paper is based on interviews with leaders in the field, those that have the responsibility of managing these union institutions. Their comments reveal some of the challenges inherent in the role unions play in the financial services and benefits areas, and are intended to be thought provoking and engender further discussion. It is expected that this paper will become part of a broader initiative to build a body of knowledge about the provision of financial services by trade unions so that the International Labour Organization (ILO) and its constituents are better equipped to provide guidance and technical assistance on this important topic.

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Acronyms

ABNY	Amalgamated Bank of New York
ACWA	Amalgamated Clothing Workers of America
AD&D	Accidental Death and Dismemberment
AFL	American Federation of Labor
AFSCME	American Federation of State, County, Municipal Employees
ALHIC	Amalgamated Life and Health Insurance Company
AMA	American Medical Association
ASC	ALICO Services Corporation
ASO	Administrative Services Only
BCAR	Bests Capital Adequacy
CEO	Chief Executive Officer
CIO	Congress of Industrial Organizations
GAO	Government Accounting Office
HERE	Hotel Employees and Restaurant Employees International Union
HIP	Health Insurance Plan (Of New York)
IFEBP	International Foundation of Employee Benefit Plans
ILGWU	International Ladies Garment Workers Union
ILO	International Labour Organization
NCCMP	National Coordinating Committee of Multiemployer Plans
NLA	National Labor Alliance of Healthcare Coalitions
NY	New York
PBGC	Pension Benefits Guarantee Corporation’s
PPO	Preferred Provider Organization
TPA	Third Party Administrators
UAW	United Auto Workers
UCIC	Urban Community Insurance Company
UFCW	United Food and Commercial Workers
ULLICO	Union Labor Life Inc.
UNITE	Union of Needletrades, Industrial and Textile Employees
UMW	United Mine Workers
US	United States

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1. Introduction

In the United States, unions increasingly play an important role in providing health care and pension benefits and, more recently, in facilitating access to other financial services. A traditional approach to deliver benefits to workers and their families is to secure funding from employers to provide benefits through collective bargaining. These employment-based benefits are critical to workers and are often said to form one leg of a "three legged stool" of financial security, working in concert with government social security schemes and individual member savings and investments. As a result, it is imperative that unions provide prudent stewardship and ensure the effective delivery of employer-funded benefits to workers. One response to this challenge is for unions to set up their own health and pension plans, while another has been to establish their own insurance and banking institutions. In theory, these union-sponsored and/or union-owned institutions are in the best position possible to assure that funding for benefits is spent wisely and that union members are properly served. In the U.S., there are several very instructive examples of such union-sponsored and union-owned institutions that have largely been successful in meeting their traditional mission of delivering employer-funded benefits to union members.

However, in recent years unions have come to understand the limits of employer-funded benefits and have seen, the erosion of government social security schemes. In fact, there are increasing doubts about the long-term viability of an employment-based benefits system in the U.S. in light of the challenge to the competitiveness of U.S. business in a global economy. As a result, unions in the U.S. and their financial services institutions are increasingly focused on helping members with direct access to individual financial services. Access is an issue since, in some markets, traditional consumer financial institutions neglect low-income workers.

When unions take up the challenge of benefits delivery, in addition to standing up for workers' rights in the workplace, they have generally experienced positive institutional results. By helping to ensure that individual workers have access to appropriate financial services, unions also benefit from additional administrative resources and greater member affinity, although the latter benefit is difficult to quantify.

There are (at least) three ways in which unions in the U.S. have provided these services, each requiring different degrees of involvement and expertise: 1) they have created union-sponsored health and pension plans; 2) they have established a union-owned bank or insurance company; or 3) they have negotiated with existing financial service providers to provide preferential treatment to union members.

This paper examines how unions have created these institutional vehicles to navigate a complex system and deliver both employment-based benefits as well as those that support community-based and consumer-based financial security schemes. Examples include case histories of several self-insured union health and welfare pension plans, as well as selected experiences of labor unions that have directly owned financial services institutions, like Amalgamated Life, Amalgamated Bank, Union Labor Life. A review of their histories, strategies, business models, successes and challenges provide important lessons for other unions, in developed and developing countries, which may be interested in helping their members to access financial services.

2. Varied Approaches to Union-sponsored benefits

2.1. The role of labor in the Development of Employment based Benefits

Union benefits. The two words have become inseparable in the American lexicon. Union membership today is still highly prized because American unions have a long history of delivering rich benefit packages that add tremendously to their members' financial security. The process that led to the development of a employment-based benefit system, and why it took the shape it has today, is an interesting and complex story.

In the late 1800s and into the early years of the twentieth century, union health benefits were provided through self-help, mutual benefit societies. Unions and their "social security" committees organized "discount group purchases" with local physicians. Similarly, informal sickness funds and death benefit funds were organized by unions to aid disabled workers and provide for funeral costs. Firm-based or collectively bargained social security coverage was unheard of at that time. There were calls for national health insurance but Samuel Gompers, the early leader of the American Federation of Labor (AFL), opposed it, as he Gompers believed that a government system would weaken unions by denying them the opportunity to provide benefits directly to members. To some extent this view survived through the subsequent 100 years all the way to the Clinton health care reform debate of 1993, when some unions opposed national health insurance because they felt that it might put their own plans out of business.

In 1913, the AFL convention instructed its Executive Council to investigate all aspects of insurance. The following year member unions were encouraged to extend and expand their union-run benefit systems, and suggested that the central federation might wish to establish its own insurance company. They felt that any insurance program ought to be voluntary and begin with life insurance, extending "to other forms of benefits as experience and resources warranted" (Schlabach, 1969).

This expansion of union-run benefit systems came at a time when most were poorly organized. By the 1920s many union programs were in financial trouble.[7]

With the depression in the late 1920s, the situation evolved rapidly. One hundred hospitals failed during the first years of the great depression because their customers could not afford to pay their bills. In 1929, a group of teachers at Baylor University in Texas negotiated an arrangement with the University Hospital for an annual premium of $6 per teacher, which "pre-paid" for 21 days treatment in the hospital in any given year. This blossomed into what today is the Blue Cross system[8], the largest health insurance institution in the U.S. The hospitals welcomed the new insurance arrangement, as solvent customers were hard to come by during these lean times. Unions were for it because it in effect institutionalized the more informal union provided schemes that had been in place for years (which were proving difficult to operate successfully), and allowed for a scaling up of the process consistent with the increasing complexity of available medical care. Nonetheless, firm-based coverage was still unheard of and union members who subscribed to these early schemes paid the entire premium from their own pocket.

In response to the Great Depression, President Roosevelt passed social security legislation, which provided also for old age pensions. Roosevelt had wanted to include health benefits as part of Social Security, but faced fierce opposition from the American Medical Association (AMA). Interestingly, the AFL joined with AMA in opposing national health insurance during New Deal. Again, these union leaders felt that their organizations would be diminished if all workers had coverage, rather than union workers alone. Perhaps with more far-sight, their brethren in the Congress of Industrial Organizations (CIO) took the opposite approach and had consistently supported a social insurance program.

With the onset of World War II, the landscape changed again. Labor shortages during the war put pressure on employers to attract workers. The federal government, however, restricted wage increases to stem wartime inflation. In response and with union support, Congress passed The 1942 Stabilization Act, which limited wage increases but allowed employers to adopt benefit plans. The Act defined wages to be controlled as "all forms of direct or indirect remuneration to an employee, including but not limited to, bonuses, additional compensation, gifts, commissions, fees, and any other remuneration in any form or medium whatsoever

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[7] In its study of the development of social insurance in the US, The Social Security Administration wrote:

(The schemes were based on) the subscription rather than the actuarial principle, with few safeguards against diverting funds to strike benefits or other extraneous purposes… Old age pension systems were in deepest trouble, as more and more unionists reached retirement age without adequate reserves set aside for their pensions.

At the same time, with the rise of programs exclusively for union members, the argument was joined as to whether unions and union members would be better off in the long haul under union-based programs rather than under community-based programs.

Moreover, as critics hastened to point out, the union systems put the whole financial burden on workers themselves, and benefited only the small minority of relatively well-off workers who were unionized (Schlabach, 1969).

[8] Blue Cross and Blue Shield plans are a network of companies that provide health insurance to one of every three people in the United States and Puerto Rico. Originally, these plans were non-profit community-based institutions; more recently many Blue Cross plans have converted into for-profit entities.

excluding insurance and pension benefits in a reasonable amount as determined by the director." Thus began employment-based health insurance, which remains the predominant model in the U.S. today.

Insurance companies immediately began exploiting this market by selling indemnity health insurance policies to employers who in turn unilaterally enrolled workers. This was typically arranged by enlarging existing group life policies to include indemnization for hospital stay and disability. Dividends from these group policies were paid to employers without benefit to workers. These efforts were again unilateral, without union input, which displeased union leaders greatly.

The Mine Workers, Clothing Workers and Auto Workers were particularly active in these early endeavors in the benefits field, following separate approaches. John L. Lewis and the Mine Workers gravitated toward the provision of health care in **union-sponsored, employer-funded, medical clinics**. In fact, UMW won rights to run a unilateral plan with technical support from the federal government. Sidney Hillman and the Clothing Workers founded the Amalgamated Insurance Fund, a **union controlled, self-insured plan**, and a precursor to the Taft-Hartley Fund model, which itself led to the founding of the Amalgamated Life Insurance Company. Hillman and others felt strongly that the existence of union-sponsored welfare plans legitimized trade unions. Finally, Walter Reuther and the United Auto Workers (UAW) supported the **pre-paid, community-based model** rather than the commercial insurance approach that their employers favored, and thereby helped foster the development of non-profit Blue Cross plans. Other unions followed UAW. Often led by women leaders, these trade unions focused on non-profit health plans and supported the development plans like Kaiser Permanente in California, Group Health of Puget Sound in Seattle and HIP in New York.

Table 1. The Three Roots of Union Health Benefits Plans

	UMW Model	ACWA Model	UAW Model
Control	Union	Union	Employer
Funding	Employer	Employer	Employer
Provision of Care	Union Clinic	Private Providers	Private Providers
Administration	Self	Self	Insurance Co.
Risk	No Insurance	Self Insured	Blue Cross Plan

By the late 1940s, some unions saw early success in collective bargaining for benefits. Less progressive and non-union employers responded with hardened unilateral approaches to their benefit programs. Other unions, e.g., the International Ladies Garment Workers Union (ILGWU), still maintained their proprietary plans, utilizing the union-operated, clinic-based model. The resolution to this multiplicity of approaches came from an act of Congress (Taft-Hartley Act 1947) which favored the employer position, and a Supreme Court ruling (*Inland Steel 1949*), which was favorable to the union position. Taken together, these two legal precedents framed the regulatory structure for today's union-sponsored, employment-based benefit plans.

In *Inland Steel*, the Supreme Court confirming a lower court ruled that pension benefits and health benefits were, in effect, “wages” and were therefore the rightful subject of collective bargaining. Employers could <u>not</u> unilaterally impose insurance plans.

However, Republicans in Congress, with the backing of major industrial employers, sought to wrest control of new benefit plans away from unions. Paradoxically, despite the fact that the phrase “Taft-Hartley” is now inextricably tied up with the identity of union benefit plans, the Act itself was essentially anti-union. It prohibited employers from transferring “any other thing of value” to the unions with which they bargained. Therefore, if a union gained health and pension benefits for its members, the employer’s contribution could not go directly to the union for their provision. Instead, The Taft-Hartley Act dictated that those contributions be placed in a separate trust fund to be put to use for “the sole and exclusive” benefit of plan participants. The trusts were placed under bilateral control or joint trusteeship between union and employer.

Subsequently, labor quickly moved away from the direct provision of benefits through mutual aid schemes and focused on employment-based benefits instead. Again, some argued that employment-based coverage would frustrate the overall push for social protection by segmenting workers along industrial lines and leaving out those not in the workforce. With the backing and active leadership from unions in the steel, auto, rubber and garment industries, insurance coverage skyrocketed. In 1940, less than 10% of Americans had hospital insurance; ten years later, half of the population had coverage. In 1951, 100,000 people had comprehensive major medical plans. By the end of 1960, the number had grown to 32 million, by the end of 1986, to 156 million and today, 175 million.

Americans are covered by firm-based health plans. How important were trade unions in the process? Certainly, macro forces such as the Great Depression and WW II were significant factors. But it is fair to say that union leadership was central to the process, if not the driving force behind the movement that created employment-based benefits.

A much more difficult question is whether the decision by trade unions to throw their weight behind employment-based benefits was sound in the long run, in view of current problems with the health insurance system in the United States.

The U.S. system of benefits is hybrid drawing on all three (government, employer and individual) sources of funding to ensure financial security for workers: compulsory government social insurance programs such as old age pensions (Social Security), retiree health plans (Medicare), health insurance for the poor (Medicaid), unemployment insurance, workers compensation and so on. The second leg in the form of employment-based benefits, which have grown to include pensions, health care, life insurance, dental insurance, vision insurance, supplemental savings plans, disability coverage and more; and lastly, consumer-based or voluntary insurance and savings programs.

The following chapters explore how unions have created institutional vehicles to navigate this complex system and deliver both employment-based benefits as well as those that support community and consumer-based financial security.

2.2. Taft-Hartley Plans: What are they and how do they work?

Taft-Hartley plans have become established vehicles for delivering benefits to union members. There are over 1,700 multiemployer pension plans that cover about 10 million union members. Approximately 1,850 unions provide health benefits to some 8.5 million active union members through the 2,200 health and welfare (NCCMP, 2005). When counting dependents and retirees, as many as 26 million Americans receive health benefits through Taft-Hartley plans. Taft-Hartley plans cover at least 10% of all commercially (non-governmental) insured persons (Chapter House, 2004).

Taft-Hartley plans funds are risk taking entities that deliver a collectively bargained benefits in exchange for contributions from a group of employers. Unlike risk-taking insurance companies regulated by the states, Taft-Hartley plans are regulated under The Employee Retirement Insurance Security Act (ERISA), a federal statute. Many Taft-Hartley plans would be unable to meet minimum capital requirements imposed by states on insurance companies, as these union entities are often small, local operations.

The average Taft-Hartley plan typically covers several thousand workers and their dependents, although affiliation ranges from just several hundred workers to more than 100,000 participants. Taft-Hartley plans are more common in industries that have transient workforces and/or episodic terms of employment such as construction, clothing and textile, maritime, hotel and restaurant, entertainment, bakery, mining, retail sales, etc. A principle feature of multiemployer plans is that they allow workers to move between employers without losing benefits or pension credits. This advantage is particularly important for seasonal, low wage and women workers.

The distinguishing characteristics of multiemployer Taft-Hartley plans are:

- The plan is established through collective bargaining
- Plans are unique and separate from sponsoring unions and employers
- Assets of the plan are held in a trust
- Joint trusteeship by equal number of employer and union representatives
- Fiduciary standards require that trustees act solely in the interest of the plan and its participants
- Employees can change employers and maintain coverage as long as employers participate in the Taft-Hartley Plan

Trustees serve as volunteers and are typically not insurance or benefit professionals. However, the administration of a Taft-Hartley plan is typically entrusted to professionals, in some cases plans are “self-administered.” In other words, the trustees hire staff and create an administrative infrastructure of their own. Outsourcing to a third party administrator ("TPA") is also common. Plans usually hire other professionals such as auditors and accountants, attorneys and actuaries are hired to advise the trustees.

Taft-Hartley coverage tends to have greater benefits than single employer (non-union) coverage. Taft-Hartley plans are more likely to offer spouse (98%) and retiree coverage (61%) as well as ancillary benefits such prescription drug (94%), vision (50%), dental (49%) and hearing (36%) (Chapter House, 2004). Conversely, non-union firms are less likely to offer health coverage, less likely to extend coverage to spouses and children and more likely to require employees to contribute to premium charges for coverage (DiNardo and Valletta, 1999).

Table 2. Benefits Commonly Offered by Taft-Hartley plans

• Medical/hospital care	• Pensions
• Occupational illness/injury	• Pooled vacation/holiday/severance
• Unemployment benefits	• Apprenticeship/training
• Life insurance	• Educational scholarships
• Disability/sickness insurance	• Child care centers
• Accident insurance	• Legal services
• Vision	• Dental

Source: Trustees Handbook, IFEBP

2.3. Self-Funding

While Taft-Hartley plans sometimes buy insurance (most often life insurance), for their base health and pension coverage, they are predominantly self-insured. By one estimate, 93% of these plans choose to manage risk themselves. Self-funded means that the trustees choose not to purchase insurance such as a group annuity from an established insurance company or a health insurance plan from a commercial carrier. As a result, the trust assets are fully exposed to mortality, morbidity, interest rate and other attendant risks. Why would trustees, who are not insurance professionals, choose such a path?

The first answer is that it has to do with the control over how plans are designed, administered and how members are served. Trustees, and particularly union trustees, are quite sensitive to administrative and service issues. Union leaders often see the benefit plan as integral to their union's identity. The more control the union has over plan operations, the more secure union leaders feel. Further, collective bargaining often yields benefit designs and eligibility rules that are complex and idiosyncratic. Yet insurance companies are often inflexible in their plan offerings and rigid in their administration of plan rules, a major reason advanced by trustees to opt for self-insurance rather than buy insurance from a carrier.

The second advantage of self-funding is cost. In fact, union-sponsored multiemployer plans aside, the vast majority of all large corporate plans are self-insured. Why? Self-insurers pay no premium tax that insurers are required to pay in the US. They also avoid insurance company margin charges (profits). Lastly, administrative charges for a well run self-insured plan, even if the administration is outsourced to a TPA, are less expensive than the charge that an insurer makes. It is estimated that TPA charges are typically 7% of claims while insurers' charges are typically 15% (Harker, IFEBP 1998). Altogether, self-insurance can save 10% to 15% in operating costs compared to insurance.

Of course, one reason insurance is more expensive than self-insurance is that the insurance carrier assumes the risk. The downside of cost savings is a higher exposure to risk. If a plan runs short of funds, either employer contributions are increased or benefits are cut, or both, in which case the union will inevitably suffer the ill will of its membership. While there have been rare instances of plan failures, most self-funded multiemployer plans are mature, well run, reasonably funded enterprises. Many use stop-loss insurance as way to protect against catastrophic claims.

Another advantage of multiemployer plans is size: these plans are typically an aggregation of hundreds or thousands of smaller employers. They seek, and often obtain, the same cost advantages that large single employers generate by self-insuring. What makes self-insurance feasible and appealing for unions and their employers is the existence of specialized professional organizations to administer their plans.

The next sections illustrate employer controlled (UAW) and union controlled, self-funded plans (32 BJ and Local 555). These are prime examples of the types of benefit plans that operate today and have their roots in the designs developed in the 1940s.

2.4. United Auto Workers: A Different Approach to Benefits

Since the 1940 UAW played an essential role in building union-sponsored benefits in the United States. When benefits became the subject of collective bargaining Reuther and the UAW engaged employers such as Ford, Chrysler and General Motors in developing an approach for the automobile industry. Bill Hoffman, former Director of Social Security at UAW, recounts the thinking as these new benefit programs were being initiated:

> *There were basically two approaches in the private sector and they were generally determined by the nature of the industry. That is, in the building trades, where there are multiple employers but one collective bargaining agreement, a Taft-Hartley fund made the most sense. But in the auto industry, where there are single employers each with its own collective bargaining contracts, an employer-based health insurance system made the most sense. And, that is where Walter Reuther took the UAW.*

Reuther still wanted the union to have some oversight and direction over the delivery of the benefits. Therefore, UAW developed a Joint Industry Committee within each employer-based collective bargaining unit, with activities specific to the employer and the union's relationship to each automaker.

To this day, the UAW has individual, employer-based "defined benefit" health insurance programs with Ford, General Motors and Chrysler. Under these arrangements, the union has a collective bargaining agreement with each employer that obliges the automaker to provide the agreed upon benefits regardless of their cost of the benefits. There are no jointly trusted funds and the union is not directly involved in the provision of benefits. Generally, the employer contracts directly and unilaterally with commercial insurance carriers.

By the 1960s Walter Reuther recognized that the cost of health care placed an undue burden on the auto industry and its relatively well-paid workers who were provided comprehensive benefits. Too many other people in the community were entirely left out of an employment-based system. As a result, Reuther took a leading role in the cause for national health insurance, which constituted a move away from employer-based benefits back to a more inclusive model of social insurance.

2.5. 32 BJ Health Fund

32 BJ Health Fund is typical of self-funded health and welfare funds operating in the United States. 32 BJ is a "Super Local" covering 56,000 building service workers (janitors, superintendents, building engineers, etc.) in New York City and its suburbs. The health fund has 140,000 covered lives (subscribers and dependents) and by virtue of several mergers in recent years.

The 32 BJ Fund is governed by four management and four union Trustees. The Fund is actively guided by its executive committee, which meets monthly and consists of the union president and the head of the employers' association. The Fund provides coverage for life, health, dental, prescription drugs, eye care, dental care, behavioral and substance abuse treatment and disability benefits. Life coverage is insured with major insurance carriers while health insurance and disability coverage is self-insured (health is administered by a major Blue Cross plan). There is retiree health coverage for those 62 to 65 years old. Additionally, a dental clinic is run directly by the Fund and it employs its own dentists.

For years the union believed strongly that all members should have the same benefits and that these benefits should be free to the members. This standard has proven difficult to maintain. Due to the rising cost of health care, the Fund faced a crisis in 2004 when reserves were drained and its actuaries projected a $175 million deficit for 2005. The crisis was resolved through a compromise: employers agreed to an $80 million extra contribution and the union agreed to $80 million in new benefit restrictions. Current members still pay no premium for their benefits. However, for new members, outside of New York City, who are typically working in low wage jobs, the equation has changed: either benefits are less generous and/or a member contribution is required. The Fund now has six different health plans each suitable to different markets and worker classifications.

According to Susan Cowell, Executive Director, Building Service 32 BJ Health Fund, government and corporate cut backs in health care funding and resultant increases in the number of the uninsured are "bad for unions in that they have to shoulder the burden." In other words, health care providers shift the costs for the uninsured on to paying customers like union self-funded plans. Cost shifting has placed enormous pressure on union plans over recent years. Joint trusteeship between labor and management has turned out to be of help to ensure a prudent management of benefit plans in the face of these pressures.

Given the uncertainties and changes in the environment, the 32 BJ Fund feels it is important to maintain strong communications with its participants. A monthly newsletter provides updates on benefit plan changes and guidance on how best to take advantage of benefits. The Fund is also developing a website.

The 32 BJ Union also operates a separate pension plan that provides a defined pension benefit based on years of service. The top benefit level is $1,250 per month. For these janitorial and building service workers having a multiemployer pension plan is essential. In recent years, the Fund also began offering a supplemental (401 K) retirement plan[9], with employer and member contributions provided through Putnam, a major U.S. investment firm. Putnam provides financial planning seminars for members several times a year at the Fund's office.

32 BJ also has a Training Fund that provides citizenship training, literacy and industry skills, as well as a Legal Fund, which provides services for wills, immigration, divorce, etc. All training and legal services are free, and the "members pay nothing and get real value" (Cowell).

Looking to the future, the number one challenge for 32 BJ Funds will be the cost of health care in an era of government cutbacks. "We are constantly looking at how we can provide healthcare to low wage workers who are newly organized and have not had health benefits previously" (Cowell). As the financial results in the table below indicate, the 32 BJ Fund has required increasing contributions from employers to cover increasing expenses while its assets and its investment income, two alternate sources to cover expenses, have dwindled.

Table 3. BJ Health Fund Financial History ($000's)

Year End	Total Assets	Employer Contributions	Participant Contributions	Total Investment Earnings	Total Income	Total Plan Expenses	Admin Expenses	Participant Distributions
06/1999	$421,369	$270,468	$921	$2,127	$30,139	$286,581	$127,722	$158,858
06/2001	$395,129	$253,728	$1,393	$21,771	$293,742	$339,789	$33,772	$185,237
06/2002	$323,834	$278,141	$1,518	$11,944	$290,284	$367,764	$36,803	$211,702
06/2003	$255,140	$299,362	$1,563	$5,972	$13,496	$379,638	$36,575	$4,408

Source: Form 5500, 2003, U.S. Department of Labor

9 A retirement plan that allows employees in private companies to make contributions of pre-tax dollars to a company pool that is then invested in stocks, bonds, or money markets. Employers often match these contributions, but unlike traditional pension plans, do not promise any future benefits.

2.6. Local 555 Fund

An example of a multi-employer self-insured plan is of Local 555 work in grocery stores (Safeway, Albertsons, Fred Meyers, etc.) in the states of Oregon and Washington. The union participates in two Taft-Hartley plans: the Portland Area UFCW Local 555 Employer Health Trust with 12,000 participants plus dependents and the Joint Labor Management Retail Trust has 6,400 participants plus dependents. Both were started in the mid 1960s as multiemployer plans with about twenty employers contributing to each.

Both of Local 555's Health Funds are self-insured and to administered by a Third Party Administrator (TPA). The Funds offer life, health, prescription drug, dental, vision and retiree health benefits. For many years, no member contributions were required for benefits. However, the Fund has had poor experience recently due to a number of catastrophic health claims. As a result, the health plan had to increase required contribution by 20% in 2005.

Evidence of the hardships the Fund has faced in recent years is evident in the financial highlights presented in the table below. The increase in employer contributions is commensurate with the increase in plan expenses.

Table 4. Local 555 Health and Welfare Plan Five Year ($000's)

Year End	Total Assets	Employer Contributions	Participant Contributions	Total Investment Earnings	Total Income	Total Plan Expenses	Admin Expenses	Participant Distributions
06/1999	$9,444	$18,644	$635	$20	$1,938	$17,287	$1,376	$15,911
06/2000	$10,095	$2,027	$67	$35	$2,120	$2,119	$80	$1,884
06/2001	$10,095	$24,858	$729	$516	$26,226	$26,469	$1,481	$22,760
06/2002	$11,504	$30,072	$599	$424	$30,781	$29,640	$1,628	$25,545
06/2003	$13,733	$33,494	$553	$379	$777	$31,377	$1,608	$26,632

Source: Form 5500, 2003, U.S. Department of Labor

Table 5. OR Retail Employee Pension Plan Five Year Financial History ($000's)

Year End	Active Participants	Total Assets	Employer Contributions	Participant Contributions	Total Investment Earnings	Total Income	Total Plan Expenses	Admin Expenses	Participant Distributions
12/1999	59,418	$464,188	$7,553	$0	$1,276	$4,845	$13,777	$2,382	$11,395
12/2000	34,123	$546,202	$3	$0	$14,087	$3,588	$15,086	$2,685	$12,401
12/2001	33,620	$534,633	$0	$0	$12,872	$-10,230	$15,910	$2,638	$13,272
12/2002	33,195	$435,072	$0	$0	$11,842	$-27,968	$16,501	$2,606	$13,894
12/2003	32,345	$487,229,	$4,326	$0	$9,480	$84,225	$17,913	$2,696	$15,216

Source: Form 5500, 2003, U.S. Department of Labor

For pension benefits, there is one plan, Oregon Retail Employee Pension Plan with 30,000 participants. The pension plan has $800-$900 million in assets. Pension benefits are based on credits for hours worked over a career. Participation in the Local 555 Funds has been stable and some merger activity in recent years has added new members.

2.7. Taft-Hartley Purchasing Coalitions

To combat rising costs in the health care union health plans devised health care purchasing coalitions. These are voluntary associations of multiemployer plans, often regionally organized and as purchasing alliances or purchasing cooperatives. Since the early 1990s, union plans have increasingly formed coalitions through which they seek to use their collective strength to match the buying power of large corporate plans.

The National Labor Alliance of Healthcare Coalitions (NLA), a national umbrella group that includes multiemployer and public sector coalitions from all across the United States, was formed in 1996 to advance the health care coalition concept among union-sponsored plans.

According to the International Foundation of Employee Benefit Plans (IFEBP) there were in 2005 24 public sector and multi-employer coalitions in the U.S. covering 387 funds and 3.3 million union members. This represents an increase from 22 coalitions and 224 funds and 1.7 million members in 1997 (see Appendix 1).

Most such Taft-Hartley coalitions include 15 to 20 member funds. They are loosely organized, self-governing, not-for-profit membership organizations. Generally, coalitions assess each member group's minimal fees to cover operating costs. Only a few have professional staff, most use volunteer management committees made up of representatives from each fund. Because health care providers offer price discounts and administrative efficiencies to large purchasers in exchange for patient volume, coalitions can purchase health care services at less cost than individual funds could on their own and, at the same time, maximize employee choice.

The roles of coalitions vary substantially. Some only serve as informal networks to share information among union plans. Many, however, contract with vendors to purchase services jointly. Some of the services that coalitions commonly contract are instead in table 6.

Table 6. Coalition Services Offered and Percentage Offering Each Service

Coalitions Offering Benefit	%
Prescription drug benefits	75%
Hospital and provider networks	58%
Vision benefits	46%
Dental benefits	46%
Chiropractic benefits	25%
Disease management	25%
Life insurance	21%
Employee Assistance Programs	21%
Stop loss insurance	17%

Source: IFEBP, 2005.

Among the major challenges that coalitions face, is above all the question of autonomy. is perhaps the most vexing. Typically, a coalition will negotiate standardized contracts with providers; however, the Trustees of each participating fund make the final decision on benefits offered to their own participants. How well the arrangement works largely depends on common interests among individual member funds. Often a rival vendor will offer to match the contract terms that the coalition has negotiated jointly to lure a single fund into breaking ranks with the group.

2.8. Multiemployer Pension Plans

Next to multiemployer Taft-Hartley health and welfare plans, multiemployer pension plans also play a significant role in worker social security systems in the US. These plans serve workers in industries where employees move from employer to employer over a career. Like their health and welfare counterparts, multiemployer pension plans are established by collective bargaining with a group of employers in a single industry.

Multiemployer pension plans began to evolve in the 1950s with 3.3 million subscribers by 1959, growing to 7.5 million by 1973 and 10.4 million in 1989. Participation has remained at that level since then. However, since 1980 the number of multiemployer pension plans has declined from over 2,200 to fewer than 1,700 according to the Government Accounting Office (GAO). Larger plans (with 41% of the total) having more than $100 million in assets; (6% of plans control 58% of the assets ($216 billion of about $400 billion) (see Appendix 2). This concentration is largely the result of mergers to yield greater efficiencies. This trend is expected to continue in the near term.

Taft-Hartley multiemployer pension plans are exempt from taxes. They are closely regulated by the federal government with respect to funding. Multiemployer pension plans were 87% funded to meet vested benefit obligations. Funding status rises and falls with the market value of assets, which are greatly impacted by the stock and bond markets along with the underlying financial health of the employers who contribute to the fund. Should a pension plan fail, the federal government takes over its obligations (although not 100%) as part of the Pension Benefits Guarantee Corporation's (PBGC) insurance program. Conversely, excess funding in multiemployer plans cannot revert to employers. Recent examples in the U.S., such as the bankruptcy of United Airlines and the termination of its pension plan, demonstrate the vulnerability of workers.

Pension plan trustees are required by federal law to invest assets prudently. However, the law allows certain directed investments. For example, trustees from the construction industry have devoted portions of their portfolios to loans for building projects, which obviously benefit both employers and union members. Further, shareholder activism has become somewhat common as union trustees focus on voting pension plan shares to promote corporate social responsibility.

2.9. Union Privilege

Not all union-sponsored benefits are provided through collective bargaining. As members' financial needs were not entirely met by employer-provided benefits, AFL-CIO decided in 1986 to create its own benefit scheme; Union Privilege. Union Privilege provides 13 million AFL-CIO members and their families with valuable benefits using the leverage of their purchasing power to help save them money in their daily lives. The programs are marketed under the "Union Plus" brand and are available only to union members and their families. Unions that participate in the program provide Union Privilege with their endorsement as well as member mailing lists and access to union communication vehicles such as newsletters.

Union Privilege provides the important service to subscribing workers of screening vendors of different services. Likewise, Union Privilege serves as a consumer protection advocate making sure that members get a "good deal" and receive appropriate customer service.

Union Privilege's most popular product is a credit card. The program grew out of the need for credit for union members who had not had access to credit or were even "red-lined" by credit card companies. The program has been very successful with three million credit card holders. The AFL-CIO and participating unions receive a fee for their endorsement of the credit card and other financial products.

Table 7. Union Privilege benefits

Money and Credit ▪ Credit Card ▪ Loans ▪ Mortgage and Real Estate ▪ Union-Made Checks ▪ Credit Education Information ▪ Credit Counseling ▪ Credit Score ▪ Tax Service	**Insurance Deals** ▪ Accident Insurance ▪ Life Insurance ▪ Auto Insurance ▪ Pet Insurance ▪ Retiree Health Care	**Health and Well Being** ▪ Health Savings ▪ Health Club Discounts	**Education Services** ▪ Union Plus Scholarship ▪ Union Plus National Labor College Scholarship ▪ Education Loan Program ▪ "Go to College" Process ▪ Powell's Bookstore
House and Home ▪ Mortgage and Real Estate ▪ Moving Van Discounts ▪ Home Heating Oil Discount ▪ Legal Resources ▪ Immigration Legal Service	**Auto Advantages** ▪ Car Rentals ▪ Auto Insurance ▪ Goodyear Tire and Service Discounts	**Entertainment** ▪ Theme park discounts ▪ Movie ticket discounts	**Everyday Savings** ▪ Flower Discounts ▪ Music CD Savings ▪ Health Club Deals ▪ Union-Made Clothing Discounts
Pet Services ▪ Pet Insurance ▪ Pet Savings	**Travel and Recreation** ▪ Car Rentals ▪ Cruise Discounts ▪ Worldwide Vacation Tours ▪ Disney Hotel Savings	**Computers and Tech** Cingular Discount Dell Discounts Internet Service Provider (ISP) Discounts	**Union-Made** ▪ Union-Made Clothing Discounts ▪ Cingular Wireless Discounts ▪ Goodyear Tire and Service Discounts ▪ Disney Hotel Savings ▪ Powell's unionized bookstore ▪ Union-Made Checks

3. The Amalgamated Life Insurance Company

3.1. History and Background

Amalgamated Life is a New York-based stock life and health insurance company specialized in the management of group life and short-term disability insurance products. Along with its affiliate, Alicare, the company also administers self-funded health and welfare and pension plans. Amalgamated Life targets trade union-sponsored groups and their memberships, although a limited amount of its products is also sold to non-union entities generating less than 10% of revenues.

Created in 1943 by Sidney Hillman, the President of the Amalgamated Clothing Workers of America (ACWA), it targeted European immigrants arriving in American cities. Today, Amalgamated Life serves half a million union members, still mostly immigrant, although now they come from Mexico, Central America, the Caribbean, Africa, China and many other countries.

In addition to Amalgamated Life, Hillman also founded the Amalgamated Bank (see Section 5) as well as a variety of other mutual institutions, including housing cooperatives for union members. In Amalgamated Life, he envisioned a cooperative, a cost-effective labor-oriented means of delivering collectively bargained insurance and pension services to unionized workers. Garment industry employers, who were party to collective bargaining agreements with ACWA, trusted Hillman and were generally supportive of his broader agenda for the betterment of workers' lives. This collaboration between employers and the union, a distinct advantage for Amalgamated Life, has survived to this day: half of Amalgamated Life's board is employer representatives.

In establishing Amalgamated Life Hillman determined that the union would incorporate an independent insurance company, domiciled in New York. In 1943, ACWA had just formed its first health and welfare fund, The Amalgamated Insurance Fund. At that point, it could either have self-insured its benefits, or purchased insurance from a commercial carrier. However, while Hillman did not fully trust commercial insurers, he was also extremely sensitive to the risks of impropriety in the handling of monies earmarked for worker benefits and therefore opposed self-insured arrangement.

The union decided, therefore, that an independent insurance carrier based in New York would be more appropriate, and gained a charter for Amalgamated Life in 1943. The Fund capitalized the company with $1.5 million and was its sole owner for many years.

Hillman also preferred to rely on professionals to run the company free from direct union involvement in day-to-day operations. The company was, and is, operated from separate facilities with its own staff and management. With both union and employer representatives, the board of directors is more independent than union-only boards. In addition, independent actuaries were hired to set up policies and reserves. At the outset, the company partnered with The Equitable, a leading commercial insurance company, to gain access to additional resources.

Amalgamated Life's initial products included a group annuity product to cover worker pensions as well as group medical insurance for hospital benefits and life insurance. Later, all of these, except life insurance, were converted to self-insurance (for tax and other advantages), while the company remained the administrator of all of the coverage. ACWA also established an Amalgamated Life and Health Insurance Company (ALHIC), in 1942. ALHIC is owned by the Amalgamated Social Benefits Association, which operates a health clinic for union members. Dividends of about $1 million per year from the insurance company support clinic operations. ALHIC sells supplemental insurance to union members. As of 2004, it covered 6,000 union retirees and earned about $10 million in premiums. The company has surplus of $3.5 million.

The Urban Community Insurance Company (UCIC), a property and casualty insurance company was founded by the Amalgamated Housing Foundation and capitalized with a loan from the Amalgamated Bank of New York. UCIC sold homeowners insurance to union members of housing cooperatives in New York. The company was sold in the 1990s to a commercial carrier.

3.2. Patron Funds

In the years following its founding, Amalgamated Life came to insure and administer seven multiemployer Taft-Hartley funds created by its founding union, ACWA[10] "Patron Funds". For more than 60 years, Amalgamated Life served as the primary service provider for life, health, and pension benefit programs of unionized workers.

In contrast to other unions that sponsor multiemployer plans, which contract with commercial insurance companies, and other service providers, for their various needs. What is unusual in the Amalgamated case is that the union sponsors benefit plans and has created an insurance company to service these plans, rather than purchasing those services commercially.

The insurance and administrative services that the Patron Funds purchase from Amalgamated Life are provided on a non-profit basis. Costs are allocated among the Patron Funds based on their respective use of resources. An annual retrospective rating ensures that costs and charges for the Patron Funds are aligned. In this way, the company's operations are analogous to those of a mutual insurance company. In addition, until its reconstitution (see below) the company was a tax-exempt entity and paid no corporate income tax.

3.3. Reconstitution

In 1992 Amalgamated Life amended its charter to allow it to sell insurance and services to customers beyond its Patron Funds. To further support this expansion, the company received additional capital from its owners and re-organized under a holding company structure to further develop affiliated businesses. This was prompted by the desire to maintain the insurance and administrative services provided to the Patron Funds on a cost effective basis. Harvey Sigelbaum, CEO of Amalgamated Life at the time, reasoned that a broader customer base would allow for a better distribution of operating costs helping to reduce the burden on the shrinking Patron Funds.

To gain approval for its expanded charter, regulators required that capital be increased to $6 million. However, under its traditional operating methods, Amalgamated Life returned its surplus revenue to its Patron Funds each year. As a result, no surplus had accumulated in the company beyond its original 1943 capitalization of $1.5 million. Therefore, in 1991 the Amalgamated Insurance Fund contributed $4.5 million of additional capital to Amalgamated Life to make the expansion possible. At December 31, 2005, Amalgamated Life's statutory capital and surplus was approximately $23 million.

As a result of the reconstitution Amalgamated Life began, in 1992, to sell insurance to unions and customers beyond its Patron Fund base. While the Patron Funds would still receive their insurance and services at cost under a retrospective rating formula, new commercial customers

[10] ACWA has since merged with unions in the textile, garment, laundry and hotel industries. It is now known as UNITE HERE and remains Amalgamated Life's primary customer and sponsor.

would be charged prospective rates upon which the company might earn a profit (or take a loss). However, in return the company had to give up its income tax exemption.

Since then the company has grown robustly and maintained profitability throughout. Premiums grew six-fold, capital and surplus have increased by 266% and the company now processes approximately $800 million in annual benefits, premia and fees on the insurance and services it sells. Perhaps most significantly, more than half of its revenue is now earned from customers other than the Patron Funds.[11]

Amalgamated Life and Alicare are operated from its home office in New York City, where the Company employs approximately 450 people. The company also operates a claims service office in King of Prussia, Pennsylvania, which is staffed by about 125 people. Computer services operations are located in Leonia, New Jersey, and Alicare Medical Management is based in Salem, New Hampshire where the Company employs approximately seventy people. It is licensed to operate in 20 states.

Amalgamated Life offers a straightforward set of group insurance products specifically designed for its "blue collar" union market. The insured product portfolio that Amalgamated Life offers currently consists of:

- Basic group term life and AD&D
- Group short term disability (up to 6 month income replacement)
- Voluntary payroll deduction group level term life and decreasing term life ("Workers Life")
- Paid up retiree life insurance ("Workers Lifetime")
- Intermediate term disability (up to two years income replacement)
- Accelerated death benefit rider
- Medicare supplemental insurance

Amalgamated Life's voluntary programs for union members are based on the payroll deduction model. Payroll deduction is convenient for members and also serves to reduce "policy lapses", costly to the insurance company. Payroll deduction and worksite enrolment enable Amalgamated Life to offer union members real value in voluntary insurance programs. Payroll deduction insurance plans for blue-collar workers replaced traditional debit plan, sold door to door in immigrant, African American and other blue-collar urban neighborhoods. Through

[11] Reflecting on the benefits of its reconstitution, Ron Minikes, President and CEO of Amalgamated Life since 1995, believes:

> Without the commercial expansion the company began in 1992, Amalgamated Life would not be the vital institution it is today with the positive future we believe we have. Back then, we knew our captive base was shrinking and we had to do something about it and so we just opened ourselves up to a wider base within the trade union movement. Had the company strayed too far from its union roots, and started focusing on broader commercial markets, I'm not sure we would have been able to keep our identity in tact, and then I'm not sure that we would have been successful.

payroll deduction, insurers can collect even small premiums (e.g. $2 per week), thus making it cost effective to offer low cost policies.

3.4. Business Strategy

Perhaps due to its conservative business practices, Amalgamated Life has not engaged in the kinds of targeted investing that other companies have. In fact the company does not invest in real estate or equities at all, in grade government and corporate bond issues. The result has been a clean balance sheet, ample capital to risk ratios and a consistent “A” Excellent rating from A.M. Best, the leading rating agency in the U.S. insurance industry. One quantitative measure of its strong capital position is the “Bests Capital Adequacy” or BCAR (see table 8). A BCAR of 300% means that Amalgamated Life has maintained three times the minimum capital required to back the risks it takes.

Table 8. Amalgamated Life Financial Results (In thousands)

	2000	2001	2002	2003	2004	2005
Premium Equivalents	$461,000	$476,000	$586,000	$608,000	$692,000	$795,000
ASC Revenue	63,306	67,448	82,802	87,638	100,346	105,210
ALICO Revenue	49,452	51,315	65,109	68,066	81,436	88,362
Gross Premium	25,563	30,454	34,194	37,331	39,242	40,305
Net Premium	19,918	22,232	24,989	26,981	30,788	33,154
Income Before Taxes	1,957	2,166	1,768	1,852	2,285	3,071
Net Income	1,601	1,765	1,533	1,690	1,985	2,647
Assets	32,452	34,894	40,769	43,003	50,840	51,768
Surplus	13,732	15,506	16,983	18,209	20,313	22,932
BCAR	323%	326%	282%	306%	293%	300+%*
In Force	8,118,000	10,820,000	12,680,000	15,230,000	13,144,000	13,587,000

* Projection

3.5. Customers

Amalgamated Life covers union members from a variety of unions and industries as well as from the Patron Funds. Industry workers covered include: asbestos workers, bakery workers, bricklayers, carpenters, chemical workers, clothing workers, electrical manufacturing workers, food workers, fire-fighters, home health care workers, hospital workers, hotel workers, iron workers, janitors, laborers, laundry workers, newspaper writers, painters, plumbers, police officers, pressmen, retail workers, sheet metal workers, social service employees, stage hands, steelworkers, teamsters, and textile workers.

The company's traditional client base has been New York, where 2.5 million union members (33% of the area workforce) reside. Additionally, most union-sponsored multiemployer plans covering national collective bargaining agreements are located in New York. These plans, including their benefits insured by Amalgamated Life (under group policies issued to New York based trusts), cover union members in all fifty states.

As of December 31, 2004, Amalgamated Life has approximately 413,000 certificates in-force under basic group term life policies, 2,800 certificates under voluntary payroll deduction group term life policies, 76,000 certificates under short term disability policies, 1,500 under individual life policies (primarily group conversions), and several hundred thousand lives under Administrative Services Only (ASO) contracts.

3.6. Challenges and future plans

Management at Amalgamated Life acknowledges a number of significant future challenges. First, the insurance industry in the U.S. is mature and very competitive. Mergers and consolidation among industry giants create competitors that possess tremendous advantages over a niche player like Amalgamated Life, like access to: a) large pools of capital (as they are publicly traded), b) nationwide, multi-channel distribution systems and c) fully stocked, fully up to date product portfolios.

Capital is a particular concern. A company like Amalgamated Life cannot raise capital in the public market because it is privately owned by a single union pension plan. As it grows, it must protect its capital position by using reinsurance to a greater extent than its larger competitors, which adds costs to its products and makes them less competitive. And increasingly, growth in this mature industry is less likely to be organic and more to come through acquisitions, again requiring capital.

These constraints notwithstanding, management is optimistic about the future and believes that opportunities abound for growth. The company expects to raise new capital through the sales of shares to its sponsoring union, UNITE HERE. Management will use this new capital for acquisitions to spur growth. By redoubling its focus on the union marketplace, Amalgamated Life expects to increase its market share, especially beyond its traditional geographic base in New York. Voluntary benefits, i.e. insurance purchased directly by members at the worksite, is the area that management expects the fastest growth in demand and where it expects to focus its resources.[12]

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[12] Looking forward, Amalgamated Life's President and CEO, Ron Minikes believes that:

> Our union label franchise, our roots in the trade union movement and our track record of service to labor gives us enhanced access to our primary target market. Our union focus and expertise is unusual in the insurance industry and gives us a marketing edge. In sum, to succeed we need to stay focused on our core market, on what we do well. Our challenge is to be nimble enough to adjust to changing market conditions within our niche…the one constant is change.

4. Union Labor Life Insurance Company

4.1. History and Background

Founded by the American Federation of Labor and its legendary leader Samuel Gompers in 1925, the Union Labor Life Insurance Company (“Union Labor Life”) had by 2005 grown into a $5 billion holding company ULLICO Inc. Historically, its mission has been to provide insurance and other financial services to union members, their unions and their benefit funds. In particular, the company's mission is to provide services that working people and their institutions would not obtain elsewhere.

In the early part of the twentieth century, Gompers and other union leaders saw that working people had difficulty getting simple life insurance, and some union members literally could not get any coverage from the insurance industry whatsoever. This was especially true for workers in hazardous occupations, for example, miners. When workers could get policies, there was the sense that they were being taken advantage of.

For many years, labor unions had established funeral benefit schemes that were self-governed informal arrangements. However, too many of them, including most notably the system run by the Cigar Makers, experienced financial difficulties. In response, unions such as the United Mine Workers and the International Brotherhood of Electrical Workers began in the early 1920s to investigate setting up insurance companies, operated on a more formal basis.

The initial capital for Union Labor Life came from unions and union banks in the form of cash of $317,975 and matched by the sale of common shares of stock to unions with a par value of $25 each. Total initial capital was $635,950. Operations began in 1927 in Washington, DC, where the union is headquartered today.

Two years after selling its first policy, the company had over $40 million of life insurance in force, which showed the need among working people for life insurance. Today the company has over $21 billion of life insurance in force. ULLICO Inc., the company built from Union Labor Life includes subsidiaries that provide life and health insurance, fiduciary liability and workers' compensation insurance, and a variety of money management services tailored to the needs of worker benefit trust funds.

4.2. Products

Life insurance was the first product Union Labor Life offered and continues to be of primary significance. In fact, group life sold to union groups represents approximately one-quarter of the company’s net premium income. Soon after its founding, Union Labor Life also introduced insured retirement annuity contracts for union members, coinciding with the development of both Social Security retirement benefits and private annuities that commercial insurers introduced to supplement the government program. In the 1940s, the insurer introduced group insurance plans for accident, health and hospitalization, again in a response to the demand for private health insurance following the advent of collectively bargained coverage during the Second World War. In the 1970s, as union pension plans matured and their investment needs became more sophisticated, Union Labor Life introduced asset management and investment services. In response to a crisis in the market, ULLICO developed fiduciary liability insurance in the 1980s to provide to unions coverage that was very difficult to find at that time. Fiduciary liability insurance protects trustees of health and welfare and pension plans who have fiduciary responsibility for plan assets.

The current portfolio of products offered by Union Labor Life falls into roughly three categories:

Products Offered directly Through Union Labor Life:

- Group life and accidental death and dismemberment (AD&D)
- Group health insurance
- Group disability insurance
- Claims administration services only
- UlliCare medical care management services
- Preferred provider organization networks
- UlliCare Rx (Prescription drug coverage)
- Various investment services including insurance separate account J – the J for Jobs Fund and separate account U – the USA Realty fund

Products Offered Through Ulico Casualty Company (UCC):

- Trustee and fiduciary liability insurance
- Union liability insurance
- Workers' compensation insurance

Products Offered Through Trust Fund Advisors:

- Large cap value equity
- Large cap core growth equity
- Small cap value equity
- Broad Market Fixed Income

Over the years there has been broad conceptual agreement that marketing to individual union members was a good idea, since the company had unique access to them through its affiliation with their unions. However, the execution of such strategies is often difficult, especially for a company traditionally focused on group insurance. The company encountered various problems specific to selling individual insurance under a union’s endorsement. For example, Union Labor

Life tried so-called “kitchen table” selling, where agents go directly to the members’ homes to offer union-sponsored plans, but found it difficult to control such a decentralized sales process.

As another avenue to offer products to union households, Union Labor Life recently focused on its individual insurance sales through the AFL-CIO’s Union Privilege program, which serves as the vehicle for joint program of individual marketing. Through Union Privilege, ULLICO markets individual life, AD&D, and other products under the UnionSecure brand. Initially, the products are being written through other life insurance carriers, with Union Labor Life participating only in the marketing operations and fee income.

Another challenge confronting management is the volatility in underwriting results that individual insurance experience. In recent years, ULLICO made a strategic decision to exit the long-term care insurance and Medicare supplement insurance markets. Other individual coverage offered in the past includes home health care and AD&D, universal and term life. However, no new marketing for individual business has been undertaken since September 2003. [as the company refocuses on its group sales opportunities.]

4.3. J for Jobs: A Success Story for Union Labor Life

The idea behind “the jobs” investment program is to encourage unions and their pension funds to invest in construction and real estate projects that create union jobs. Begun in 1977, the program now has a portfolio of over $2 billion in commercial mortgages on new union-built properties.

Investments are held as a separate account of ULLICO segregated from its other investments. Returns have consistently outperformed the benchmarks for similar asset classes. The offerings include debt vehicles for every aspect of real estate development. The borrower is required to perform every phase of construction using a union work force. Management is currently developing a real estate equity fund that follows these same principles.

Not only is J for Jobs seen as a strategy to support union jobs in the construction trades, but it is also successful as an investment and many investors in it are not construction trades unions, but other unrelated union pension funds.

4.4. Restructuring and New Strategic Initiatives

ULLICO experienced difficulties in 2000 and 2001 leading to a significant restructuring of the company’s operations and governance and a successful turn around to profitability in 2004.

The crisis goes back to 1997, when ULLICO subsidiary MRCo invested $7.6 million in Global Crossing, a technology stock whose value subsequently climbed astronomically. At its peak, the company's shares in Global Crossing were valued at $2.1 billion, almost ten times the total value of ULLICO itself at the time it made its original investment. As a result, the underlying value of ULLICO shares soared. The board began to peg the price of ULLICO stock to that of Global Crossing, abandoning the traditional $25 fixed price. Board members avoid buy and sell shares, and thus trying the interests of board members to the evolution of stock of global

Crossing. Not surprisingly, this led to an investigation over possible “insider trading” similar in nature to scandals afflicting the corporate world and, thus, very embarrassing to the American trade union movement.

When the high tech bubble burst in late 2000 and 2001, shares of Global Crossing lost virtually all their value. This exposed the underlying weakness in ULLICO's basic operations. In 1999, ULLICO was able to turn a profit on its consolidated continuing operations only because it made $127 million in after-tax revenue from the sale of Global Crossing shares. When those investment gains evaporated, the company experienced sizeable operating losses, which in turn caused significant erosion of the company's capital base. In 2001, the company had a 53% decline in surplus, primarily due to a $48 million operating loss. By 2001, capital and surplus were down to a low of $52 million from a high of $120 million in 1999. This decrease also had a significant negative impact on the company's risk-adjusted capital position. This problem was exacerbated by the fact that as of year-end 2002, over 200% of ULLICO's capital and surplus was represented by its new home office property, which was in the process of being built (AM Best, 2005).

By 2003, the new management team proceeded to the sale of the home office building, and raised $50 million in new capital. At the same time, it settled the investigation and litigation against the company concerning insider trading, and returned the company to profitability. Initiatives were also undertaken to improve corporate governance, exit non-strategic businesses, return to ULLICO all gains from the stock transactions, recover costs associated with investigations and audits and reduce operating costs.

These actions served to boost surplus levels and positively impacted the group's capital position and liquidity. The investment portfolio was also revamped reducing the company’s investment risk. As a result of this around plan, capital and surplus has reached $134 million, as of June 2005, exceeding its peak levels before the crisis. The company reported operating profits in 2004 and into 2005.

4.5. Challenges and future plans

From inception, Union Labor Life built its business on its relationship with the trade union movement and its ability to meet the needs of the unions it served. Its challenge now is to deliver on this value proposition in the context of a competitive insurance industry dominated by highly capitalized companies (see table 9).

Table 9. Union Labor Life Key Financial Indicators

Year	Assets	Capital Surplus	Condit'l Reserve Funds	Net Premiums Written	Net Invest Income	Net Income
1999	2,702,721	119,523	18,857	320,786	38,699	-12,885
2000	2,948,223	112,391	17,091	345,035	42,985	8,043
2001	2,925,875	51,808	17,770	382,126	39,151	-45,085
2002	3,063,703	51,132	27,822	411,987	22,856	14,522
2003	2,803,179	63,342	11,773	370,625	11,618	-61,480
2004	3,075,715	88,276	4,651	292,706	27,460	16,623
9/2004	2,912,227	83,334	5,189	222,114	18,794	12,524
9/2005	3,310,522	140,118	2,777	200,002	18,429	46,782

Source AM Best.

5. The Amalgamated Bank of New York

5.1. Brief History of Labor Banking in the U.S.[13]

In the years before the Great Depression, labor unions in the U.S. turned their attention to establishing banks to serve institutional and member needs. Just as union members had difficulty accessing insurance products, they were also underserved by the banking industry. Especially in urban areas, banks were geared to meet the needs of business and upper class individuals, not to working class people. Simple needs, like a checking account or an auto loan, were not available. There was an unmet need and labor stepped in to fill it.

In the 1920s, thirty-six labor banks were founded by trade unions in the United States. Today only two remain, and only one, The Amalgamated Bank of New York (ABNY), is a particularly vital institution. Most failed, rather quickly and spectacularly in fact, or were sold off to commercial interests. The story behind these failures, and the story behind the success of ABNY, is instructive and worthy of some reflection.

American labor leaders initially looked to the cooperative movement, particularly agricultural cooperatives in the Midwest for help in establishing their banks. Banks were seen as good investments for the union in addition to providing needed services to the member. Whereas credit unions are cooperatives and member owned, banks could be owned by the union itself. This was at a time when many unions' treasuries were flush and investments in real estate

[13] This section is adapted from The Labor Banking Movement in the United States, Princeton University, 1929.

(union headquarters, etc.) were common. Investing in banks was an alternative to real estate, stock and bond markets. Further, these new banks could also act as reliable tenants in the new headquarters unions were building.

The first labor bank was founded by the machinists union. The Mt. Vernon Savings Bank opened with $160,000 in capital in May 1920 in the union's building in Washington, DC. Later in 1920, The Brotherhood of Locomotive Engineers opened its Co-operative National Bank (the name reflecting a partial allegiance to the cooperative movement) with $1 million in capital. The Clothing Workers followed, founding banks in Chicago, New York and Philadelphia between 1922 and 1925.

Most of these labor banks failed rather quickly, the Clothing Workers' bank in Philadelphia within 9 months. The predominant reason for these failures was that the banks made imprudent loans to their sponsoring unions. The International Ladies Garment Workers Union's (ILGWU), bank founded in 1924 disappeared by 1927 largely due to a loan made to the union. Repayment was frozen as the union was unable to pay the loan. As the union had used stock in the bank as collateral, the spiral downward became inevitable.

A variety of reasons are to be blamed for the fate of many labor banks: ignorance, inefficiency, dishonesty, poor judgment and favoritism with banks suffering from local union politics. Some lacked the support of local unions, and some were caught up in "runs on the bank" or other speculative fevers which were somewhat common in that era.

5.2. Overview of the Amalgamated Bank of New York

The Amalgamated Bank of New York, or ABNY, is America's oldest and most successful surviving labor-owned bank. Created in 1923 by Amalgamated Clothing Workers of America, ABNY has survived and thrived, whereas its siblings, Clothing Worker banks in Chicago and Philadelphia, were either sold off to commercial interests (Chicago) or failed (Philadelphia). ABNY has long been cited for its professional management and commitment to its trade union roots.

ABNY historically catered to the person of modest means, providing services union leaders felt were not provided by commercial banks. The Bank was the first in the industry, for example, to introduce the unsecured installment loan to workers. Credit was extended based on proof of a steady job rather than on the tangible collateral typically required by other banks. Notably, the Bank instituted a foreign funds transfer system to help immigrants send money to their families in Europe. The Bank also contributed funding for the construction of affordable housing to accommodate the expanding work force and later introduced free checking and savings accounts, again for the benefit of the average wage earner.

Today, ABNY is owned by UNITE HERE, a union that is a result of a merger in 1995 between the Amalgamated Clothing and Textile Workers and the International Ladies Garment Workers Union to form the Union of Needletrades, Industrial and Textile Employees (UNITE!) and a merger in 2004 between UNITE and the Hotel Employees and Restaurant Employees International Union (HERE). ABNY is a mid-size commercial bank, ranking 256th among U.S.

banks. It has $4 billion in assets and also holds $35 billion in trust, mostly for union pension plans. It is union owned, but customers include unions, their members and the general public. The bank offers an array of services including checking accounts, savings accounts, money market funds, time deposits, retirement accounts (IRAs), certificates of deposit, mortgages, bank cards, home improvement loans, personal loans, business loans, investment advice and management, and benefit remittance services for Taft-Hartley and public sector employee benefit plans. ABNY has locations in New York (Manhattan, Bronx, and Queens), New Jersey, Washington, DC and California.

ABNY continues to define its mission as a labor bank to cater to unions as well as the small wage earner: "Our mission is to bring affordable banking and investment services to working men and women and to serve as a strong financial ally to unions." This vision survives through to the present in the form of low consumer rates, free checking accounts, no minimum deposit requirements, etc. ABNY sees itself as the consumers' advocate in banking; it has criticized commercial banks for high instalment loan rates and the rejection of small account balances. It offers union members preferential rates on car loans, and ABNY continues to make loans to housing cooperatives, created by unions to provide members with affordable housing options.
The Trust and Investment Services Division of the bank, launched in 1973, serves the needs of union-related trust funds. It provides trust, investment advisory, custodial, and benefits remittance services for Taft-Hartley and public sector employee benefit plans. The Trust Division's client list includes over 2,000 unions and union benefit plans. Of the $35 billion in assets that are held in custody by ABNY, about $10 billion are actively managed. These custodial and investment activities tie ABNY's growth and success to the growth (and consolidation) of the Taft-Hartley sector as discussed in Section 2.

5.3. The Long View Funds

Another more recent manifestation of ABNY's mission is its LongView investment funds, established in 1992, to provide competitive rates of return and influence the responsiveness of corporate policymakers to shareholder value. ABNY believes that its oversight protects investors from the downside of poor corporate governance and improves the potential for performance at individual companies and in market as a whole. LongView Fund engages in shareholder activism on behalf of union pension plans and seeks to raise the bar for all publicly held companies and to create a sustainable investing climate.

LongView are index funds and replicate the return of the S&P 500, the S&P MidCap 400 and the S&P SmallCap 600, as well as the S&P SuperComposite 1500, which contains the stocks of all three indices. The newest addition is the LongView Global Equity Fund, which is benchmarked against the Morgan Stanley Capital International Non-US Equity Index, makes investments in companies headquartered outside the United States.

As index funds, LongView is distinct from the so-called socially responsible mutual funds that screen stocks for social criteria. LongView endeavors to internalize social responsibility into corporate governance by examining labor standards, equal opportunity, human rights and environmental issues. ABNY believes that workers have everything to lose when the stock market fails to thrive, but workers also have the ability to make a difference in corporate practice as shareholders through their pension plans.

LongView closely monitors the performance of its companies and detects poor performers, identifies corporate governance policies and issues of social concern. Areas of focus include scrutiny of accounting practices and executive stock option plans. There is also focus on merger and acquisition activities to guard against lavish severance packages and the abuse of so-called "golden parachutes." LongView seeks to protect shareholders and employees from the impacts of highly leveraged and speculative takeovers, which can result in negative effects, including unnecessary workforce downsizing and excessive executive pay.

LongView carefully votes the proxies of all firms in its portfolio. It also submits shareholder proposals, letters of concern, and meets with corporate executives to pursue the Fund's objectives. The Fund organizes support among fellow shareholders for resolutions at underperforming companies.

When shareholder resolutions are unsuccessful to ensure best practices, the Fund looks to take steps beyond the annual meeting. LongView has taken a number of actions to monitor poor corporate performance or practice, including:

- Withholding support from incumbent directors
- Writing letters to the firms in which it holds shares to express concern on key issues, as a way of stimulating dialogue which may result in voluntary action
- Negotiating directly with companies, representing the interests of other pension funds and institutional investors
- Pursuing litigation

In 2000, LongView sued Sprint Corporation to recover millions of dollars of the retirement savings lost when Sprint stock plunged – and whilst top executives obtained $600 million worth of accelerated options. It also sued Enron in 2001 in protest of the fraud during which executives sold millions of shares while hiding $13 billion in debt. More recently, Longview sued the boards of Cisco Systems and Tyson Foods for manipulating the companies' stock option compensation programs in order to transfer massive amounts of wealth from the company and its shareholders to top executives.

ABNY believes that corporate policies and practices can have far reaching consequences. With most larger American corporations operating on a global scale and generating annual profits well in excess of the gross domestic product of some countries, they not only have enormous power that affects shareholder interests, and influence the quality of life of people the world-over.

5.4. Challenges and Future Plans

In addition to ABNY only one other labor bank still exists in the US: The Brotherhood Bank & Trust of Kansas City, Missouri. Also formed in the 1920s, Brotherhood survived the Great Depression and serves communities in the state of Kansas today. The bank had total assets of $400 million as of 2003. It is unlikely that more labor banks will be created in the future. An Amendment to the Bank Holding Company Act, enacted in 1973, made it illegal for unions to own banks directly because of the potential for conflicts of interest and self-dealing. ABNY was grandfathered in and, therefore, operates as an exception to the regulatory rule.

Why did ABNY survive and thrive while the other labor banks did not? One key has been that the bank has always hired professional bankers and allowed them to run it independently from the union.[14] Also, a union bank is as much a financial asset of the union as it is a strategic asset. A bank is a good investment for a union because it can earn greater returns than other assets through leverage. For financial success, a labor bank must have a diversified business model, including diverse products customers, and markets.

In future ABNY is s set on an expansion course. The expansion will involve outreach into communities where union members live and to develop and market retail products that are responsive to the needs of union members, low-income workers, small businesses, immigrants, first-time home buyers and their families. These financial products would include various types of loans, checking accounts, deposit products, savings accounts and home mortgages. Management expects to broaden its base to include not-for-profit organizations, charities, foundations and the larger “progressive community.”

One interesting new program is a Financial Literacy Program to be offered free of charge to customers and non-customers alike, initially in conjunction with a local community college in New York City. Its purpose is to provide union members with a basic understanding of how to navigate the financial system, how to make the best financial choices for their families, how to understand the various financial products and services offered in the marketplace and how to avoid being victimized by unscrupulous purveyors of financial products.

ABNY recognizes that it needs to become larger to fully accomplish its goals, whether through “organic” growth or acquisitions. One of the major issues that ABNY confronts is the limited access to capital inherent in private ownership by a single union. In addition, some of ABNY’s loans cannot be sold in the secondary market, so that it cannot recycle its capital. So far, the

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[14] “First of all, at Amalgamated Bank, we never lose sight of our heritage, we never forget that our charter is to provide affordable banking services to all workers. We go out of our way for union members, and I would say that we get high marks from our customers for our service.

Having said that, at least half or more of all our deposits are union related but I am also telling you that half of our deposits come from other sources. I think this kind of diversified customer base is important. I know it is worked well for us. You know why most of the labor banks failed back in the 1920s? Because all they did was lend money to themselves and their members; and they could never say no to such a loan. You cannot run a successful bank if all you’re going to do is lend to your own members. And occasionally you have to turn down a loan request, if it’s not prudent. That’s how a bank must operate to survive and stay strong, as we have.” (Statement by CEO and President of Amalgamated Bank) union and its local affiliates have contributed additional capital. However, selling shares to outsiders will persist dilute its ownership. Growth at ABNY will therefore proceed at a pace that the Bank can safely sustain in view of its other financial needs and constraints.

In a related issue, although ABNY does business with the entire trade union movement in the US, its board consists entirely of officials of UNITE HERE. Over the years, the bank has considered putting officials from unions, that are customers of the bank on the board, but has so far not done so. The reasoning has been that if one customer/union is asked to serve on its board, then all customer/unions should be asked to serve. A board of directors may become so large that it could become inoperational.

6. Conclusion

The above case studies of trade unions in the US providing financial services show, first and foremost, the importance of context. The social, political and economic change and upheaval of the first half of the twentieth century fuelled the development of health and welfare benefits in the US. The arrival of great masses of immigrants to the US at the turn of the century followed by the development of industrial unions led to the creation of labor banks as well as their welfare and other mutual aid societies. The Great Depression put pressure on these nascent banks and welfare schemes causing many to fail, leading unions to look for more formal, better-regulated structures. World War II meant labor shortages, which ultimately gave rise to collectively bargained benefits in the post war period. The boom years of the 1950s, 60s and 70s were also the height of union influence and peak of union benefits.

The changing political and industrial landscape since the 1980s has led to reduced union influence and benefits. For Taft-Hartley plans, this meant mergers and increased reliance on purchasing alliances to leverage their buying power. For its part Amalgamated Life opened its doors to other unions and industries, emerging as a successful growing company. Union Labor Life created the J for Jobs program to respond to union expectation to see construction jobs stay union. At the same time hundreds of union benefit plans across the country joined together in purchasing cooperatives, relinquishing a little autonomy to gain the leverage of their collective buying power. Finally, Amalgamated Bank, responded to changes in the environment by creating its LongView Fund to harness unions' economic agenda in shareholder activism.

The second lesson is that the success of financial services provided by trade unions hinges also on government policies and regulation. In the 1920s, the lack of regulation led to many failures among informal welfare schemes and early labor banks. By the 1940s, a Supreme Court decision (*Inland Steel*) and an Act of Congress (Taft Hartley) filled that void and fundamentally shaped the employment-based benefits field. In the 1960s, the creation of Medicare and Medicaid, the federal programs for health insurance for retirees and the poor, became the solid economic platform on which private health insurance plans were built. Since the 1980s Funds like Local 32 BJ and Local 555 suffered extreme financial hardship as a result of cut backs in government programs for the poor or elderly.

A third finding is the importance of social dialogue. Employer cooperation can be critical in establishing and managing successful benefit programs and financial service institutions. Amalgamated Life was founded with employer cooperation and its current governance benefits from the on going continuous involvement of employers. In addition, Taft-Hartley plans, illustrated by the two presented here 32 BJ and Local 555, benefited from joint-trusteeship in dealing with difficult decisions involving financial cutbacks.

A fourth result of the study is that Taft-Hartley plans are the principal institution unions use to deliver collectively bargained benefits, where direct union ownership of insurance companies and banks in the U.S. is the exception. Given the choice of developing their own formal insurance or banking institutions, most American unions have chosen not to do so.

Why did so few union service institutions survive in the U.S.? One explanation is that insurance companies and banks are highly regulated, capital-intensive institutions that require substantial technical resources to operate. Taft-Hartley plans, on the other hand, are more informally regulated with more lax capital requirements. They do not offer insurance or services to the general public and, therefore, are not regulated in the same way as insurance companies and banks: Also, Taft-Hartley plans can, and do, contract commercial vendors and advisors for most of the expertise that they require. In this way, they are more like "virtual" insurance companies.

Taft-Hartley plans emerge and operate in the context of collective bargaining. In theory, Union-owned, formal banks or insurance companies, can be vehicles to deliver voluntary member paid benefits. Why is it then that of the many union-sponsored institutions so few survived, despite the many challenges inherent in the union ownership model? There seem to have been at least three factors at work:

- First, diversified sources of revenue, across product lines, across industry lines and even out to non-union customers. Amalgamated Life, for example, reconstituted itself by moving past beyond its initial membership/client base with diverse products for a diverse set of customers to become a vital company with a bright future.

- The use of hired professional management makes for good governance: giving those managers the authority to operate their business as independent entities without interference from sponsoring union(s). Conversely, they always do poorly, or fail, if they are run solely by and for the union.

- Staying close to the mission and roots of the trade union movement. Two of their most successful products, Union Labor Life's J for Jobs program and the Amalgamated Bank's LongView Fund, capitalize on their identities as union companies that are attuned to the needs of workers and positioned to deliver creative responses.

The future for these institutions and the union benefits model in general will depend on how they will cope with running small, privately held companies with limited access to capital against a competition that is rapidly consolidating into multinational insurance behemoths with seemingly unlimited resources. Survival in this environment is the fine art of balancing conflicting needs: the absolute need to grow against the unarguable benefits of focus on their union niche.

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8. Appendices

Appendix 1 – Interviews

Gabe Caprio, former CEO, Amalgamated Bank of New York

Derrick Cephas, CEO, Amalgamated Bank of New York

Ed Clay, Trustee and former Sectary Treasurer of Local 555 UFCW

Susan Cowell, Executive Director, Building Service 32 BJ Health Fund

Max Fine, former Executive Director, Committee for National Health Insurance

Ed Geisler, President, National Labor Alliance of Healthcare Coalitions

Bill Hoffman, former Director of Social Security at UAW

Jim Kennedy, Senior Vice President, Union Labor Life

Ron Luraschi, Senior Vice President, Amalgamated Bank of New York

Ron Minikes, President and CEO, Amalgamated Life Insurance Co

Terry O'Sullivan, General President, Laborers international Union of North America, former Chairman, ULLICO, Inc.

Jonathan Parker, Senior Vice President, The Segal Company

Harvey Sigelbaum, former President and CEO, Amalgamated Life Insurance Co

Appendix 2 - Union-sponsored Purchasing Coalitions in the U.S.

Purchasing Coalition	Territory Covered	Year Founded
1. Affiliated Health Funds	Southern California	1984
2. AFL-CIO Employer Purchasing Coalition	Detroit	1993
3. California Public ER's/EE's Trust Fund Group	California	1992
4. California Health Care Coalition	California	2004
5. Connecticut Coalition of Taft-Hartley Funds,	Connecticut	1992
6. Delaware Valley Health Care Coalition	Pennsylvania, Ohio, Southern NJ, West Virginia,	1995
7. Employers Coalition on Health	Northern Illinois	1995
8. Front Path Health Coalition	NW Ohio, SE Michigan, NE Indiana	1988
9. Health Care Cost Mgt. Corporation of Alaska	Alaska	1994
10. Health Care Mid-Atlantic Coalition	DC, Maryland, Virginia, Delaware, Pennsylvania, West Virginia, North Carolina	1990
11. Health Action Council of Northeast Ohio	NE Ohio,	1984
12. Health Care Payers Coalition of New Jersey	New Jersey, New York, Pennsylvania	1992
13. Health Services Purchasing Coalition	Las Vegas	1998
14. Labour Health Alliance	New York City	1996
15. Maryland State Teachers Association	Maryland	N/A
16. Massachusetts Coalition of Taft-Hartley Funds	Massachusetts	1993
17. Midwest Employee Benefit Funds Coalition	Illinois, Indiana, Iowa, Wisconsin	1995
18. Municipal Employers Insurance Trust	Western Pennsylvania	1968
19. National Labor Alliance of Health Care Coalitions	Nationwide	1997
20. Nevada Health Care, Inc	Northern Nevada	N/A
21. New York Labor Health Care Alliance	New York State	N/A
22. Rocky Mountain Health Care Coalition	Colorado	1995
23. Teamster Center Service Center	New York, Northern NJ	1962
24. Upper Midwest Labor/Mgt. Coalition	Minnesota, Indiana, Iowa	2001
25. Western Health Care Coalition	California	1997
26. Wisconsin RX	Nationwide	2003
27. Basic Crafts Health Care Coalition	California, Nevada, Utah	1993

Source: IFEBP, 2005.

Appendix 3 - Twenty Largest U.S. Multiemployer - Pension Plans

Sponsor's Name	City and State	Active Participants	Total Assets
Trustees of the National Electrical Benefit Fund	Rockville, MD	489,261	$11,355,160,821
Trustees of Central States Se and Sw Areas Pension Fund	Rosemont, IL	459,947	$16,711,039,953
Western Conference of Teamsters Pension Trust Fund	Seattle, WA	480,615	$24,416,345,781
Charter Communications Inc	St. Louis, MO	221,127	$0
Board of Trustees of the IAM National Pension Fund	Wash, DC	207,407	$6,859,355,087
Trustees of UFCW Intl Union Industry Pension Fund	Chicago, IL	192,164	$4,265,646,822
The 1199 Health Care Employees Pension Fund	New York, NY	169,815	$5,344,613,573
Board of Trustees of the CPF of the IUOE and Participating Employers	Wash, DC	169,598	$8,639,099,422
Charter Communications Inc	St Louis, MO	151,313	$0
So Ca UFCW Unions & Food Employers Joint Pension Trust Fund	Cypress, CA	151,047	$3,662,114,140
B/o/t Plumbers & Pipefitters National Pension Fund	Alexandria, VA	144,368	$3,734,668,408
Bd of Trustees Sheet Metal Workers National Pension Fund	Alexandria, VA	133,322	$2,890,726,150
Bd of Trustees of Untd Food and Commercial	Atlanta, GA	133,102	$1,463,920,034
Trustees of Central States SE & SW Areas Health & Welfare Fund	Rosemont, IL	124,805	$824,430,342
Board of Trustees UFCW No Calif Employers Joint Pension Plan	Walnut Cr, CA	122,799	$2,966,595,585
Bakery & Confectionery Union & Industry International Pension Fund	Kensington, MD	120,069	$4,822,524,323
UMWA 1974 Pension Trust Board of Trustees	Wash, DC	118,903	$6,314,028,826
Board of Trustees Pacific Coast Benefits Trust Fund	Seattle, WA	112,786	$255,579,238
Board of Trustees Retail Clerks Pension Trust	Seattle, WA	111,414	$1,384,495,547
Board of Trustee - Unite National Cotton Retirement Fund	New York, NY	98,067	$494,618,328

Appendix 4 - Amalgamated Bank Financial Highlights

INCOME STATEMENT - REVENUE AND EXPENSES ($000)

	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004
Income					
TOTAL INTEREST INCOME (TE)	177,215	176,987	159,055	143,822	166,209
TOTAL INTEREST EXPENSE	-104,526	100,056	79,395	68,609	73,090
NET INTEREST INCOME (TE)	72,689	76,931	79,660	75,213	93,119
NONINTEREST INCOME	16,775	22,138	30,108	25,330	23,185
ADJUSTED OPERATING INCOME (TE)	89,464	99,069	109,768	100,543	116,304
Expense					
NON-INTEREST EXPENSE	74,034	82,443	96,441	92,528	101,170
PROVISION: LOAN and LEASE LOSSES	1,200	3,600	1,850	1,600	1,225
PRETAX OPERATING INCOME (TE)	14,230	13,026	11,477	6,415	13,909
REALIZED G/L AVAIL-FOR SALE SEC	2	3,502	4,994	4,936	4,263
PRETAX NET OPERATING INC (TE)	14,232	16,528	16,471	11,351	18,172
APPLICABLE INCOME TAXES	5,174	5,515	5,320	4,250	6,669
NET OPERATING INCOME	9,058	11,013	11,151	7,101	11,503
	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004
NET EXTRAORDINARY ITEMS	0	0	0	0	0
NET INCOME	9,058	11,013	11,151	7,101	11,503
CASH DIVIDENDS DECLARED	0	0	0	0	0
RETAINED EARNINGS	9,058	11,013	11,151	7,101	11,503

	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004
ASSETS:					
NET LOANS and LEASES	717,271	720,568	619,380	1,415,545	1,405,111
TOTAL INVESTMENTS	1,930,109	1,944,610	2,476,252	2,014,998	2,491,351
TOTAL EARNING ASSETS	2,647,380	2,665,178	3,095,632	3,430,543	3,896,462
TOTAL ASSETS	2,762,133	2,986,185	3,281,931	3,620,139	4,076,631
LIABILITIES					
TOTAL DEPOSITS	1,468,814	1,784,235	1,813,026	1,934,060	1,894,201
FEDERAL FUNDS PURCH and RESALE	1,056,859	847,381	1,053,593	1,217,558	1,586,678
FED HOME LOAN BOR MAT < 1 YR	0	0	10,000	75,000	165,000
FED HOME LOAN BOR MAT > 1 YR	0	125,000	155,000	130,000	150,000
OTH BORROWING MAT < 1 YR	28,214	4,101	3,824	2,277	1,659
ACCEPTANCES and OTHER LIABILITIES	49,235	50,192	56,436	75,898	112,301
TOTAL LIABILITIES (INCL MORTG)	2,603,122	2,810,909	3,091,879	3,434,793	3,909,839
ALL COMMON and PREFERRED CAPITAL	159,011	175,276	190,052	185,346	166,792
TOTAL LIBILITIES and CAPITAL	2,762,133	2,986,185	3,281,931	3,620,139	4,076,631

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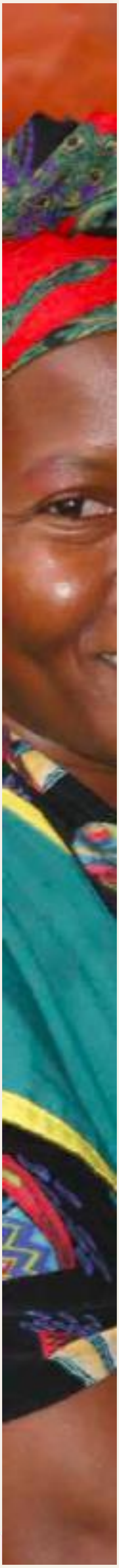

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