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# A Wink and a Handshake: Why the Collapse of the U.S. Pension System Has Provoked Little Protest

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Since 2000, more than ten million workers and retirees have had their company pension or retiree health benefits cut, and millions more could lose them in the future. When companies cut retiree benefits, workers typically lose tens of thousands of dollars, and many lose much, much more. As a result, for millions of previously secure Americans, retirement is in jeopardy.

In general, as companies have shed their legacy costs, workers and retirees have not taken political action. Only in certain cases have these monetary losses and broken promises provoked significant protests. And perhaps more puzzling, even at companies such as Verizon and IBM, where workers have had significant success protesting certain kinds of pension changes, these same workers have done little to protest subsequent retirement cuts.

Why workers and retirees at a few companies have protested cuts to their retirement benefits while so many others have not is the subject of this dissertation. The study analyzes why the necessary ingredients for people to fight to protect their pension and retiree health benefits have been hard to come by and what it would take for this to change.

However, the relevance of this analysis goes far beyond retirement benefits. What has happened to retirement benefits is emblematic of the economic changes that have unsettled the previously comfortable over the past 30 years—causing the middle class to feel a new level of economic uncertainty—and why people have let these changes happen to them rather than fight back. And at this moment when the social contract is being rethought, the story suggests what kinds of reforms Americans would support and the conditions under which they are likely to make demands. The study also has significant academic implications, requiring a reevaluation of the standard theory of collective action and shedding light on the concepts of ideology and ambivalence.

To make these arguments and address the larger issues raised by the study, I use a variety of methods. The primary method is case study analysis of four cases of retirement benefit cuts as well as analysis of survey data of attitudes about retirement. I also review newspaper coverage and government documents and analyze interviews with and e-mail messages from workers and retirees.

Chapter 2 reviews social movement theory's account of the elements necessary for political action and provides a needed corrective. It also provides a theoretical argument for why organizational capacity and ideologically appealing solutions are both necessary for retirement benefit protest. Chapter 3 reviews the history of retirement policy in the U.S., discussing the ways benefits have been cut, how many people have been affected, and how much they have lost. It also discusses the level of protest and compares it to protests about Social Security. Chapter 4 tests the book's argument through a case study analysis, demonstrating how organizations and ideology impact protest. Chapter 5 analyzes several recent polls about retirement benefit cuts, testing the impact of ideology and ambivalence on protest. Chapter 6, the concluding chapter, discusses the implications of the study.

## The Elements of Protest

By itself, anger about losing retirement benefits is not enough to lead to protest. In order to participate in politics, people need three things: the means to be able to protest, such as skills, resources, and organization; a motive to be involved; and opportunities to take action (McAdam, McCarthy, and Zald 1996). Though people who have lost retirement benefits would seem to have all three, a closer look shows that each element is limited in ways that are likely to reduce political activity.

Despite having the individual skills and financial resources that lead to action, most people who have lost benefits do not have the support of an organization, such as a union, to help them protest. In addition, restoring some types of cuts would require a significant new role for government, something these workers and retirees have been reluctant to support.

### *Means*

Resources, such as time, money, and skills, the latter often learned in school, give people the ability to get involved in politics (Verba, Schlozman, and Brady 1995). As a result, people who are wealthier, more highly educated, and older are much more likely to take part in political activities. Employer-based retirement benefits are overwhelmingly directed to these kinds of people, meaning that workers and retirees who have lost retirement benefits have the personal resources that make participation in politics more likely.

But typically people need an organization, such as a union or an interest group like AARP, to help lead them into action (Zald and McCarthy 1987). Organizations mobilize people by reducing the costs of participation and increasing the benefits—for example, by organizing and coordinating activity, providing information and assistance, and making success seem more likely. Few people participate spontaneously in politics; instead they get involved when groups, political parties, and activists persuade them to take part (Rosenstone and Hansen 1993).

Mobilization thus works directly to encourage people to participate, but it also works indirectly by shaping people's perception of an issue and thus their motive for taking action. Mobilization helps people understand their alternatives and increases the likelihood that they believe their efforts will have some impact. People are more likely to recognize their own self-interest and act on it when they have been primed to think about the personal costs and benefits of a policy (Chong, Citrin, and Conley 2001).

People face a steep hurdle trying to figure out what can be done about a political problem, especially one as complex as retirement benefits. The laws regulating retirement plans are astoundingly confusing. In fact, ERISA (the Employee Retirement Security Act of 1974), the main law regulating pensions has been called “the most complex piece of legislation ever passed by Congress” (Tepper 1977:105). In addition, companies have different retirement benefits and have changed them in varying ways. The difficulty deciding what alternatives can solve the problem is one of the reasons that mobilization by political elites is so important. Mobilization can help provide people with viable alternatives to support and thus increases the likelihood that people will participate.

As a result, unions—as virtually the only workplace organization that represents employees—have been especially important in generating protest activity about retirement benefit cuts. But unions represent just some of the people who have lost retirement benefits. Even though unionized employees receive retirement benefits at nearly twice the rate of nonunion employees, unionized employees make up only a small percentage of the work force and thus a small percentage of those with pensions. In 2003, over 20 million nonunion workers earned pensions, compared to just over 7 million unionized workers (Employee Benefit Research Institute 2006).

AARP, which could help coordinate activity for nonunionized workers, has only occasionally become involved in employer-based retirement issues; it has instead chosen to make Social Security and Medicare its top priorities. The limited mobilization of groups like AARP and the unions is a significant reason for the low levels of protest by the public.

### *Opportunity*

People need opportunities in order to participate in politics. While it is hard to say precisely what constitutes a political opportunity, it is clear that certain situations, such as elections and demographic shifts,

facilitate new opportunities for activity while others hamper it (McAdam 1982). Opportunities help give people a task—some tangible activity to participate in—making political activity easier and success seem possible.

The recent retirement benefit cuts seemingly have presented numerous opportunities for people to take action. A potential political opportunity is created every time a company cuts its retirement benefits. Additional potential political opportunities include several closely contested national elections and the introduction of numerous bills addressing retirement benefits and the passage of a new pension law.

In order to have a real opportunity to protest, people need a tangible action to take. Organizations can help let people know about opportunities to protest and even create new ones, such as rallies. But powerful existing organizations have either been unable to or chosen not to take full advantage of opportunities for protest. As a result of the limited role of AARP and the limited coverage of the work force by unions, the opportunities for protest have been likewise limited.

### *Motives*

It seems obvious that retirement benefit cuts would provide a strong motive for action. However, self-interest is not the only factor that influences people's attitudes and their willingness to take action. A combination of many factors, such as ideology, values, and what someone thinks is possible, shape the perception of an inequity and the willingness to take action. People may not have a complete motive for action if they don't know what to do or don't think anything can be done (Gaventa 1980). They need to think there are possible alternatives and that the alternatives will work; when government intervention is required, they need to think that the government can and should be involved in addressing their grievance.

But in any situation, figuring out what to do is difficult. In the case of retirement benefit cuts, this is especially true. Not only is the issue particularly complicated and confusing, but most reductions to retirement benefits are legal. Employees who take a company to court about retirement benefit cuts commonly lose. This legal fact has two effects. First, repeated losses reinforce positions of power and powerlessness and tend to leave those without power feeling that little can be done to change their situation and that alternatives are not practical (Lukes 1974, Gaventa 1980). These low expectations lead people to stay at home rather than participate in politics.

Second, because many reductions are legal, the law must be changed in order to restore benefits. This means that for people to act, in many cases they must support new laws, not just better enforcement. However, the nature of public opinion in America indicates that people are conflicted in their support for new roles for government. Americans, especially those with retirement benefits, are likely to believe that they should be responsible for their retirement and are reluctant to have the government play a large role.

### *Self-Reliance*

In order to take political action, people need to want the government to be involved. And as much as workers and retirees may think retirement benefit cuts are unjust and should be remedied, most also believe in an individualistic ideology that rejects an expanded role for government. As a result, they are internally divided, or ambivalent, about whether to protest.

There is a long tradition of scholarship that argues Americans have a unique belief in the power of an individual to triumph over economic adversity and, as a result, are relatively unwilling to call for political solutions to economic hardship and inequality (Hartz 1955, Schlozman and Verba 1979). As these arguments go, Americans don't make political demands about many economic issues because they believe that economic inequality is either fair or not appropriate for government action. The American dream is to work hard and make it on your own, not to seek government assistance.

Polls consistently find that people of other nationalities are likely to believe the government is responsible for providing a secure retirement, while Americans are much more likely to believe they are personally responsible. A recent AARP poll found that half of all Americans believe individuals are primarily responsible for themselves in retirement, compared to less than 40% of the British and Germans and less than 20% of the French and Italians (AARP 2005).

However, Americans aren't so dogmatically individualistic as these statistics might seem to indicate. Rather, they support a shared division of responsibility among individuals, government, and employers. For

example, when a recent poll asked who “should be primarily responsible” for helping workers prepare for retirement, 39% selected workers, 25% chose employers, and 18% selected the government (Reynolds, Ridley, and Van Horn 2005). Significantly, 17% volunteered “all three,” a choice that wasn’t even offered by pollsters.

Further, American individualism doesn’t mean people are willing to let others out of their obligations. Pensions are not welfare checks handed out for not working, but rather benefits earned over a lifetime—a commitment between employer and employee that people have been counting on.

In addition, individualism and self-sufficiency are not the only values that Americans hold. Americans also value freedom, equality, and humanitarianism, among many others. Americans may cherish individual initiative, perhaps even more strongly than other values, but they also recognize that some problems are beyond individual control and require government intervention.

A more accurate view of public opinion is suggested by Free and Cantril (1968). Most Americans, they argue, are conflicted in their views about government; they are predisposed to oppose government but at the same time very supportive of specific programs. When Americans discuss the general role of government, they believe in individualism, self-reliance, and private enterprise and prefer limited powers for the federal government. Hence, most of the public can be considered ideological conservatives. But when Americans discuss specific issues, they support government programs, and could thus be considered operational liberals. People want the government to, for example, reduce poverty and provide retirement security. Americans may not like government, but they do appreciate their Social Security checks.

This kind of ambivalence is especially likely in people with employer-based retirement benefits. Because of their self-interest, people with retirement benefits have an incentive to support greater government protections for such benefits. But people who are wealthier, more educated, and older—characteristics of people with retirement benefits—are more inclined to believe in individualism and private enterprise and to prefer limited powers for the federal government (Free and Cantril 1968). The system has worked for these people, and they are likely to attribute their success to individual efforts.

Finding a governmental solution that both solves the problem and doesn’t impinge on individual freedoms is not easy, and sometimes is impossible. As a result, the range of policy options that people who have lost their retirement benefits are predisposed to support is limited.

Not only does ambivalence limit the range of policy options the public is willing to support, but it also reduces the likelihood that people will participate in politics. Political action is more likely when people believe there is a clear link between an injustice and a necessary corrective action, when they have a clear idea of what they want and believe that government can and should solve the problem. But when values are in conflict about the appropriateness of a policy, people tend to remain on the sidelines. For example, Cantril and Cantril (1999) examined the political activities of people with ambivalent views about government—people who were critical of government in general but still supported most specific programs—and found that they were less likely to participate in any kind of political protest than people with less value conflict. Summarizing their findings, the authors wrote that “the principal consequence of ambivalence is a decrease in both voting and other kinds of involvement” (p. 125).

As a result, the short answer to why there has been relatively little protest to retirement benefit cuts is twofold. First, most people who have lost benefits haven’t been mobilized into action by a union or other interest group. Second, certain types of cuts have proven especially difficult to protest, because solutions to them would require significant, new government regulations—something self-reliant workers and retirees have been reluctant to call for. Most Americans—particularly people who are more affluent and educated, like people with pensions tend to be—have ideological concerns about expanding the role of government and thus lean away from greater regulation of business.

## Endnotes

1. My estimate, discussed at length later in Chapter 3. I refer to changes to retirement plans that reduce expected future benefits as “cuts,” which is standard during debates about Social Security.

2. My estimate, discussed at length later in Chapter 3.

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