FRINGE BENEFITS IN THE SUPER MARKET INDUSTRY

Thesis for the Degree of M. A.

MICHIGAN STATE UNIVERSITY

George Anthony La Vecchia

1956

FRINGE BENEFITS

IN THE

SUPER MARKET INDUSTRY

by

George Anthony LaVecchia

AN ABSTRACT

Submitted to the College of Business and Public Service of
Michigan State University of Agriculture and Applied
Science in partial fulfillment of the requirements
for the degree of

MASTER OF ARTS

Department of General Business
Curriculum in Food Distribution

Approved E. A. Brand

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George A. LaVecchia

This study is primarily concerned with an analysis, evaluation and the evolution of fringe benefits in the super market industry.

The particular plans discussed in this study are not to be considered as typical of the super market industry; as each food chain organization has its own individualities and, as such, patterns its fringe benefits program within the framework of its individual company policies.

There is no standard definition which meets all companies concepts of the term "fringe benefits". They are sometimes referred to as "hidden" wages in the payroll. The benefits included vary from company to company. In general, they fall into four major categories:

1. extra payments for time worked
2. payments for time not worked
3. payments for employee security
4. payments for employee services

Excluded in this study are employee benefits which lie outside of the discretion of the employer. Old-age benefits that are prescribed by the Government are sometimes considered benefits, but the individual employer has no discretion with respect to his contribution or the amount or method of payment, hence it is excluded from the concept of fringe benefits. Privately negotiated supplemental pension programs are included and are discussed and analyzed in this study.

The trend, in recent years, has been towards the inclusion of new fringe benefits and the broadening of existing ones in union contracts. This movement stems from the desires of many employees to avail themselves of certain additional security advantages as a part of the terms and conditions of their employment. The principal aids to union efforts in bargaining for fringe benefits have been wage stabilization, the profit and tax situation, the policies of the War Labor Board and conditions prevailing during and after World War II.

The effects of unionization have been much more far-reaching than the specific demands made by unions in organized stores. Some organizations, partly because of a desire to avoid union difficulties, have often found it necessary or advisable to pay wages and grant fringe benefits similar to those won by collective bargaining in organized stores in the same area. The spread of unionism since 1935 has been a most significant factor in influencing many management decisions to appraise their employer-employee relationships, liberalize employee benefits, and, in general, to give more careful consideration to the adoption of sound personnel policies.

In this study, the writer concludes that fringe benefit plans, properly organized and administered under experienced supervision and conducted with due regard to the high responsibilities involved, will definitely serve as an asset in any adaptable organization.

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"The Food Distribution program at Michigan State University is under the sponsorship of the National Association of Food Chains."

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Grateful acknowledgement is extended to the National Association of Food Chains and the American Stores Company who made this year of graduate studies possible. He is especially indebted to Mr. Paul J. Cupp, President and Mr. W. C. Ferguson, Director of Personnel and all employees of the American Stores Company who were instrumental in providing assistance, financially or otherwise, to the writer.

The writer wishes to give special recognition to the food chains who have so willingly contributed material and information for this thesis. Credit is also due to Super Market Institute and the National Association of Food Chains for contributing the necessary statistics incorporated in this study.

The author is indebted to his foster parents, relatives and friends for their ever-present encouragement, providing the moral and spiritual support necessary for the completion of the thesis.

Finally, the writer wishes to give special tribute to his fiancee' for the invaluable help and constant encouragement afforded during this study.

George Anthony LaVecchia

TABLE OF CONTENTS

CHAPTER PAGE

LIST OF TABLES

LIST OF FIGURES

CHAPTER I

INTRODUCTION

Purpose of the Study

The purpose of this study is to analyze and evaluate various fringe benefits plans that are currently offered by some food chain organizations. The particular plans are not to be considered as typical of the super market industry, as each food chain organization has its own individualities and, as such, patterns its fringe benefits program within the framework of its individual company policies.

Fringe benefits or non-wage payments are as much a part of man's pay today as is his hourly wage.[1] Fringe benefits have become an important part of the wage payment plan for the super market industry as well as other industries and businesses.

In order to get desirable employees, food chain organizations, as well as other employers, feel that they cannot simply offer high wages, shorter hours and moderate tasks. They must also offer a lengthening list of special inducements.

1. N. Arnold Tolles and Robert L. Raimon, Sources of Wage Information: Employer Associations, Cornell University, New York, 1952. p. 265.

At one time, these special inducements were really "extras", because they were within the practical discretion of the employer to give or not. Now the employer's discretion seems to have disappeared. The extras are increasingly regarded by workers, unions, and government bodies as rights. They are included in union contracts. The extension of fringe benefits is now the subject of negotiation between labor and management the same as wage and hour rates.

No standard definition exists which meets all companies' concepts of the term "fringe benefits." They are sometimes referred to as "hidden" wages in the payroll. The benefits included vary from company to company. In general, they fall into four major categories:[2]

1. Extra payments for time worked
2. Payments for time not worked
3. Payments for employee security
4. Payments for employee services.

This study is concerned primarily with an analysis of various fringe benefits programs and a study of their evolution in food chain organizations. The following nine fringe benefits are included:

1. Employees' Retirement Program
2. Hospitalization Plan
3. Medical and Surgical Plan
4. Group Insurance Plan
5. Employee Vacation Plan

2. National Industrial Conference Board, Incorporated, Studies in Personnel Policy, No. 128. October, 1952.

6. Credit Union
7. Off-the-Job Disability
8. Employee Savings and Profit Sharing Plan
9. Sick Absence Pay

Excluded are employee benefits which lie outside of the discretion of the employer. Old-age benefits that are prescribed by the Government are sometimes considered benefits, but the individual employer has no discretion with respect to his contribution or the amount or method of payment, hence it is excluded from the concept of fringe items as used in this study. Privately negotiated, supplemental pension programs are included.

Frings items, in the sense of non-wage aspects of employment, have always been of concern to employees, and surveys of personnel practices by employer associations were more common in the 1920's than were wage surveys.[3] A series of developments of the last decade, or so, has greatly emphasized the importance of fringe items and has compelled attention to the relationship between non-wage aspects of a job and its wage aspects.

Some food chain executives are recognizing that employees' retirement programs, hospitalization plans, group insurance plans and other fringe items, help to eliminate worry and fear from the minds of employees. The protection which these plans provide for workers contributes to a freedom which permits them to devote their best mental efforts to their jobs.

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3. Tolles and Raimon, <u>Op.Cit.</u>, p. 267.

Increased efficiency of employees should be the result and is the compensation to employers for the time and expense involved in developing these plans and administering the fringe benefits.

Sources of Research

The problems in collecting, clearing, and presenting this information had to be faced by the writer. At the outset, there was the problem of selecting particular food chain organizations for this study. A listing of various food chain organizations was secured in the Food Distribution Office at Michigan State University.

The basic procedure was to solicit information from some of the larger food chain organizations, trade associations, trade publications, and selected insurance companies by means of a form letter. (See Figure I).

Other sources of research include information from handbooks and pamphlets from various food chain organizations, magazine articles, books pertaining to personnel, wage, and salary administration. Similar studies conducted by the United States Chamber of Commerce, the New York State School of Industrial and Labor Relations at Cornell University, and specific Surveys undertaken by the National Industrial Conference Board, Incorporated.

Growth of Fringe Benefits

The wage stabilization program during World War II provided a tremendous impetus to the adoption of fringe benefits. Encouragement to both

FIGURE I

Michigan State University
334 Phillips Hall
East Lansing, Michigan
(Date)

Gentlemen:

I am currently attending Michigan State University and I am enrolled in the Curriculum in Food Distribution, which is sponsored by the National Association of Food Chains.

I am studying for a Masters of Arts degree and have selected Fringe Benefits In The Super Market Industry as a topic for the thesis.

I realize the limitation of information available on this subject and would certainly appreciate any literature you can forward pertaining to the various fringe benefits offered by chain store organizations for their employees, such as:

1. Hospitalization Plan
2. Medical and Surgical Plan
3. Employees' Retirement Program
4. Group Insurance Plan
5. Employee Vacation Plan
6. Credit Union
7. Off-the-Job Disability
8. Employee Savings and Profit Sharing Plan
9. Sick Absence Pay
10. Seniority.

Any Literature or information you can furnish pertaining to these employee benefits will be greatly appreciated.

Sincerely yours,

George A. LaVecchia

labor and mangement to seek means of providing added compensation for employees without actually increasing wage rates brought about the expansion of already existing benefits and the adoption of many new ones.

Most of the benefits appeared for the first time before World War II. Many had achieved acceptance in certain industries and localities before this war, but the search for means of increasing compensation under the war and postwar stabilization programs caused their widespread acceptance and placed them in the forefront as bargaining issues.[4]

This growth in importance of fringe benefits reflects a fundamental development in the recent history of personnel relations. One of the most significant trends of the past decade has been the growth of these supplementary features in the system of wage payments to the point where they are no longer on the fringes but very much in the center of the employment contract.

Several compilations of existing fringe benefits have been published. The National Industrial Conference Board has compiled 33 separate types of fringe benefits. (See Table I). The United States Chamber of Commerce has also conducted similar surveys.

Not only have the number and variety of such benefits expanded greatly in recent years, but their proportion of total wage costs has also increased. The United States Chamber of Commerce has completed a study of the cost of

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4. Richard C. Smyth, Economic Fringe Demands of Unions, Personnel, Vol. 24, No. 4, (January, 1948), p. 243.

fringe benefits. Such costs (not including pay for night, overtime, and holiday work and shift differentials) were found to be as follows:[5]

	1947	1949	1951	1953
As percent of payroll. . .	14.4%	16.2%	18.7%	19.2%
Cents per hour worked . .	19.2¢	24.8¢	31.5¢	34.6¢
Dollars per employee . .	$393	$505	$644	$720

The previous facts pertaining to the extent and cost of existing fringe benefits serves to point out the significance of such items in wage and salary administration. Failure to include fringe costs as part of wages is equivalent to ignoring approximately 20 percent of labor costs.

Scope of the Study

H-W chain

To the ~~food~~ chain organization, the problem of fringe benefits involves the decision as to which fringe items to provide its employees and the extent to which each benefit is to be provided. In the Retail ~~super mar~~ket industry, as well as other industries, solutions to the problems of establishing the various fringe benefits plans involve (1) legislation, (2) practices of other Ret ~~food~~ chains ~~organizations~~, (3) union policies and practices, and (4) generally accepted installation and operation principles when benefits are unilaterally determined.

Ret

A ~~food~~ chain ~~organization~~ desiring to limit its wage budget to direct wages and salaries finds that this is not legally possible, as did H-W. Legal requirements

5. Chamber of Commerce of the United States, Wage Supplements: The Non-Wage Labor Costs of Doing Business, Fringe Benefits, 1951; Fringe Benefits, 1953.

TABLE I

Fringe Benefits[6]

Pay for Time Worked

- Overtime Premiums
- Shift Differentials
- Premium pay for Saturday, Sunday, and holidays
- Call-in pay

Pay for Time not Worked

- Holidays
- Vacations
- Military leave
- Sick-leave Pay
- Personel Excused Absences
- Rest Periods
- Wash-up Time
- Lunch Periods
- Grievance and Negotiating Time
- Jury Duty
- Christmas Bonus
- Service Bonus
- Profit Sharing
- Severance Pay
- Education Subsidies

Payments for Employment Security

- Pensions
- Group Accident and Health
- Hospitalization
- Surgical and Medical
- Group Life
- Death Benefits
- Workmen's Compensation
- Unemployment Insurance

Other Benefits

- Cafeterias
- Recreation
- Employee Discounts
- Welfare Funds

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6. National Industrial Conference Board, Incorporated, Studies in Personnel Policy, No. 128, 1952, p. 16.

for safety and health and for various forms of insurance compel all employers, including food chain organizations, to provide certain fringe benefits. Some states have laws requiring employers to purchase workmen's compensation insurance to cover its employees in the event of work-connected illness or injury. Some states also require employers to insure their employees against disability from accidents and illness occurring outside employment.[7]

Another form of insurance which most employers are required by law to carry for their employees is unemployment compensation. Food chain organizations in states having such laws must pay a certain proportion of their payroll into a fund that the employee may draw upon when he becomes unemployed. Employer contributions to Old Age and Survivors' Insurance required by the Social Security Act represents another fringe benefit required of employers by law, but such fringes are not topics for discussion for this study.

Methods employed in evaluating a particular fringe benefit program is through comparison shopping and surveying other Pu1 ~~food~~ chain or~~ganizations~~. Practices regarding fringe benefits in other business organizations in particular labor markets may also be analyzed. One of the considerations used in determining the installation of a new benefit or broadening an existing one is the extent to which these benefits are offered by others in the labor market.

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7. David W. Belcher, Wage and Salary Administration, Prentice-Hall, Inc., 1955: p. 460.

Surveys of fringe benefits conducted by the National Industrial Conference Board, the United States Chamber of Commerce, and others are limited to seeking detailed information on coverage of specific benefit programs. A company using this data needs to estimate what the specific program would cost and how it can be adapted to the particular organization.

Information is largely lacking on: (1) costs of specific fringe items; (2) effects of specific fringe benefits on employee turnover, morale, and productivity; and (3) the extent to which employees balance fringe benefits against wage increases.

All employers (such as [illegible]) must solve the problem of fringe benefits either with the assitance of a union or unilaterally. When a union is involved, the number and extent of fringe benefits is decided at the bargaining table. The unions, also, are hampered by limited information, but their experience has led them to believe that when a Ret food chain ~~organization~~ is unable to grant a wage increase, they are at least able to make some additions to the fringe benefits. This belief was fostered during World War II days when fringe benefits were considered less inflationary and permitted in place of a wage increase.

Employers must consider the human factors as well as the economic factors in planning a fringe benefit plan. Surveys indicate that employees desire certain fringe benefits over wage increases, therefore, an employer may decide to install such benefits in the hope that fulfilling these basic wants of employees will help them obtain (1) reduced turnover, (2) higher morale and loyalty, (3) increased efficiency and productivity, and (4) a better class of workers.[8]

8. David Hill, Stabilization of Fringe Benefits, Industrial and Labor Relations Review, Vol. 7, No. 2, (January, 1954), p. 221.

CHATPER II

EMPLOYEES' RETIREMENT PROGRAM

Food chain organizations are recognizing the importance and role employee retirement programs serve within the organization. This planning is and should be directed at the human aspect of pensions as well as the costs involved. (For purposes of this study, employee retirement programs and pensions are used interchangeably and synonymously). An employee retirement program can be an effective tool for management use in lifting employee morale or it can be the object of employee dissatisfaction. Pensions must be considered impartially and objectively to insure that it accomplishes the desired end of normal retirement of faithful employees secure in the knowledge that they will be provided for, in part, in the remaining years of their lives.[9]

Growth of Pension Plans

For purposes of this study, employee retirement plans or ~~pension plans~~ refer to any periodic payment made to a retired employee, usually for

9. Merle L. Kitchen, "Planning Pensions for People," Retail Control, April, 1955, p. 3.

the duration of his life. ~~Belgium~~ had a voluntary old age annuities system as far back as 1850. Other European countries later adopted similar plans. The American ~~Express~~ Company adopted the first employee retirements program in America in 1875.

The pension fund movement grew slowly until the 30's. It received a major push following the passage of the Social Security Act in 1935. The Federal program covered some 25 million employees when contributions under the Act first began in 1937. The advent of such a broad scale program stirred up much interest among employers and employees. It placed a new emphasis upon the desirability and possibility of providing for the economic hazards of old age through advance financing.[10]

World War II provided as one of its more positive civilian by-products the greatest single stimulus to private pension plans. The income tax rates applied against large companies and corporations during that period encouraged them to make tax-free contributions to pension funds. The competition for good people during that period and still continuing, forced employers to consider every possible action that might not only attract more people to their firms -- but help to keep them. Large salaried employees, faced with wage and salary stabilization regulations and limitations, often sought placement with those firms that provided very comfortable pension programs as added

10. Ibid., p. 4.

inducements. Food chain organizations are still using this approach, along with profit sharing plans, hospitalization, group insurance plans and other fringe benefits, which are discussed in this study, to attract and hold their employees in this continuing period of prosperity.

The National Labor Relations Board gave employee retirement programs further stature in the Inland Steel Company Case in 1948, by ruling that such plans could properly be included in the term "wages" and were proper subjects for collective bargaining. The Circuit Court of Appeals upheld this decision. Since then unions have increasingly pressed for inclusion of such benefits in their contracts. They have pushed for management's contributions for their own unilateral employee retirement programs. Unions have also negotiated many plans providing for joint labor-management administration.

Further dynamic growth in employee retirement plans in food chain organizations is expected during the next few years. Pensions are becoming an expected benefit today. The business advantages for establishing employee retirement programs in food chain organizations are embraced in the following exerpts taken from a statement made in 1906 by F. A. Vanderlip, former president of the National City Bank, New York:

> 1. "The pension attaches the employees to the services . . . It makes certain a continuance of efficient men in the lines of work with which they are familiar."
>
> 2. "A pension plan enables employers to dispense with the elderly and inefficient and thus gives constant encouragement to good effort on the part of the younger men hoping for promotion."

3. "It operates especially as an incentive to hold men between the ages of forty and fifty when they have acquired the experience and skills which makes them especially valuable, and prevents their being tempted away by slightly increased wages."

4. "Those business institutions which have developed the old age pension plan have not done so from sentimental considerations, but rather from considerations of economy, and efficiency of administration."[11]

Administration of Retirement Agreement

The method of financing a retirement program has an important bearing upon the administrative organization set up in that retirement program. The administrative organization would also vary somewhat depending upon the circumstances of each given situation. Among these circumstances would be: the bargaining history and relationships between the parties; other sections of the retirement agreement, such as the benefit formula (for example, the union might feel less need for joint administration when the plan calls for a flat payment regardless of earnings and length of service then when the benefits received by the employees depend in whole or in part upon the employees' earnings and/or length of service); and other sections of the labor agreement.

While there are several variations in the methods of financing employee retirement plans, there are certain administrative duties which must be accomplished in each retirement agreement. ~~There are many such~~ duties which could be noted, but, for the purpose of this study, only the more pertinent are listed briefly below.

11. Edwin R. Erickson, An Analysis of Pension Fundamentals for the Employer, Edwin R. Erickson and Associates, 1948, p. 1.

"1. Collections of Contributions: Collections are usually accomplished by the employer by making deductions from his employees' pay when the plan is contributory. The contributions of employees and/or the employer are assigned to the body charged with administering the fund at regularly specified intervals under most plans.

2. Routine Bookkeeping and Record Keeping: Except in the largest companies or where there is a multi-employer retirement agreement, the company usually assumes the bookkeeping and record keeping function for the plan. This item can be costly under the more complex plans, and this fact should be considered when estimates of cost are made.

3. Financial Management: A body must be established to handle the investment and safekeeping of the funds accumulated under either the self-administered trust fund method or the insured-method of financing. This body may be either the same group which is charged with the other administrative responsibilities of the plan or it may be a separate group charged solely with the financial administration of the funds accumulated under the plan.

4. Administrative Decisions: Administrative decisions involve the solution of the day-to-day problems and disputes which are bound to arise over the meaning and interpretation of the retirement agreement. The list of such possible decisions could be as long as the list of provisions in the retirement agreement."[12]

Some of the more frequently occurring decisions are listed as an indication of the problem and duties involved in the administration of an employees retirement program:

1. Determining the eligibility of employees for retirement;

2. Determining the monthly benefit of employees who become eligible for retirement;

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12. Robert E. Sibson, A Survey of Pension Planning, Commerce Clearing House, Inc., Chicago, Illinois, 1953, p. 23.

3. Determining eligibility for membership in the retirement agreement;

4. Determining the eligibility for retirement under the plan;

5. Settling grievances arising under the plan;

6. Determining eligibility under disability provisions where they are included in the retirement agreement;

7. Effecting compulsory retirement provisions;

8. Determining vesting rights; and

9. Many other miscellaneous duties.

The method of financing is one of the principal determinants of the administrative organization of the employee retirement plan. Table II on the following page indicates in summary form the administrative bodies which would most likely perform each of the major administrative functions of a retirement plan under each of the basic methods of financing. Every word, every provision, every act connected with the pension plan should be directed toward achieving the maximum value at the minimum cost. Administrative procedure is extremely important because it is the point of contact between employer and employee on pension matters and it may mean the success or failure of the plan.

The administration of the plan is divided broadly into two parts. The first part concerns the procedure to be followed upon inauguration of the plan. The second part deals with the recurring procedure in subsequent years. As part of the first year procedure, the Board of Directors must approve the plan,

TABLE II [13]

Administrative Duties and Methods of Financing

Administrative Duties	Type of Financing		
	Insured	Pay-as-You-go	Trust Fund
Collection of contributions	Insurance company, usually via company.	Not applicable	Company as collecting agent for administrative group of trust.
Bookkeeping and record keeping	Insurance company.	Company	Company, except under multiemployer plans and where employer is exceptionally large.
Financial management	Insurance company.	Not applicable	Administrative group of trust fund, either separate from or same as general administrative group.
Administrative decisions	Insurance company or company or union-management committee.	Company with employees having recourse to grievance procedure.	Usually union-management committee; in addition, grievance procedure usually established.

13. Ibid., p. 25.

the plan is filed with the Bureau of Internal Revenue for approval, and in some cases the stockholders must approve the plan. The important phase, however, from the standpoint of personnel relations is the procedure by which the plan is communicated to the employees.

In communicating the plan to the employees, much depends upon the organization of the company. In some places only the supervisors, department heads, and top keymen are called in for a thorough briefing on the provisions of the plan and an indoctrination on the purposes of the plan. These men must know that the organization is wholeheartedly in favor of the pension plan and must be made sufficiently informed to explain the values of the plan to the men whom they supervise. It is important that they be able to answer the employees' inquiries and show specifically just what each man may be expected to obtain from the plan. Full employee appreciation of the plan can only be assured through an explanation made individually to each employee by someone fully qualified. In some food chain organizations, as will be illustrated later ~~on in the study,~~ the plan is also communicated to the employees through a pamphlet which is purposely simplified to carry the message over to the employee. This pamphlet is often mailed to the home so that the entire family may be a partner in the understanding of the plan benefits. This pamphlet shows just what the employee gets out of the plan and the amount company contributes to the plan. In addition, smooth procedures are designed to sign up new employees for membership, handling changes in status benefits, changes in beneficiaries, elections of options, and any other important inquiries that may arise. A ~~master file~~ is usually constructed to show the current status of each ~~employee.~~

For purposes of this study, the writer has selected The American Stores Company Employee Retirement Plan to illustrate how this particular pension plan operates within the framework of a particular food chain organization. It must be emphasized that no plan can be considered typical for a particular industry as each plan must be patterned in accordance with individualities which are necessarily inherent in particular food chain organizations; also, a summary of a plan necessarily omits many features and administrative details embodied in the agreements and insurance policies which govern the operation of the plan.

American Stores Company

Acme markets and Asco stores can be found in seven states and the District of Columbia -- Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia and West Virginia. This area is divided into seven zones of operation with district offices located in Philadelphia, Wilkes-Barre, Baltimore, Kearny, Johnstown, Syracuse, and Buffalo.

The principal purpose of The American Stores Employee Retirement Plan is to provide regular income benefits after retirement for eligible employees, in the United States, of American Stores Company and its subsidiary companies, hereinafter collectively called the "Company".

Benefits provided by the Plan will be in addition to any benefits payable under the Federal Social Security Act. The Company has entered into a contract with The Equitable Life Assurance Society of the United States, hereinafter called the "Insurance Company", to underwrite the Plan. The Insurance Company will make all payments of benefits due employees or their beneificiaries with respect to contributions paid under the Plan.

The Plan was effective as of December 1, 1946. Each regular, full-time employee (but not a person acting only as a director) is eligible to join the Plan on any December 1, provided he then:

a. has attained his 30th birthday, but not his 65th birthday, and

b. has completed 5 years of continuous service with the Company. (Casual and seasonal employees are not eligible to join the Plan.)

In determining "continuous service", there shall be included all full-time employment with American Stores Company, its subsidiary companies and any enterprise whose capital stock or business and assets have been acquired by American Stores Company or one of its subsidiary companies. Ordinarily, in case of a break in employment, "continuous service" will commence with the date of the employee's most recent reemployment; however, an approved leave of absence or any break in employment not in excess of one year due to sickness, accident or temporary lay-off, shall not deprive the employee of credit for service actually rendered prior to such leave or absence or break in employment. An approved leave of absence not in excess of one month or any break in employment not in excess of one month due to vacation, sickness, accident, or temporary lay-off will be considered as service actually rendered. Service in the armed forces shall be credited for purposes of eligibility and termination benefits, provided the employee returns to the employ of the Company within 90 days after separation from such service.

To join the Plan an eligible employee:

1. signs the necessary application form,
2. authorizes the required payroll deductions, and
3. names a beneficiary.

If an employee joins the Plan, he will be expected to continue under it until he retires or leaves the employ of the Company. Only in this manner can adequate provisions be made for retirement years.

Each member will contribute, through payroll deductions each pay period, toward the cost of his retirement income a percentage of his base earnings as follows:

> Members on a weekly pay basis will contribute approximately 3 percent of weekly base earnings in excess of $11.54 but not in excess of $57.69, plus approximately 4 1/2 percent of weekly base earnings in excess of $57.69. For administrative convenience, deductions from weekly earnings not in excess of $57.69 shall be the nearer multiple of $.09, and deductions from weekly earnings in excess of $57.69 shall be increased by the nearer multiple of $.18. (Table III)
>
> Members on a monthly basis will contribute approximately 3 percent of monthly base earnings in excess of $50 but not in excess of $250, plus approximately 4 1/2 percent of monthly base earnings in excess of $250. For administrative convenience, deductions from monthly earnings not in excess of $250 shall be the nearer multiple of $.39, and deductions from monthly earnings in excess of $250 shall be increased by the nearer multiple of $.78. (Table IV)

TABLE III[14]

SCHEDULE OF CONTRIBUTIONS

For Members Paid Weekly

Class	Base Earnings	Members Weekly Contributions
1	under $11.55	none
2	11.55- 15.99	$ .09
3	16.00- 18.99	.18
4	19.00- 21.99	.27
5	22.00- 24.99	.36
6	25.00- 27.99	.45
7	28.00- 30.99	.45
8	31.00- 33.99	.63
9	34.00- 36.99	.72
10	37.00- 39.99	.81
11	40.00- 42.99	.90
12	43.00- 45.99	.99
13	46.00- 48.99	1.08
14	49.00- 51.99	1.17
15	52.00- 54.99	1.26
16	55.00- 57.99	1.35
17	58.00- 62.89	1.53
18	62.90- 66.89	1.71
19	66.90- 70.89	1.89
20	70.90- 74.89	2.07
21	74.90- 78.89	2.25
22	78.90- 82.89	2.43
23	82.90- 86.89	2.61
24	86.90- 90.89	2.79
25	90.90- 94.89	2.97
26	94.90- 98.89	3.15
27	98.90-102.89	3.33

(For each additional $4.00 of base earnings the contribution increased by $.18)

14. The American Stores Company. Employees Retirement Plan.

TABLE IV[15]

SCHEDULE OF CONTRIBUTIONS

For Members Paid Monthly

Class	Earnings	Members Monthly Contributions
1	under $50.01	None
2	50.01 - 69.32	$ .39
3	69.33 - 82.32	.78
4	82.33 - 95.32	1.17
5	95.33 -108.32	1.56
6	108.33 -121.32	1.95
7	121.33 -134.32	2.34
8	134.33 -147.32	2.73
9	147.33 -160.32	3.12
10	160.33 -173.32	3.51
11	173.33 -186.32	3.90
12	186.33 -199.32	4.29
13	199.33 -212.32	4.68
14	212.33 -225.32	5.07
15	225.33 -238.32	5.46
16	238.33 -251.32	5.85
17	251.33 -272.56	6.63
18	272.57 -289.89	7.41
19	289.90 -307.22	8.19
20	307.23 -324.56	8.97
21	324.57 -341.89	9.75
22	341.90 -359.22	10.53
23	359.23 -376.56	11.31
24	376.57 -393.89	12.09
25	393.90 -411.22	12.87
26	411.23 -428.56	13.65
27	428.57 -445.89	14.43

(For each additional $17.33 of base earnings the contribution increases by $.78)

15. The American Stores Company, Employees Retirement Plan.

"Base earnings" for the purpose of the Plan means a member's straight-time earnings, exclusive of overtime pay or any other special compensation, paid to a member by the Company, but shall include sales commissions for those members who are regularly paid on the basis of a salary or wage plus commission, or commission only.

The Company will make such contributions to the Insurance Company which, together with the contributions of the members, will cover the costs of retirement income provided under the Plan. The contributions of the Company will greatly exceed those of the members.

A member's normal retirement date will be the first day of the month following his 65th birthday providing the member has not attained his 55th birthday when first eligible to become a member. If an employee has attained his 55th birthday when first eligible, his normal retirement date will be the tenth anniversary of his first date of eligibility or the first day of the month following his 70th birthday, whichever first occurs.

Each member shall retire on his normal retirement date, except as provided in the following provisions. With the consent of the Company, a member may retire on an early retirement date which may be the first day of any month within the ten year period prior to his normal retirement date. In that event, his retirement income shall commence from such early retirement date and shall be a reduced amount, based on all contributions made on his behalf. If a member retires before he is entitled to receive monthly benefits under the Federal Social Security Act, his retirement income under the Plan may, at the request of the member and with the consent of the Insurance Company, be adjusted to provide, so far as practicable, a level monthly amount of total retirement annuity, inclusive of his monthly benefits under the Federal Social Security Act.

At the request of the Board of Directors, a member may remain in active service after his normal retirement date. Such request shall not cover a period in excess of one year. No contributions shall be made by the member, or by the Company on his behalf, subsequent to the member's normal retirement date, and service thereafter will not operate to increase the amount of his retirement income.

The amount of annual retirement income payable to a member on his normal retirement date will be in proportion to the member's actual contributions and will be approximately 8/10 of 1 percent of the first $3,000 of his annual base earnings in excess of $3,000 for each year of service during which he makes contributions to the Plan.

Annual retirement income is payable one-twelfth monthly commencing on normal or early retirement date. However, if the income is less than $120 per year, it will be paid quarterly, and if the income is less than $40 per year, it will be paid by a cash lump sum settlement.

A member may, subject to the conditions outlined below, elect to receive an optional form of income which provides for reduced payments to the retired member and for the continuance of such income payments, or a part of them, as designated by the member, to a designated joint annuitant, if living, after the member's death. This form may be chosen at any time before the payments are to begin but the Insurance Company will require satisfactory evidence of the member's good health if the choice is not made at least five years before payments are to being.

If the member dies before his retirement, no income payments are payable to the joint annuitant but the death benefit,outlined in the following paragraph, becomes payable to the member's beneficiary. If the joint annuitant dies before the member's retirement, the normal retirement income will be payable to the member as if the retirement income option had not been chosen. If the joint annuitant dies while the income payments are being made to the retired member, such income payments to the retired member will continue unchanged until his death. When electing the retirement income option the member must designate his retirement date. After the retirement income option (including the designation of the joint annuitant and the part of the payments to be continued to the joint annuitant) and retirement date are elected and approved by the Insurance Company, they cannot be changed in any way without the written consent of the Insurance Company, which consent may be made subject to satisfactory evidence of the member's or joint annuitant's good health. Proof of the joint annuitant's age, satisfactory to the Insurance Company, must be submitted.

If a deceased member's total contributions, plus interest, shall have exceeded the total retirement income payments, if any, received by such member and his deceased joint annuitant, if any, then such excess will be paid to the member's designated beneficiary. Death benefits will be payable to such beneficiary as the member may have designated in writing to the Insurance Company. The member may at any time change his designation of beneficiary by giving proper written notification of such change. If there is no beneficiary designated or surviving when a death benefit becomes due, the payment described above will be made to the person or persons in the first of the following classes of successive preference beneficiaries then surviving: The member's (a) widow or widower, (b) children, (c) parents, (d) brothers and sisters, (e) executors or administrators. Any minor's share may be paid at a rate not exceeding $50 per month to such adult or adults as have, in the opinion of the Insurance Company, assumed the custody and principal support of such minor.

If the services of a member are terminated before retirement, other than by death, he has the following options:

1. he may receive a cash refund equal to his own contributions, plus interest, or

2. he may leave the contributions with the Insurance Company and receive, commencing on his normal or duly elected early retirement date, that part of the retirement income that has been purchased by his contributions provided, however, if a member has been in the continuous service of the Company for ten or more years and has attained age 55 and does not elect to withdraw his contributions, he will receive, commencing on his

normal or duly elected early retirement date, the retirement income which has been purchased on his behalf by the Company's contributions as well as his own.

The Company hopes and expects to continue the Plan indefinitely but necessarily reserves the right to change, amend, suspend or discontinue the Plan. No change or discontinuance shall adversely affect paid-up retirement income then provided for each member under the Plan by all prior contributions, except such changes, if any, that may be required to permit the Plan to meet the requirements of the Internal Revenue Code, as amended from time to time, and applicable provisions of any other law, and the rules and regulations issued thereunder. If the Plan is discontinued, the Company cannot withdraw any contributions.

The plan outlined is a summary of the main provisions of the American Stores Company Employee Retirement Plan but the contract issued by the Insurance Company is the controlling instrument. The Insurance Company will issue for each member a certificate evidencing his inclusion under the contract and outlining the benefits to which he is entitled thereunder. Such certificate will explain the method of computing interest and will also cover various rights reserved by the Insurance Company under the contract. At the time of retirement, the member will receive from the Insurance Company a supplemental certificate showing the amount of retirement income and terms of payment.

A member's retirement income and other benefits and refunds under the Plan are not assignable. To the extent permitted by law, such retirement income and other benefits and refunds shall not be subject to attachment or other legal process by creditors of any member, joint annuitant, or beneficiary.

Membership in the Plan shall not give a member the right to be retained in the service of the Company, nor any right or claim to retirement income and other benefits and refunds unless such right has specifically accrued under the terms of the Plan. A member may not withdraw his contributions so long as he remains in the employ of the Company nor borrow against them at any time. (Wherever the masculine gender is used herein, it is intended also to cover the feminine gender).[16]

Conclusions

The purpose of this chapter was to investigate and evaluate the various provisions and aspects of employee retirement programs. The main provisions of a particular employee retirement program were briefly outlined. From all that has been stated about retirement plans, however, the writer makes three conclusions: (1) that the pension issue is a highly complex one; (2) that the "right" provision in most organizations in a retirement plan depends upon the circumstances surrounding the individual situation: and (3) that the

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16. The American Stores Company. Employees Retirement Plan.

pension program will have to be reviewed periodically to insure that it realistically meets the needs of the employees and the requirements of the employer and also to adjust the plan to changing economic conditions.

CHAPTER III

GROUP INSURANCE PLANS

Historical Background

The twentieth century brought the revolutionary changes in technology that have made this the greatest industrial nation in the world, but in doing so have also made the majority of the people dependent solely upon the paycheck they earn.[17] The interruption of earnings because of illness, injury, old age, or death often brings distress, sometimes disaster, to the family.

Recognition of the need for protecting the paycheck against these hazards brought about the development, in 1911, of Group Life insurance, providing a year's pay upon the death of the employee. Several years later Group Accident and Health insurance, providing a weekly indemnity of a portion of the employee's pay in event of illness or accident, made its appearance. This was followed by Group Accidental Death and Dismemberment insurance, and, in the middle 20's, by Group Annuity or, as termed in this study, employee retirement plans. During the course of the 30's, Group Hospital Expense insurance and Group Surgical insurance were developed for the employee and

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17. Louise Wolters Ilse, Group Insurance and Employee Retirement Plans, Prentice-Hall, Inc., New York: 1953, p. vi.

later extended to the employee's dependents. Group Medical Expense insurance for employees and their families came in the 1940's. In the 1950's so-called "catastrophic" or Major Medical Expense insurance was introduced to meet costly prolonged hospital confinements caused by serious accidents or illnesses.[18]

At the end of 1951 more than twenty-one million employees were covered for an average amount of $2,570 under Group Life insurance policies; about eighteen million were insured under Group Accident and Health contracts; nine and a half million had Group Accidental Death and Dismemberment insurance; more than twelve and a half million workers and fourteen and a half million dependents were covered by some form of Group Hospital, Surgical or Medical Expense insurance.[19] More than two and half million employees were included in insured pension plans, which were discussed in Chapter II.

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Cooperation by ~~Food~~ Chain Organizations

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The ~~super market~~ industry has, in the past, and still continues to play an important role to the great social contribution of the movement and its important setting in the economic lives of its employees. Perhaps the most important requirement of all group insurance programs covering employees in the ~~super market~~ industry is the full cooperation of the particular ~~food~~ chain organization. Group insurance should be considered by the employer as an

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18. Ibid., p. vii.

19. Ibid.

important part of his personnel relations program. If he is in full sympathy with the group insurance plan, and if he cooperates in the presentation of the plan to his employees and its administration, perhaps the greatest single requirement of successful operation of a group insurance program will have been fulfilled.[20] The active cooperation of the food chain organization includes the making of payroll deductions under contributory plans to help employees meet their contribution to the cost or assistance in claim certification, as well as general enthusiasm for the program. Without this active cooperation it is difficult, if not impossible, to operate a group insurance program successfully, even if all the other fundamental characteristics are present.

Perhaps the next most important fundamental, which in a way might be considered as part of the food chain organizations' cooperation, is a financial contribution to the cost of the plan on the part of the organization. A substantial employer contribution to the costs of the plan serve two important purposes:

a. "It reduces the cost to the employees for comparable benefits and makes the plan that much more attractive to the employees, thus more satisfactory from the point of view of the employer's industrial relations program.

b. It helps assure the employer's active cooperation in the administration of the program, which is perhaps the most fundamental requirement in any group insurance program. As a corollary to this, an employer's contribution gives his a substantial interest in the decisions as to what kind of plan should be adopted and how it should be operated."[21]

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20. Gilbert W. Fitzhugh, Health Insurance Plans, American Management Association, Personnel Series No. 118, 1947, p. 24.

21. Ibid., p. 25.

Employee's Contribution

Employee's contributions to the cost of the plan should be kept reasonably low and scaled to their earnings so as to leave no doubt in their minds that they are getting benefits that are well worth the cost to them. This will encourage a high percentage of employee participation in the plan, which is necessary from an underwriting viewpoint and, also, necessary if the objectives of the plans are to be attained.

The group insurance plan should be as simple as possible so that it will be thoroughly understood by the employees. A complicated plan may very well lead to employee misunderstanding, while a simple plan, properly understood, is very likely to be more appreciated than a complicated plan, even though the latter may be more generous.

Thus far the writer has discussed the general but fundamental aspects of group insurance plans. In presenting a study of these various plans, the writer will discuss each one individually and illustrate each plan by outlining actual operating group insurance plans in particular food chain organizations. It must, ~~again,~~ be emphasized that it is impossible for anyone to set up a list of priorities in the adoption or operation of these various plans, as every ~~food~~ chain ~~organization~~ is a little bit different from every other organization, and what might be most important for one organization might not be quite as important for another. Therefore, each ~~food chain~~ organization should consider the circumstances of the organization in deciding the order in which to adopt the various coverages or whether to install them all at once. Another factor to be considered by some of the larger organizations is whether their plans should be uniform throughout the whole organization or should vary from branch to branch. The food chain organization will naturally want to be sure that the various insurance coverages are integrated into the whole program of employee security and personnel relations. The organization will also want to consider the various mechanisms by which these coverages can be provided, namely, group insurance, employees' mutual benefit associations, Blue Cross, et cetera. These are just some of the points that may be considered by a food chain organization in coming to a decision to fit its own particular case. The beauty of the private enterprise system of group insurance is that it can be varied to fit individual cases and is not stereotyped into one set pattern which must be adopted in all cases whether or not it is a particularly good fit.

Hospitalization Plan

The writer will use the Safeway Stores, Incorporated Group Insurance Benefits Plans to illustrate how a particular food chain organization operates and administers its various group insurance benefits for its employees and employee dependents.

A Safeway employee receives benefits if he or she is in a hospital. This applies if the employee is there due to: (1) an accident away from work, (2) sickness not payable under workmen's compensation, or (3) pregnancy.

No benefits will be paid an employee if he is in a hospital operated by the United States of America or an agency thereof, or in a hospital which makes no charge. "Hospital", "room and board charges", and "resident patient" are defined as follows.

"The term 'hospital' is defined as a place which meets the following tests:

1. It is engaged primarily in providing medical care and treatment of sick and injured persons on an in-patient basis at the patient's expense.

2. It maintains diagnostic and therapeutic facilities for surgical and medical diagnosis and treatment.

3. Services are under the supervision of a staff or duly licensed physicians.

4. It continually provides 24-hour a day nursing service by registered graduate nurses.

5. It is continually operated with organized facilities for operative surgery.

6. It is not other than incidentally, a place of rest, a place for the aged, a place for drug addicts, a place for alcoholics, or a nursing home.[22]

"Room and board charges" are all charges for medical care and treatment (1) which are made by the hospital for room and board and other hospital services and supplies and (2) which are regularly made by the hospital as a condition of occupancy.

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22. Safeway Stores, Incorporated. <u>You and Safeway.</u>

A "resident patient" in a hospital is one who requires the bed and board facilities of the hospital. References in the Schedule of Operations to "hospital residence" mean a resident patient. (Wherever the masculine gender is used herein, it is intended also to cover the feminine gender).

An employee will receive these benefits if he is hospitalized as a resident patient upon approval of a physician. He will be paid the hospital charges per day for room and board up to $12. He may get as much as $840 for confinement during any one period of disability (70 times his $12 daily benefit).

The employee will be paid up to $1, 000 for any one period of disability to cover hospital charges for medical care and treatment. Charges for room, board, nursing care and attendance by a physician are not payable under this benefit. The benefactor receives the first $240 of charges paid in full, plus 75 percent of charges above $240. The top benefit is $1, 000.

The miscellaneous benefit is paid for only the charges during 100 days of hospitalization, or the period for which the daily benefit is payable, whichever is greater. This is for any one period of disability.

Besides charges actually made by the hospital, the following are considered hospital charges under the miscellaneous benefit:

1. Giving of anesthesia by a physician during hospitalization.
2. Ambulance service to and from the hospital.

3. X-rays taken by someone other than the hospital staff during hospitalization.

4. Blood, blood plasma and special drugs purchased outside the hospital but used during hospitalization.[23]

There is no limit to the number of hospital confinements for which you can get daily and miscellaneous benefits but the confinements must be due to entirely different causes, or separated by return to work for one day with Safeway.

A female employee will be paid up to $120 for any one pregnancy which ends in normal childbirth, abortion or miscarriage. This benefit covers hospital charges for room and board and all medical care and treatment. It does not include charges for nursing care and attendance by a physician. Some charges made by others than the hospital are considered hospital charges. For any one pregnancy which ends in some other way, the employee will be paid up to the amounts of daily and miscellaneous benefits under the heading of "Resident Patient Benefits". These benefits will be paid only if pregnancy begins while the employee is insured. The employee will receive maternity benefits if she is hospitalized due to pregnancy within nine months after her insurance terminates and if she is pregnant at termination.

An employee receives hospital benefits if his dependent is in a hospital due to an accident or sickness, or if his wife is there due to pregnancy. If

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23. Safeway Stores, Incorporated. Group Insurance Benefits for Employees and Their Dependents, 1955.

the dependent is working, he does not get benefits for an on-the-job accident to the dependent, or for sickness payable under workmen's compensation.

No benefits will be paid if his dependents are in a hospital operated by the United States of America or an agency thereof, or in a hospital which makes no charge.

An employee gets benefits on a new-born baby for hospital charges starting with the baby's 15th day of age.

Surgical Benefits

An employee may receive up to $300 if he is operated on by a surgeon. This applies to: (1) an accident away from work, or (2) sickness not payable under workmen's compensation. The employee may receive up to $150 for an obstetrical operation due to pregnancy.

The employee will be paid the fee the surgeon charges for the operation, but not more than the benefit payable for it. There is a Schedule of Operations which lists specific amounts that will be paid for particular operations, but the writer has omitted this in this study. It is sufficient to mention that the payment for all operations during any one period of disability may not be more than $300, unless the operations are due to entirely different causes, or are separated by return to work for one day with Safeway. There are no other limits to the number of operations for which an employee may receive benefits except for pneumothorax refills. They are limited to seventeen in number.

For any cutting operations not listed in the Schedule, the insurance company pays an amount consistent with the other items in the Schedule.

The employee will be paid the fee the surgeon charges for an operation due to pregnancy, childbirth, abortion or miscarriage, but not more than the benefit payable for it. The benefit will be paid only if pregnancy beings while the employee is insured.

An employee receives the non-maternity benefits if she has an operation within three months after the insurance terminates and during total disability that continues from termination. She receives maternity benefits if she has an operation due to pregnancy within nine months after her insurance terminates and if she is pregnant at termination.

A Safeway employee may receive up to $300 if his dependent is operated on by a surgeon. This applies to an accident or sickness. He may receive up to $150 if his wife has an obstetrical operation due to pregnancy. If the dependent is working, he does not get benefits for an on-the-job accident to the dependent, or for sickness payable under workmen's compensation.

Group Life Insurance

The beneficiary will be paid the group life insurance benefit should the employee die from any cause. Weekly employee contributions and amount of insurance benefit varies according to employee's weekly or annual compensation. The amount is based on a compensation class. If a permanent change in employee's pay places him in a different class, the amounts of his insurance and weekly contributions change accordingly. If employee is not at work because of disability or pregnancy, the insurance and contribution change when he is able to return. If employee is paid on a contingent, bonus, commission, piece-work, or part-time basis a particular insurance class is computed according to average earnings.

The employee may name anyone as his beneficiary. He may change the beneficiary at any time by filing a written request with Safeway.

If the insurance stops because of termination of employment or employee ceases to be eligible for the insurance, he may change all or part of his group life insurance -- without physical examination -- to a Traveler's individual life insurance policy. This applies to anyone of the forms of life insurance, except term insurance, generally issued by Travelers.

To make the change, employee must apply to the insurance company within 31 days after (1) his employment ends, or (2) he ceases to be eligible, whichever first occurs. The complete terms of the contract are in the Group Insurance Policies issued to the company by The Travelers Insurance Company.

Major Medical Benefits

A $5, 000 Major Medical Expense coverage helps protect the employee against additional medical expenses resulting from total disability due to injury or illness. Sometimes medical care runs into thousands of dollars. Such misfortunes would wipe out the savings of most people and plunge them deeply into debt.

A Safeway employee will be paid up to $5,000 under Major Medical insurance for the expenses listed below for any one cause of disability. The employee receives benefits if he becomes totally disabled while insured. This applies to: (1) an off-the-job injury, (2) sickness not payable under workmen's compensation and (3) intra-abdominal surgery due to pregnancy.

He receives benefits for expenses covered by Major Medical which he incurs while he is totally disabled and within six months after total disability ends, up to two years for any one cause of disability. The two-year period starts on the date employee's covered expenses equal that portion of these expenses employees stands.

Total disability, in this plan, is sickness, or non-occupational accidental injury, or intra-abdominal surgery due to pregnancy which keeps employee from doing any and every duty of his occupation or employment. The attending physician must certify in writing to such disability.

Each accident is one cause. Each sickness is one cause, and all sickness causes an employee has at the same time are considered as one cause. All related causes of sickness are one cause whether or not the employee has them at the same time.

Covered Expenses

1. Physician's Services. Charges by physicians for surgical operations and for other medical care and treatment. This includes home, hospital and office visits.

2. Nursing Care . Charges by trained nurses for nursing care. The nurse cannot be a member of employee's immediate family or one who usually lives in employee's place of residence. The physician must approve nursing care in writing.

3. Hospital Services. Charges by a hospital for room and board up to $25 per day, and all other hospital charges for medical care and treatment except nursing care and attendance by physician. The physician must approve the hospitalization.

4. Ambulance Services. Charges for professional ambulance service to and from the hospital.

5. Charges for the following if approved by the physician and not included under any of the previous items:

   a. X-ray and laboratory expenses
   b. Physiotherapy
   c. Anesthetic
   d. Medical supplies

6. Intra-abdominal Surgery for Pregnancy. Charges for covered expenses for intra-abdominal surgery due to pregnancy. Also covered charges thereafter due to such pregnancy. A Caesarean Section, for example, is intra-abdominal surgery. Pregnancy must occur while employee is insured under Major Medical as evidenced in writing by the physician.

7. Dental Work. Charges for dental work or procedure, but only if needed because of accidental injury to natural teeth.

8. Eye Refractions . Charges for eye refractions and eye glasses or the fitting of glasses, but only where needed due to injury or disease of the eye.

Expenses Not Covered

1. Charges due to injuries received while doing any act or thing pertaining to any occupation or employment for remuneration or profit, and for disease payable under workmen's compensation or similar law.

2. Hospitalization while employee is in a hospital which makes no charge.

3. Services received in a hospital operated by the United States of America or an agency thereof.

4. Charges due to war, declared or undeclared, or any act of war.

5. Charges for pregnancy or resulting childbirth, abortion or miscarriage, except as set forth in item 6 under Covered Expenses.

6. Charges for dental work or procedures, except as set forth in item 7 under Covered Expenses.

7. Charges for eye refractions, glasses or fitting, except as set forth in item 8 under Covered Expenses.

8. Charges for any one cause for more than the six month and two year periods as discussed in this study.[24]

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24. Ibid.

CHAPTER IV

COLLECTIVE BARGAINING FOR FRINGE BENEFITS

History of Union Attitude

While there is general agreement that wage controls have been a major factor in the increasing number of fringe benefits clauses in labor contracts, not all unions have emphasized this aspect of their demands in their bargaining nor in discussing fringe benefits with members. Some unions have stressed the health needs of workers in requesting employer support of health insurance. The following excerpts from statements or comments of union officers are typical of these:

> "In the pre-collective bargaining era of industrial relations employee welfare plans flourished and were popular among some employers, frequently as a device to stave off organization of the workers . . .
> "For many years trade unions regarded these paternalistic plans with hostility and suspicion . . .
> "Within the past few years, however, intensive discussion of cradle-to-grave security plans have also had their repercussions in employer-employee relations. The vast army of organized workers, not content to wait for possible legislation, have pressed for the attainment of some of these benefits now as a complement to the weekly payroll check. Workers want these benefits as part payment for their labor and not as a grant bearing the stigma of charity . . .

> "A modern and progressive Union concerns itself with the health of its members as well as with the question of wages, hours, and general working conditions."[25]

The present day attitude of unions that employee retirement plans are a term or condition of employment, and therefore subject to collective bargaining, is but a further development of the now accepted practice of bargaining on group life insurance, accident and sickness benefits, hospitalization, and other forms of fringe benefits.

Traditionally most unions, especially those affiliated with the AFL were concerned only with pay rates, hours of work, and physical working conditions. The province of fringe benefits was left entirely up to management. Union interest in employee benefits received its great impetus during the World War II years, when salary and wage increases were restricted under stabilization regulations. Under these regulations, as mentioned in Chapter II, company contributions were permitted for old, new or expanded insurance coverages as well as for Treasury-Department-approved employee retirement plans. This special treatment of insurance and pension coverages offered unions an indirect method of obtaining a salary or wage increase.

Unions availed themselves of the opportunity -- particularly in cases where contributory employee insurance and disability benefit plans were already in effect -- by merely changing the program to a company-pay-all basis, and the

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25. Industrial Relations Section, Group Health Insurance and Sickness Benefit Plans in Collective Bargaining, Princeton University, New Jersey, 1945. p. 19.

employee obtained an effective increase in pay to the extent of the contributions he would otherwise have made. In other situations the expansion of an old plan under collective bargaining, or where no sick plan was in effect, the establishment of a new plan, constituted at least something union leaders could point to as having been achieved for their membership.

Generally management, sincerely interested in giving pay increases and capable of doing so as far as earnings were concerned, was sympathetic to union requests for bargaining on these so-called fringe demands. The practice became especially prevalent in the garment industries. In some cases -- where management in other types of industries refused to bargain on these issues -- the National War Labor Board issued directives that such plans be a subject for collective bargaining. The culmination of this phase of collective bargaining was the "welfare fund" concept of the United Mine Workers of America championed by John L. Lewis when the mines were taken over and run by the government. Since that time there has been a verifiable flood of demands for welfare funds, usually to include insurance, disability and hospitalization benefits. In most cases these plans have taken the form of group coverages with the life insurance companies.[26]

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26. American Management Association, Trends in Employee Health and Pension Plans, Personnel Series No. 118, New York. p. 6.

Strengthening of the Union

Union leaders and employers recognize the impact of group insurance in the labor contract upon such intangible factors as prestige and loyalty as well as upon the union's aims towards a wider subject coverage and a wider bargaining area. The attitude of many unions towards group sickness insurance plans has changed radically with the change in sponsorship of the plans. Conflicting reactions towards group insurance seem to have appeared principally in unions whose members have had no previous experience with benefit plans. Representatives of these unions reported an almost equal division of attitudes between those who looked upon the group insurance as a most desirable gain and those who accepted it unenthusiastically as a poor substitute for a wage increase.

One union officer felt that both members and employers preferred a wage increase to the group insurance coverage and that the program could never have been negotiated except for the peculiar conditions of wartime.

On the other hand, judging from announcements concerning group insurance in union periodicals, there is no need to convince members of the value of the new plan if they have previously been protected by a company or union benefit program. The change from a benefit offered gratuitously or on a contributory basis under the employer's auspices to one set forth in the labor contract is felt to strengthen a plan already accepted as a good thing. Where the union has gained liberal sickness benefits at company expense for members who have had experience with less adequate benefits paid from the union's treasury, member respect for union bargaining power is likely to be enhanced.

The effect of fringe benefit plans on member attitudes, as stated in a union periodical, reported that a lukewarm reception of a fringe benefit changed to enthusiasm as members in various locals began to receive benefits. To give an impetus to this change in attitude, some unions hold mass meetings to announce the acceptance of the plan by the employer and to stress the importance of the benefits provided. News items referring to members who are ill and collecting benefits are sometimes a regular feature of a union periodical.

While most unions which have succeeded in getting group insurance into the labor contract are stressing the value of the gain to their members in the ways mentioned above, in some cases the insurance is being used more directly to build up the union. For instance, the publicity to develop greater appreciation of the insurance among members has sometimes been helpful in organizing other workers. The designation of the union as the administrative agency through which claims must be presented and benefits paid is expected to strengthen the bonds between the union and its members.

The requirements in a number of cases that employees, to be eligible for fringe benefits, must be in good standing in the union, gives an additional incentive to the prompt payment of dues.

Employer Attitudes

While the condition of comparatively low cost to the company had been a definite factor in management's willingness to go along with the union in group sickness insurance, more positive benefits to the employer have also entered into the picture. The chief benefit sought in some recently inaugurated insurance plans has been to gain an advantage in securing and holding employees in a tight labor market. Management hoped that the adoption of an insurance program would reduce turnover both because of the protection afforded workers and of its evidence of management's willingness to give the employee as much financial compensation as possible under wartime restrictions.

A common point of view of employers in a highly competitive labor market was expressed by an officer of an employers' association who gave four reasons for the acceptance of group insurance and fringe benefits:

> "1. The hope that the plan would help to stabilize employment. Turnover was extremely high and there was much 'pirating' of labor. Employers felt that a broad insurance program, with benefits dependent upon the employee having been employed by one employer for a certain length of time, would help to persuade workers to stay on one job.
>
> 2. Employers felt it was a case of paying the money for insurance for their employees or to Uncle Sam in taxes.
>
> 3. Employers were willing to grant additional wage increases but could not because of wage restrictions.

4. The leaders of the association were 'labor minded' and felt that a broad social security program would be worthwhile."[27]

Company Benefit Plans Liberalized through Collective Bargaining

The National War Labor Board decision that employer refusal to incorporate existing company benefit plans in the labor agreement is tantamount to refusal to bargain under the National Labor Relations Act has brought a number of existing company fringe benefit plans into the collective bargaining agreement. Implicit in this decision is the principle that such plans cannot be changed or terminated without the union's consent.

The extent of union pressure on this point has varied from union to union and company to company, but there are many indications that union influence cannot be measured alone by the number of benefit plans now included in labor contracts. Many unions have had influence in liberalizing certain company benefit plans even though these plans have not appeared in the labor contract.

Determination of Fringe Benefits

It is generally agreed by authorities interested in private health insurance plans that no single ideal program can be evolved to meet equally the needs of different employee groups. Instead, the necessity for "tailor-made" plans is stressed, with the determination of the amount and duration of

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27. Industrial Relations Section, Op. Cit., p. 25.

particular benefits according to the type of protection considered most helpful for the specific group. The type of health insurance protection sought by the over-whelming majority of national and local unions consists solely of cash benefits. This financial assistance is felt to be of prime importance and a step toward employee security. The benefit programs of some unions demonstrate the viewpoint that preventive care should constitute the core of a sickness benefit program.

The first question in the development of any group insurance program is how much and what kind of protection can be purchased by a given percentage of payroll. The entire fringe benefit program is usually taken into consideration before the details of any one type of benefit can be outlined. Unions and employers, negotiating and planning an insurance program should avoid the dangers of "window dressing", such as extravagantly high benefits in unusual cases offset by inadequate protection for the more common disabilities. Since a specified percentage of employer payroll will buy a limited amount of insurance, care must be exercised in deciding what benefits will give the most protection to the greatest number of insured employees for the agreed upon premium.

Whatever the plan, determination of cash benefits must take into account any special needs of the group, their normal earnings, the percentage of women to be insured, the percentage of married employees and the compostion of the group.[28] Benefits may also be influenced by rates paid in a previously established plan in the company or even in the industry.

The duration of benefits and the length of the waiting period are related to each other and the amount of the benefit to be made available. A high average age and a high turnover make premiums prohibitive. The opinion of one insurance broker is that the two basic ingredients for a sound fringe benefit program are stable employment and a constant injection of younger employees into the working force.

Hospital benefits . Although benefits for hospital care are an accepted part of most insurance plans inaugurated through collective bargaining, opinions differ as to whether these benefits should be given as cash payments or as direct hospitalization under Blue Cros or similar plans. The cost of cash hospital benefit coverage varies according to the age and sex of members to be covered. Blue Cross hospitalization costs vary geographically. One union advises its local negotiating committees to check the community hospital rates before deciding whether cash benefits would give the same degree of protection that Blue Cross plans would give.

Those in favor of including hospital benefits on a cash indemnity basis argue that it is cheaper to carry, and that this is emphatically true if the percentage of men is high or the age is fairly low. Although the case awards do

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28. Ibid., p. 56.

not totally reimburse workers for hospital expenses they nevertheless give aid to such a degree that the employee can probably carry the rest of the expense. The money thus saved can be used more effectively for greater liberality in weekly disability benefits, or for surgical or hospital benefits for dependents. In addition, one union leader felt that Blue Cross hospitalization insurance is "too expensive for low-income workers", and another felt that it is aimed to meet the needs of the middle-class income group and that the low-income group cannot afford it. A selling point used in favor of cash hospital benefits is that these cash benefits have a longer duration than Blue Cross plans.

As opposed to these views, a member of an insurance consulting agency stated:

> "When the sum of money available to the union for the purchase of group insurance is limited, the union has to determine the value of the various kinds of benefits to be purchased. In that connection, we believe that benefits for catastrophic illness should be more comprehensive because the bills to the worker are greatest in such illnesses and accidents. It is for this reason that the Trade Union Agency recommends hospitalization benefits which are all inclusive. On the other hand we feel that hospitalization benefits which provide a daily cash indemnity considerably below the actual room charges and which provide little or no payment for the miscellaneous hospital bills such as operating room, x-ray, anesthesia, etc. are useless and do not meet the workers' real needs."[29]

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29. Rufus C. Rorem, Blue Cross Hospital Service Plans, American Hospital Association, March, 1944, Chicago. p. 76.

Other persons also point to the all-inclusiveness of the care provided by Blue Cross, and that payment allowed for "extras" does not begin to cover the miscellaneous charges for hospitalization which, depending upon circumstances, may amount to a large sum of money. "Red-tape" is lacking in hospital care plans, as a worker needs only to present his Associated Hospital Service card to receive hospitalization. This method is simpler than the required procedure under cash plans of paying the hospital bill, then submitting it to an insurance company for partial reimbursement. The following figures tends to refute the claim regarding the value of the longer duration of the cash benefits for hospital expenses. "Approximately 95 percent of all hospitalized Blue Cross subscribers are discharged within 21 days after admission" and "more than 75 percent are discharged within ten days".[30] Insurance for hospital care by Blue Cross is, furthermore, available on an individual basis when the health insurance plan or the employees' work terminates, while with cash benefits it is impossible for individual employees to retain this coverage.

Group Life Insurance. The importance of group life insurance as an integral part of a benefit plan is usually stressed by union representatives. Group life insurance covers all employees regardless of age or physical condition and gives protection to many workers who are unable to purchase it individually. Most group policies combining life insurance with sickness and accident benefits include a total and permanent disability clause, which

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30. Ibid.

continues the life protection without charge to employees who are wholly disabled before they reach the age of 60 and unable to work. Death benefits offered under union-insured plans are rarely as liberal as group life insurance, and in none of the plans studied do they include a total and permanent disability clause. The writer has briefly discussed and illustrates in Chapter III various group insurance plans currently offered and administrated by a national food chain organization.

The cost of life insurance has been estimated as representing one-fourth to one-third of the total cost of many group health insurance programs, and the amount of the life insurance to be provided is usually determined according to the age and the status of the group to be covered. For groups with a large percentage of married men with dependents, the minimum amount of coverage is usually set at a sum roughly equivalent to the employees' average yearly earnings. If single workers without dependents comprise a large part of the employed group, life insurance may be of little interest. Some workers would, in fact, prefer that life insurance be excluded from the benefit coverage and the resulting saving be applied to more liberal weekly disability, hospitalization, and maternity benefits. This is particularly true of groups comprised of a large percentage of women employees who expect their husbands, real or potential, to provide life insurance protection, and equally true of groups who are working part-time and expect to leave the company.

Surgical Benefits. The age, sex, or status of the group covered appear to have small effect on the determination of the amount of cash reimbursements for surgeons' fees. Most companies will pay this benefit regardless of where it is performed or whether time was lost from work, so long as it is performed by a licensed surgeon. In determining the schedule of surgical benefits to be included in a specific benefit plan, many interested parties are extremely critical of high cash benefits offered for uncommon operations, and stress the need for adequate benefits for simpler operations likely to occur most often among the group insured.

Maternity Benefits. Provision for payment of sickness and accident benefits, hospital benefits, and surgical benefits in maternity cases is of great importance to female employees under age 40. If such are in the majority, plans often trim the life insurance and other features in order to give some coverage for the costs of maternity care. The fact that this is an expensive benefit to include has prevented many health insurance plans from offering it. The Executive Director of the Associated Hospital Service of Philadelphia made this statement about the other costs of maternity benefits:

> "Obstetrical care is a significant part of the cost of any health insurance plan -- as much as 25 percent of all hospital or medical expenses of plans being used for this purpose, but health insurance which makes no provision for maternity care

would be inadequate. It is a part of the health insurance coverage that subscribers want and will pay for, and its provision and cost must be considered."[31]

Accidental Death and Dismemberment Benefits. This benefit, available for disability resulting from the loss or impairment of limbs or eyes, or for accidental loss of life, is usually included in those programs with life insurance underwritten by the large standard insurance companies. It appears also in two national union plans, one of which has no life insurance and the other, a union-administered death benefit plan. One insurance consultant felt this was not as vital to the protection of employees as are weekly cash benefits, hospitalization, surgical benefits, or life insurance, but was an attractive selling point, and certainly of assistance in rare cases where a benefit could be claimed.

The amount of this benefit is scaled in two different ways. The most common method is the payment of a sum equal to either half or the whole principal amount of insurance, depending on the extent of the loss. These policies usually will pay this benefit, regardless of the cause of the impairment, in addition to the weekly sickness, surgical, or hospitalization benefits that could be claimed as a result of the accident. The beneficiary actually receives double the principle sum of life insurance if death of the insured results from an accident. The other method is to grant a lump-sum payment

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31. E. A. Van Steinwyk, Health Insurance in America, Chamber of Commerce of the United States, January, 1945, p. 35.

equal to 30 or 60 weeks of disability benefits. (See Chapter III for specific provisions applicable to group insurance plans currently offered by a national food chain organization).

Determination of Financial Arrangements

When group insurance becomes part of the collective bargaining agreement, two methods are followed in securing employer contributions for the benefit plan. One device is to insert into the labor contract a schedule of specific benefits to be provided, maintained, and administered by the employer. The majority of health insurance plans established through collective bargaining, however, provide for a specific percentage of employer payroll to be used to finance an insurance plan. Although neither of these plans has been in operation for a long enough period to bring problems involved in these two methods into sharp relief, the following general problems have been mentioned by some food chain organizations, unions, and insurance representatives.

Small employee groups. Most insurance companies and some state insurance laws restrict group insurance coverage to groups of at least 50 workers. Insurance plans inaugurated by the first method -- that of specifying precise benefits for those covered under the contract -- are impossible for fulfillment if an employer has less than this number on his payroll. Some independent super market operators, therefore, have often acted jointly through their independent association, not only in collective bargaining, but to provide a large enough group to purchase a group insurance policy. In some places where no association previously existed, they have been formed in order that union members employed by small independents may be covered.

Administrative problems. Health insurance experts have long pointed out the need for effective administration for all group insurance plans. Sound administration is as important to the success of a health insurance plan as are accurate actuarial predictions. The plans discussed in this study are administered solely by the individual food chain organizations. However, problems which have been reported suggest some of the difficulties likely to beset health insurance plans established through collective bargaining.

Some problems have resulted from the ambiguous wording of a policy. A test case arose in one plan wherein a claim for benefits was filed for an illness not precisely denied benefits under the policy. Professional differences of opinion between the insurance company doctor and the insured employee's private physician, or between a private physician and a surgeon, also have caused difficulties in the settlement of claims.

The ease of obtaining a certificate from some doctors also makes the policing of claims difficult, especially when, under present employment conditions, an insurance company is unable to retain a full staff of investigators. The president of one insurance company stated that it was often cheaper to pay a claim than it was to quarrel about it.

Summary

The epxerience of union fringe benefit plans has shown that payment from a fund to which all have contributed and in which all have some interest does not prevent unjustified claims for claims. Claims are likely to increase most seriously in times of widespread unemployment, but in good times and bad, the claim rates of a few locals of the national unions paying benefits have been likely to get out of hand and to require threats of investigation or stronger control by the national office. This control has been exercised both by financial means, and by stricter procedures for medical certification for benefits.

By and large, claim experience in group insurance administered by the employer seems to have been excellent except during the period of great unemployment in the early 1930's and during that of labor shortage created by the war.

The inclusion of group insurance in collective bargaining contracts is almost wholly a wartime development. Whatever a union's motives in demanding employer financing of new or liberalized insurance, the principal aids to union efforts in this area have been wage stabilization, the profit and tax situation, the policies of the War Labor Board, and other wartime conditions.

CHAPTER V

CONCLUSION

The interest and recognition of fringe benefits in the food industry is not a recent innovation. As far back as 1934, Paul and John Cifrino of Boston instituted employee benefits,at that time practically unknown in the food retailing industry. When they opened a new market in 1934, among the first benefits the Cifrinos provided for their employees were:

"1. A medical center for the health of their employees where a physician and nurses were in constant attendance and where a violet-ray machine, infra-red lamp and a short-wave diathermy instrument were available for employees.

2. Quarterly bonuses to all employees.

3. Free lunches and suppers to all employees.

4. A social recration hall for frequent assembly of employees."[32]

Many food chain organizations, at the present time, have formal, well-considered fringe benefits plans. For the most part, retirement plans have been formulated under the requirements of the Federal Internal Revenue Code and of the regulations of the Commissioner of Internal Revenue, so that the

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32. M. M. Zimmerman, The Super Market, McGraw-Hill Book Company, Inc., New York, 1955, p. 281.

contributions of the employer are tax deductible and the benefits afforded the employee are taxable as income on a deferred or limited basis.

Among the large food chain organizations, some form of retirement plan is practically universal. In fact, in the competition among the large food chains to recruit and retain a desirable and steady labor force, the employer with a desirable pension plan has a decided advantage.

Retirement plans in the food industry exhibit the same differences prevailing generally in other businesses. There is a considerable variation in the amount of benefits payable to the employee upon retirement. In some cases, the whole cost is borne by the employer, while in other cases the employee makes contributions from his compensation and the employer pays the balance, generally more than half of the total cost. Some retirement plans are tied to the profits of the business; that is to say, the contribution of the employer is a percentage of the annual profits. This necessarily brings up the subject of contributory versus noncontributory fringe benefit plans.

Contributory vs. Noncontributory Plans

During the war years, noncontributory group insurance plans were popular. High taxes were responsible to a large extent for this trend, as the employer could deduct these insurance premiums as a business expense in computing his federal income tax.

Noncontributory plans were also installed as a substitute for wage increases, which were controlled by the Federal Government. For the same reason, union leaders were active in attempting to obtain employee benefit programs financed by the employer. Many questioned the wisdom of the employer assuming the entire expense. Authorities in the field of employer-employee relations believed that workers were more appreciative of a benefit in which they shared in the cost. A majority of the Super Market Institute members who have such plans seem to agree. Contributory fringe benefit plans among these members are as follows:

1. group insurance plans 72%
2. group insurance plans 68%
3. retirement plans . . . . 50%.[33]

Other arguments were raised in favor of joint employer-employee contributions. The time may come when the employer can no longer carry the entire expense of these "extra" wage payments. These costs should be shared jointly so that the employer can afford to carry his portion in times of depression as well as prosperity, rather than to establish an ambitious noncontributory program which the employer may be forced to abandon as profits diminish.

An argument in favor of a contributory plan is that more adequate coverage may be provided if the employees share in the cost. Also, the employees will better understand the cost of an insurance program. They will

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33. The Super Market Industry Speaks, 1950, Super Market Institute, 1950, p. 28.

also realize that if more liberal benefits are provided, additional contributions will be necessary. If employees make substantial contributions, there is far less likelihood of discontinuance of the plan during a period of business recession.

A list of employee benefits currently offered by a mid-west food chain; the amount paid out by the Company in 1954 for each; and the amount received by the "average" employee during the year is shown in Table IV. The "average" was computed by dividing the total amount paid out for each program by the average number of employees on the payroll during the calendar year.

It should be noted that this table, which indicates the dollar value of the average employee's share of benefits, is hypothetical for several reasons:

1. Many "newer" employees (from the standpoint of having accumulated a minimum amount of service credit with the Company) have not earned eligibility to participate in or qualify for some of the benefits listed. For example, an employee must have accumulated three years of continuous service credit and be at least 26 years of age to qualify for participation in the Retirement Pension Plan. He must also be on the payroll for one year to qualify for vacation benefits, et cetera.

2. Part-time employees, in most cases, do not quality for employee benefits.

3. A good many more than the 3,133 "average" number of employees actually appeared on payrolls throughout the year, primarily because of the more frequent turnover of part-time retail store employees.[34]

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34. A mid-west food chain company publication, December, 1955.

For the above reasons, it is more realistic to examine a few of the benefit programs by comparing company expenditures for each with the actual number of employees participating in each benefit throughout the year. It is interesting to note the extent to which the Company's cost has increased in 1955 over 1954. (See Table IV).

It is also an interesting fact that as compared to the Company's share of Group Insurance premium, which amounted to $106, 544.00 in 1954, employees paid only $71, 028.00 in the form of premiums, so it becomes very apparent that the Company pays a large share of the cost of group insurance. Also, last year, employees received $123, 861.00 in benefits to themselves and their families, so it can be said that the Group Insurance plan is a "good deal" because employees are receiving nearly twice as much in benefits as it costs them in the form of premiums.

Fringe benefits are "growing". In 1954, contributions to the Retirement Pension Plan amounted to $179, 368.00 and during this same year a total of 937 employees participated in the Plan; but in 1955 the Company's costs have climbed to $222, 573.00, an increase of about 24 percent, and over 10 percent more employees. A total of 1, 048 company men and women are now assured of the Plan, assuming they continue on the payroll. The Company assumes the entire cost of pension plan premiums.[35]

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35. Ibid.

TABLE V[36]

Fringe Benefits

		Group Insurance Plan	Retirement Pension Plan	Military Bonus
Cost to Company . . .	1954	$106,544.00	$179,369.00	$2,589.00
	1955	$158,101.00	$222,573.00	
Number of employees participating	1954	1,454	973	15
	1955	1,878	1,048	
Employee's share per year	1954	$ 73.28	$ 191.43	$ 172.00
	1955	$ 84.19	212.37	
Employee's share per month	1954	$ 6.11	$ 15.95	
	1955	$ 7.02	$ 17.69	

36. A mid-west food chain company publication.

TABLE VI[37]

Fringe Benefit	1954 Cost to Company	Average No. Employees on 1954 Payroll	1954 Shares per Average Employee
1. Group insurance plan	$ 106,544.00	3,133	$ 34.01
2. Retirement pension plan	179,369.00		57.25
3. Military bonus pay	2,589.00		.83
4. Vacation pay, holiday pay, paid relief periods	751,664.00		239.92
5. Workmen's compensation	64,413.00		20.56
6. State and Federal unemployment insurance	61,896.00		19.76
7. Social Security tax	166,342.00		53.09
8. Personnel services (Employee Christmas gifts, employee magazine, service awards, medical costs, employee welfare, etc)	24,591.00		7.85
TOTALS	$1,357,408.00		$433.27

1954 Total Value per average employee per month $36.11

The above study does not include an analysis of all employee benefits because of the difficulty of determining the annual costs of certain benefits, such as jury duty pay, sick leave pay, separation pay, and Credit Union subsidy.

37. A mid-west food chain company publication.

The first available statistics showing the progress made by the food industry in providing employee benefits and incentives were presented at the 1950 convention of Super Market Institute, which then had a membership operating 5,203 stores, of which 3,782 were super markets. The figures shown in Table VII represent a good cross section and sample of the food industry.

TABLE VII[38]

SMI Members Offering Employee Benefits, 1950

	Percent
Health insurance	59
Group life insurance	50
Retirement plan	14
Profit-participation plan	
For store managers	60
For store department heads	48
For supervisors	29
For all store employees	18

In the "1955 Super Market Industry Speaks", the following figures were revealed. Three out of four companies (73 percent) have group health insurance

38. M. M. Zimmerman, Op. Cit., 1. 283.

and three out of five (59 percent) have group life insurance plans. Most of them provide these benefits for every single full-time employee.

Retirement plans for store employees are in effect in 16 percent of the Super Market Institute member companies -- for all full-time employees in 12 percent, and for managers and department heads in 4 percent.

In 58 percent of the life insurance plans, and 57 percent of the health insurance plans, the employees contribute toward the cost. Retirement plans are contributory in 42 percent of the existing plans.

Bonuses and profit participation plans are quite popular with the Super Market Institute members -- 68 percent give bonuses (half of these to all full-timers) and 33 percent have a profit participation plan (12 percent for all full-time store employees). It should be noted that some companies with profit sharing give bonuses to employees who are not included in the profit participation plan. In some companies, profit participation is combined with a retirement plan. An opportunity to purchase company stock is provided to store employees in 12 percent of the companies.

The use of fringe benefits and, to a lesser degree, incentives increases with company size. Impressive as the above figures are, therefore, they tend to understate the extent of benefits and incentives -- since the larger companies while fewer in number, employ more people.[39]

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39. Super Market Industry Speaks - 1955, Super Market Institute, 1955, p. 28.

The business purpose served by fringe benefit plans is, ~~of course~~, one of the primary reasons for instituting them. That purpose is, ~~in general~~, the improvement of employer-employee relationships, a purpose that may be served both by pension plans and by profit-sharing plans. Some people feel both of these plans are synomynous and inter-related. The writer has devoted Chapter II to pension plans but has purposely omitted profit-sharing plans because there are some differences between the two which require consideration.

A profit-sharing plan will appeal more strongly to younger employees. The young man will be little concerned with the security of his old age afforded by retirement plans. While there are undoubtedly many exceptions to this rule, still this is a matter which an employer will want to consider in making decisions which fringe benefits to include.

Since an employee's interest in the profit-sharing trust-fund grows in direct proportion to the profits of the business, it may be considered that the profit-sharing plan is a more immediate and urgent incentive to loyalty and efficiency.

For many RESTAURANT food chains ~~organizations,~~ however, the choice between the two kinds of plans will be dictated by a very important difference between the two: while the pension plan ordinarily involves an annual commitment of the employer to make the necessary contribution, the profit-sharing plan commits the employer to make contributions out of profits. If there are no profits, or if the profits do not reach a stipulated level fixed by the plan, the employer makes no contribution for the year involved and cannot be charged with a breach even of a moral obligation.~~[40]~~

Fringe benefits are sometimes referred to as "hidden wages", but they are far from hidden to the cost accountant who must calculate the total costs of operation as they relate to prices charged the consumer. In recent years these items have grown substantially both in diversification and in total magnitude. Today, they equal approximately 20 percent of direct payroll costs.

Fringe benefits are a major item in employment contracts. There is a grave danger that a runaway expansion in these benefits may get under way in future years and do considerable damage to our economic system.[41]

It would be impossible to study and evaluate all the various fringe benefits that are currently being offered by restaurant food chain ~~organizations~~ to its employees. Many wage "extras" actually go into the employee's pocket in the form of premium pay for holidays worked, regular pay for holidays not worked, overtime premiums, vacation payments, profit sharing payments, bonuses, special awards and many other varieties of fringe payments paid in the paycheck during the work year.

Other fringe items, while not showing in the paycheck, are directly translated into operating costs in that the employer must pay for them in just

40. Pension and Profit Sharing Plans, Super Market Institute, Inc. p. 11.

41. National Industrial Board, Management Record, September, 1954, p. 338.

the same sense that is pays weekly wages. These include such costs as Old Age and Survivors Insurance, unemployment compensation, Workmen's Compensation, and other social security payments. To these must be added pension plan premiums, life insurance premiums and a wide range of death benefits, sickness, hospitalization, accident, dependency and related insurance premiums plus set aside costs for severance pay and sick leave. Even beyond this incomplete list, every ~~food~~ chain ~~organization~~ knows that labor costs are increased by vitue of vacations paid rest or break periods, time off for jury duty, days off for funeral attendance, voting pay allowance, etc.

Computing the Costs of Fringe Benefits

Unfortunately, there is no ready answer to the question of costs, because there are so many ramifications to the problem. Among the important factors affecting costs are: (1) the benefits which the company considers belong in the category of fringe benefits and (2) the accounting procedures used in determining these costs.

While the cost of employee benefits may amount to a large sum in the company's payroll, on either a cents-per-hour or percentage-of-payroll basis, food chain organizations generally fail to impress upon their employees the magnitude of the amounts that are being expended for all these benefits. The writer has received several pamphlets describing fringe benefits of various food chain organizations, but very few of them contain items on total costs although they may show costs for specific activities.

Another possible way to highlight these costs is through the company annual statement. These statements may be sent to employees as well as to stockholders. Some companies have an annual statement prepared for employees and in a number of cases publish the annual statement in abbreviated form in the employee magazine.

Need for Research on Benefits

One of the greatest needs today in the field of health, welfare and pension planning is the establishment of proper groups within management to undertake long-range objective thinking and planning on all types and phases of employee benefit programs. As stated in this study, these fringe benefits involve annual costs of 15 to 20 percent of payroll. The end is not yet in sight.

Progressive food chain executives are thoroughly sold on the idea of research in store location, store layout, product planning and distribution. Relatively few companies are doing any research and planning on their employee benefit programs, one of the most important and costly aspects of modern business.

Labor-Management Relations

The trend, in recent years, has been towards the inclusion of new fringe benefits and the broadening of existing ones in union contracts. This movement stems from the desires of many employees to avail themselves of certain additional security advantages as a part of the terms and conditions of their employment.

This study will treat the AFL-CIO as two distinct federations to further clarify union influence in collective bargaining for fringe benefits.

As stated in the previous chapter, the principal aids to union efforts in bargaining for fringe benefits have been wage stabilization, the profit and tax situation, the policies of the War Labor Board, and conditions prevailing during and after World War II.

Both the American Federation of Labor (AFL) and the Congress of Industrial Organization (CIO) have figured prominently in retailing unionization drives. Within the AFL, three different unions represent substantial numbers of retail store employees. These are the Retail Clerks International Association, the Brotherhood of Teamsters (representing principally delivery and warehouse employees), and the Building Service Employees International Union (representing chiefly service and maintenance employees). These three unions have not usually cooperated in carrying out a coordinated plan for organizing all employees in a particular store and have frequently been engaged in conflicts that have involved jurisdictional claims and tactical procedures.

This problem is well depicted in an excerpt taken from a circular, "Welfare Programs", published and distributed by the American Stores Company:

> "Runaway competition between rival Unions, or factions, each striving to outdo the other in point of liberalizing benefits to members, even now is threatening to run some Programs up a dead-end street. Power politics, masquerading as Santa Claus in this field, may be depended upon to sound taps for many a Welfare Program in the years ahead.
>
> In this respect history merely is repeating itself, for many a beneficial organization in years gone by has landed in the financial boneyard, because their administrators persisted in piling on more of a load than the traffic could bear."[42]

Within the CIO, attempts have been made to organize all employees of a store within a single union. This has been the purpose of the Retail Wholesale and Department Store Union and the Amalgamated Clothing Workers. Both of these unions have experienced considerable difficulty in organizing retail store employees, and together, they represent a much smaller number of store workers than the various AFL unions.

The effects of unionization have been much more far-reaching than the specific demands made by unions in organized stores. Some organizations, partly because of competitive circumstances and partly because of a desire to avoid union difficulties, have often found it necessary or advisable to pay wages and grant fringe benefits similar to those won by collective bargaining in organized stores in the same region. The spread of unionism since 1935 has

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42. American Stores Company, Welfare Programs.

undoubtedly been a most significant factor in influencing many management decisions to appraise their employer-employee relationships, liberalize employee benefits, and, in general, to give more careful consideration to the adoption of sound personnel policies.

Good labor-management relations are essential for the future success of any organization. The self-interest of the employee in fringe benefits necessarily blends with that of the employer, in a common desire to arrive at certain mutually desired objectives. Since neither the employee alone, nor the employer alone, can achieve these objectives without the friendly and helpful cooperation of the other, these fringe benefits plans offer a good example of the principle of inter-dependent mutuality of interests.

The writer believes that fringe benefits plans, properly organized and administered under experienced supervision, and conducted with due regard to the high responsibilities involved, will definitely serve as an asset in any adaptable organization. Finally, it must be remembered that before a fringe benefit plan can become effective it must be properly explained and communicated to the employees.

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