EMPLOYEE BENEFITS IN RETAIL FOOD CHAINS

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Everett Gordon Reid, Jr.

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This is to certify that the

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EMPLOYEE BENEFITS IN RETAIL FOOD CHAINS

By

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CHAPTER I

INTRODUCTION

Purpose of the Study

This is a study of employee benefit programs in retail food chains. The number of employee benefit programs in all types of companies has greatly increased since World War II. By the end of 1949, nearly seventeen million persons were covered by group life insurance.[1]

According to a National Industrial Conference Board study of two hundred and sixty-one companies (not necessarily in the food industry), the foremost reason for this growth seemed to be the desire on the part of the companies to provide their employees with a sense of security and to put aid to employees on a businesslike basis without favoritism.

By providing employees with a sense of security and freedom from worry, the benefits program has added to employee morale and bettered employer-employee relationships. According to members participating in the above study, factors working against the effectiveness of benefit programs in improving morale and employer-

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[1] Life Insurance Association of America. Annual Report 1949.

employee relationships are the numerousness of such plans and the human trait of taking them for granted after a time.[2]

Besides the above reason, however, there are other reasons why companies have adopted employee benefit programs. Some have used it as a weapon against unions. Others thought it might be a factor in reducing employee turnover.

During World War II when wages and salaries were regulated by the Federal Govetnment, many employees used benefit programs to attract and hold workers. Union leaders worked to get benefits as a substitute for increased wages for their members. After the end of World War II, benefit programs were championed by many because they were thought to be non-inflationary.

It is the purpose of this study to show what has been accomplished in this field by various sizes of retail food chains and to elaborate on the essentials of such benefits program. Costs are given for three unidentified plans under presumed conditions.

Scope of the Study

The study deals with the employee benefit programs of six retail food chains. It includes two national

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[2]National Industrial Conference Board, Incorporated. Studies in Personnel Policy, No. 112. January, 1951.

chains, Safeway Stores, Incorporated and the Kroger Company; two regional chains, Colonial Stores, Incorporated and the Grand Union Company; one sectional chain, Stop & Shop, Incorporated; and one local chain, Wrigley's Stores, Incorporated. The information was obtained by writing to the personnel heads of the above companies. This study is not to be considered a survey, nor are the benefit programs of these companies to be considered necessarily typical of their classification. It is not wise to consider any single food chain's benefit program as typical, because each one should be tailored to individual needs.

No attempt has been made to cover union-negotiated benefit programs. Suffice it to say that they are similar to company-sponsored programs, though union leaders usually strive for greater benefits and in some cases succeed.

Review of Literature

During the past several years, organizations like the National Industrial Conference Board, Incorporated and the American Management Association have devoted a large amount of space in their publications to various aspects of benefit programs indicating that they are important in our economy and improvements are necessary.

Some members of these groups are afraid that, if private programs prove inadequate, the Federal Government will step in and take over. Evidence of this can be found in Social Security Board publications. The board advocates federal sickness benefits to cover temporary disability, estimating the cost at 1 percent of payroll. It also desires social insurance against permanent disability and urges the passing of laws to provide medical care. The cost of this protection is estimated at 3 percent of annual earnings for basic medical and hospital care, or 4 percent for a more complete program.[3]

The Wagner-Murray-Dingell bill, introduced in June, 1943, was to provide disability benefits and medical care under supervision of the Federal Government. A revised measure was brought up in June, 1945, providing for a larger amount of old-age and survivors' insurance, permanent and temporary disability insurance, prepaid medical disability insurance, and prepaid medical and hospital care, including doctors' and specialists' attention. For complete coverage under the act, including medical and disability benefits and unemployment and old age survivors' insurance, employers and employees were each to pay 4 percent of wages up to $3,600 per year. The Federal Government was to make up any difference.

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[3]Disability and Medical Care Insurance. Social Security Bulletin. January, 1945.

This act did not meet with approval from doctors, who considered it not far removed from socialized medicine. Also many employers would rather provide the benefits themselves in preference to provision by the Federal Government.

Historical Development

Pension plans and paid vacations are two of the oldest employee benefits. Railroads or companies connected with them were the first to organize formal pension plans. The first formal pension was adopted by the American Express Company in 1875. Among retail food chains the Kroger Grocery & Baking Company was the first to come up with a formal retirement plan. It was adopted in 1925 and discontinued a year later.[4]

Of all group insurance policies, life insurance has long been the leader due to the fact that the death of the wage earner always has been a serious family misfortune. From 1911 to 1949 the value of group life insurance alone has increased from thirteen million to forty billion dollars. During the five-year period from 1945 through 1949, the number of workers covered by

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[4]Murray W. Latiner, Industrial Pension Systems, Industrial Relations Counselors, Incorporated. New York, 1932.

group life insurance rose from eleven million to almost seventeen million.[5]

Services like surgical benefits, group hospitalization, and group health and accident insurance, have been in existance only since the middle 1930s. Naturally, these services are increasing at an even faster rate than group life insurance. The greatest increase, however, has been in the coverage of dependents. Group hospital benefit contracts in this class numbered two and one-half times as many in 1949 as in 1945. Dependent's surgical benefit plans increased from 7,350 to 25,040 during the same period.

Present Importance

In the past the employer considered his obligation to the worker finished after he paid him. Of course, it is true that there were informal types of pension programs, but the employee had no idea how he would fare under them, if at all.

Today that philosophy has changed. There is a greater amount of social consciousness throughout American business and industry. The employer is beginning to realize that he has an obligation to the men who have spent their productive years in his employ.

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[5] National Industrial Conference Board, Incorporated. Studies in Personnel Policy No. 112. January, 1951.

Other men take the view that it is simply good business to relieve their employees of as much worry or lack of security as possible. They believe that a good benefit program pays real dividends. They feel that employee morale is increased, labor turnover rates are lower, and relations with their employees and the public are improved.

In this study Chapters II to VII inclusive are designed for the purpose of setting forth the highlights of employee benefit programs in effect within the retail food chain industry at the present time. The writer believes these programs compare favorably with others in enterprises operating on higher margins of profit.

CHAPTER II

SAFEWAY STORES, INCORPORATED

Marion B. Skaggs, founder of the what is now Safeway Stores, Incorporated, originated many of the principles of the mass marketing of food. Early photographs of his stores taken nearly thirty years ago show open mass displays and prominent price marking. Today the Safeway chain includes over two thousand stores located in twenty-three states and Canada and has over 37,000 employees. Sales in 1950 were $1,098,338,438. The company is the second largest retailer of food in the United States. Its main trading area stretches the length of California on the west to its eastern boundary of Arkansas and Missouri; it reaches as far north as Washington and Montana, as far south as Texas. There also are stores in New York, New Jersey, Maryland and Virginia.

Employee Retirement Plan

Employees of Safeway Stores, Incorporated are eligible to join the plan if they have completed at least five years of continuous service of 1200 or more hours per year and were not classified as temporary employees during this period. Employees also must have reached their thirty-fifth but not their fifty-fifth birthday. Regular part-time employees may qualify if they work one hundred and twenty hours per year and meet the other requirements.

Employees normally retire the first day of the month following their sixty-fifth birthday, but may stop work on or after their fifty-fifth birthday. Retirement income payments start on the first of the month following such retirement, however those payments are less than if the employee continued to work until age sixty-five.

Normally employees may not continue to work after age sixty-five, but this is allowed upon approval of the company. Contributions by the company and the employee cease in this event and retirement income does not start until actual retirement. The amount of income, however, remains the same.

Employees have the opportunity to select a joint and survivor option that will continue retirement income payments to a wife or husband after the member's death. There are two such options; one having a reduced income payable during the life of the member with payments of the same amount continuing for the life of the survivor; the other having a reduced income (but larger than the former) during the member's life with one-half that amount being paid during the life of the survivor after the member's death.

If an employee leaves the company before retirement, he receives his contributions with interest. Furthermore, if he leaves after he has completed twenty years of continuous service since his thirtieth birthday or after his fifty-fifth birthday regardless of service, he may leave his contributions in the fund and receive a retirement income based on the amount paid in. This income is not paid before age fifty-five.

If an employee dies before retirement and a joint and survivor option is in effect, the wife or husband receives retirement income payments starting the first of the month after the member's death. If no option has been elected or its effective date not reached, the employee's total contributions plus interest are paid to the beneficiary.

If an employee dies after retirement income has started and there is no joint and survivor option in effect, any balance of contributions plus interest remaining is paid to the beneficiary or estate. The same is true if both husband and wife die when such an option is in effect.

Employee contributions are 2-1/2 percent of annual earnings up to $3,600 per year and 5 percent of earnings between $3,600 and $7,200. Past service benefits are paid for by the company. (See Table 1.)

Both employee contributions and those of the company are paid into a trust fund with the City Bank Farmers Trust Company in New York City. The bank as trustee holds the money in the trust. None can be returned to the Company.[1]

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[1]Safeway Stores, Incorporated. Your Retirement Plan.

TABLE 1*

NORMAL RETIREMENT INCOME

ANNUAL EARNINGS	ANNUAL RETIREMENT INCOME FOR EACH YEAR OF PAST SERVICE	FUTURE SERVICE
$1,560 to $1,800	$12.60	$16.80
1,800 to 2,040	14.40	19.20
2,040 to 2,280	16.20	21.60
2,280 to 2,520	18.00	24.00
2,520 to 2,760	19.80	26.40
2,760 to 3,000	21.60	28.80
3,000 to 3,300	23.62	31.50
3,300 to 3,600	25.88	34.50
3,600 to 3,960	29.70	39.60
3,960 to 4,440	36.00	48.00
4,440 to 4,920	43.20	57.60
4,920 to 5,400	50.40	67.20
5,400 to 5,880	57.60	76.80
5,880 to 6,360	64.80	86.40
6,360 to 6,840	72.00	96.00
6,840 to -----	81.00[a]	81.00[a]

*Source: Safeway Stores, Incorporated. _Your Retirement Plan_.

[a]Plus 1½ percent of pay over $7,200 per year.

Vacation Program

A regular schedule of vacations with pay is provided for full-time employees on completion of a year of continuous service.

Credit Unions

It is company policy to authorize employees to organize and operate local credit unions where there are enough potential members to make successful operation possible. Payroll deductions are permitted for the convenience of credit union members. The company desires that all credit unions be chartered under federal rather than state law so as to maintain uniformity throughout.

Through the Comstock Advisory Service, the company supplies information concerning credit unions, assists local groups in obtaining their charters, and provides advice and counsel after each credit union is a going concern. During the initial stages, the company provides free office space for handling credit union business and allows employees to transact credit union business on company time. This aid is eliminated when the credit union becomes financially strong enough to pay these costs out of profits.

Any credit union so organized is entirely an employee undertaking for member employees and has no connection with the company.[2]

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[2]Safeway Stores, Incorporated. Policy Bulletin No. 174.

Group Insurance Benefits

Employees are eligible to participate after three months' service as a full-time employee or as an employee who works each week at least one-half of the Safeway Stores workweek.

Dependents who may be insured are a spouse and unmarried children over fourteen days and under nineteen years of age, including step-children and those legally adopted.

Group life insurance. The employee's amount of group life insurance, shown in Table 2, is paid in the event of his death from any cause.

As can be seen, the amount of life insurance is determined by the employee's wage. If he receives a permanent wage increase, the amount of his insurance is changed, provided he is at work.

If an employee is totally disabled and under age sixty-five when his insurance terminates, he is covered for one year free of cost following the termination date.

Upon termination of insurance by reason of leaving the employ of the company, the insured may change from the group life insurance to an individual policy under the Travelers Insurance Company. Application must be made within thirty-one days after leaving the employ of the company. If death occurs within this period, the amount of insurance is paid to a beneficiary, no matter whether the change has been made or not.

TABLE 2*

SCHEDULE OF INSURANCE

Weekly Wage	Life Insurance	Weekly Accident and Sickness
Under $ 18	$ 1,000	$12.50
18 to 23	1,500	15.00
23 to 26	1,750	17.50
26 to 32	2,000	20.00
32 to 38	2,500	22.50
38 to 45	3,000	25.00
45 to 55	3,500	27.50
55 to 70	4,500	32.50
70 to 90	5,500	37.50
90 to 145	7,500	42.50
145 to 195	10,000	42.50
195 and over	15,000	42.50

*Source: Safeway Stores, Incorporated. Group Insurance Benefits for Employees and Their Dependents.

Accidental death, dismemberment, and loss of sight benefits. The employee or his beneficiary is paid an amount shown below, if he suffers one of the following losses within ninety days of the accident:

Life	$1,000
Both hands, feet, sight of both eyes	1,000
One hand and one foot	1,000
One hand and sight of one eye	1,000
One foot and sight of one eye	1,000
One hand or one foot	500
Sight of one eye	500

Only one of the amounts is payable for loss resulting from one accident. This benefit is paid in addition to the life insurance in event of death. Payment is made whether the accident occurs on the job or off.

Loss resulting from travel in any type of aircraft is covered, provided the insured is not a member of the crew or has any duties connected with it. Loss caused by an act of war is not covered.

Weekly benefit for accident and sickness. The amount of an employee's weekly benefit is determined by his wage as shown in the Schedule of Insurance. (See Table 2.) If he receives a permanent increase in wages, the amount of the benefit increases at that time, provided the employee is at work. If absent from work for any reason, the change occurs when he returns.

Employees are paid their weekly benefit if they are disabled and unable to work because of an accident occurring away from work, or mental or physical illness not covered by benefits under Workmen's Compensation Law. Attendance by a physician is required in the event of illness.

The benefit is paid for each day starting with the eighth day of disability or the first day following end of pay, whichever is later. If the employee is hospitalized within the first week of disability, the benefit is paid starting the day after admittance, provided the employee is hospitalized by order of a physician for at least twenty-four hours.

The benefit is payable up to twenty-six weeks during any one period of disability. In the event of more than one disability, the twenty-six weeks apply to each period.

There is no limit to the number of different periods of disability for which benefits are paid. Periods of disability due to the same or related illness are considered different periods if they are separated by a return to work for at least one week. In the case of the same accident, the employee must return to work for at least two weeks. Periods of disability due to different causes are considered different periods of disability if separated by return to work. If there is no return, they are one disability. If the amount of benefits due for less than a full week is not a multiple of one dollar, the amount paid is increased to the next higher dollar.

No payment is made for disability from pregnancy.

Employee hospital expense benefits. The amount of an employee's daily hospital benefit is determined by the area in which he is permanently employed. If not permanently employed in one area, the amount is determined by his residence. If permanently transferred from one area to another, the employee's daily hospital benefit and the amount of his weekly contribution are changed on the date of transfer.

In Area A (Oregon, Washington) the daily hospital benefit is up to $10 for an employee and $8 for dependents, Area B (Virginia, Maryland, Delaware, District of Columbia) $9 for employees and $7 for the dependents, Area C (all other states except New Jersey, New York and California) $8 for employees and $6 for their dependents, Area D (Canada) $7 for employees and $5 for their dependents.

Benefits are paid if the employee is confined as a patient in a legally constituted hospital on the recommendation of a physician. Confinement must be due to an accident occurring away from work, or sickness for which he is not entitled to benefits under Workmen's Compensation Law. Benefits are not payable for confinement in hospitals operated by the United States Government or any government agency or those hospitals that make no charge.

The employee is paid the hospital charges per day for room and board up to his daily benefit. The maximum payable for confinement during any one period of disability is his daily benefit times the number of days confined, but not more than seventy times his daily benefit.

Other hospital charges are paid up to twenty times the daily benefit to cover costs of medical care and treatment other than nursing care and attendance by a physician. There is no limit to the number of confinements for which benefits are paid, provided they are due to unrelated causes or are separated by a return to work for one day. Neither charges for room and board nor other hospital charges apply to maternity cases.

A maternity patient is paid the hospital charges for room and board up to her daily benefit. The maximum payable for confinement for one pregnancy is the daily benefit times the number of days confined but not more than fourteen times the daily benefit.

Other hospital charges are paid up to ten times the daily benefit for any one pregnancy to cover cost of medical care and treatment other than charges for nursing care and attendance by a physician. Benefits are payable only if pregnancy begins after the effective date of the insurance.

If an employee's insurance terminates, all above benefits are available without cost if confinement begins within three months after termination and during total disability that is continuous from the date of termination. Extension is also granted to pregnancy cases that exist at the time of termination.

The employee is paid up to ten times his daily benefit if, as the result of an accident away from work, he incurs hospital charges for emergency medical care and treatment within twenty-four hours from the time of the accident. The benefit is not payable if he qualifies for benefits as a resident patient.

Employee surgical expense benefits. These benefits, up to $225, are paid if the employee has an operation performed by a surgeon due to an accident happening away from work, or sickness for which he is not entitled to any benefits under Workmen's Compensation Law. The operation may be performed in a doctor's office, in a hospital, at home, or elsewhere.

The employee is paid the fee charged for the operation provided it does not exceed the amount listed in the schedule of operations.

Extended surgical benefits are the same as those mentioned under hospital expense benefits.

Laboratory and x-ray examination expense benefits. The employee is paid a benefit to cover charges for laboratory or x-ray examination up to $35 if ordered by a physician, provided such examination is required by an accident occurring away from work or due to illness.

If he undergoes more than one examination, the benefit is payable for each. However, the maximum is $25 for all examinations resulting from injuries received in one accident or as a result of one illness. The benefit is payable no matter where the examination is made, or whether or not the employee is able to continue working.

Laboratory benefits cover blood tests, bacteriology tests, urinalyses, basal metabolisms, electrocardiograms, and so on.

The benefit is not payable for x-ray examinations without film; for physical checks of a routine nature; for examinations connected with dental work, pregnancy, childbirth or miscarriage; or for any injury or sickness for which the employee is entitled to hospitalization expense benefits or benefits under Workmen's Compensation Law. However, the benefit is payable for gastro-intestinal examinations (G.I. Series) where both x-ray with film and fluoroscope without film are used.

Hospital expense benefits for dependents. The amount of daily hospital benefit for a dependent is determined by the area in which the contributing member is permanently employed. If an employee is permanently transferred, the daily benefit on each dependent and his weekly contribution are changed accordingly.

Benefits are paid if a dependent is confined due to accident or illness or as a patient in a legally constituted hospital on the recommendation of a physician. If the dependent is employed, benefits are not paid for an accident or sickness that entitles him to benefits under Workmen's Compensation Law. Benefits are payable on a new-born baby after its fourteenth day of age.

The dependent is paid the hospital charges per day for room and board up to the daily benefit. The maximum for any one confinement is the daily benefit times the number of days confined, but not more than thirty-one times the daily benefit.

Other hospital charges are paid up to ten times the daily benefit during any one period of disability to cover the costs of medical care and treatment other than charges for nursing care and attendance by a physician.

There is no limit to hospital confinements for which benefits are paid, provided such confinements are due to unrelated causes or separated by complete recovery. Neither room and board nor other hospital charge benefits apply to maternity cases.

The maternity benefit is payable if the employee's wife is confined due to pregnancy, childbirth, or miscarriage if the pregnancy commences after her insurance becomes effective. The benefit is up to ten times the daily benefit for any one pregnancy to cover the cost of room and board and medical care and treatment. The benefit does not include charges for nursing care and attendance by a physician.

If the insurance on an employee's wife ends, the above benefits are extended without cost for nine months after termination of insurance.

A dependent is paid up to ten times the daily benefit if, as a result of an accident, he incurs hospital charges or emergency medical care and treatment within twenty-four hours of the time of the accident. If the dependent is employed, these benefits are not paid for an on-the-job accident.

This benefit does not include costs of nursing care and attendance by a physician, nor is it applicable if the dependent qualifies for benefits as a resident patient.

Surgical expense benefits for dependents. Surgical benefits up to $175 are paid if the dependent has an operation performed by a surgeon due to accident or sickness. If the dependent is employed, benefits are not paid for on-the-job accidents or illness covered by Workmen's Compensation Law.

The operation may be performed in the patient's home, in a surgeon's office, in a hospital or elsewhere.

Benefits are payable on a new-born baby after its fourteenth day of age.

The dependent is paid the surgery fee for the operation up to the amount listed under the schedule of operations. The payment for all operations during one period of disability may not be more than $175 unless due to unrelated causes or separated by complete recovery. There are no other limitations for any surgery not listed in the schedule of surgery, the insurance company is the final judge in considering the benefit to be paid.

The benefit for surgeon's fees from an operation resulting from pregnancy, childbirth, or miscarriage up to the maximum is listed in the schedule of operations. These benefits are payable only as a result of pregnancy starting after the effective date of the insurance. If insurance terminates, the above benefit is available at no cost for a period of nine months, provided pregnancy exists on termination of insurance.

Contributions

Contributions are based on the amount of compensation, geographical area, and whether or not dependents are included. As shown in Table 3, only Area A (Oregon, Washington) is included. Comparison with the previous table correlates the cost to the amount of life insurance and weekly accident and sickness benefit.

Insurance for the employee and his dependents terminates when contributions stop, employment ends, or the employee is pensioned or retired.[3]

Summary and Conclusions

In its scope the Safeway Stores Benefits Program would seem to be a well-rounded one. It may be summarized as follows:

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[3]Safeway Stores, Incorporated. Group Insurance Benefits for Employees and Their Dependents.

TABLE 3*

SCHEDULE OF CONTRIBUTIONS

Weekly Compensation	Weekly Contribution Employee Only[a]	Employee and Dependents[a]
Under $ 18.	$ .42	$1.24
$ 18. to 23	.50	1.32
23. to 26	.55	1.37
26. to 32	.60	1.42
32. to 38	.68	1.50
38. to 45	.76	1.58
45. to 55	.84	1.66
55. to 70	1.00	1.82
70. to 90	1.16	1.98
90. to 145	1.45	2.27
145. to 195	1.76	2.58
195 and over	2.40	3.22

*Source: Safeway Stores, Incorporated. Group Insurance Benefits for Employees and Their Dependents.

[a] In comparison with contributions in Area A, Area B is two cents per week less for the employee only and eight cents less for the employee with dependents. Area A is lower by the same amount than Area B; likewise Area D is lower by the same amount than Area C.

1 - Life Insurance

2 - Accidental Death and Benefit Insurance.

3 - Weekly Benefit for Accident and Sickness.

4.- Hospital Expense.

5 - Surgical Expense Benefits.

6 - Laboratory and X-Ray Examination Benefits.

7 - Retirement Plan.

8 - Credit Unions.

Since the inception of the program in 1933, management has made five revisions in order to keep it timely. Management also recognized that the same services cost different amounts in the different areas where its employees are located. This was taken into consideration in setting up the program.

To the writer the biggest weakness in the program is the inadequacy of the daily hospital benefit and miscellaneous hospital charges in covering the costs of hospital confinement. While not trying to skirt the problem, it must be stated that one of the biggest difficulties in the administration of an employee benefit program is keeping the benefits up-to-date during a period of rising prices. Once prices stabilize, or worse, prices drop, it becomes the unpleasant task of management to lower benefits. In this event there is the possibility of a union clash even though such benefits may not have been gained through the union in the first place. Thus, there is no easy solution to this problem.

CHAPTER III

THE KROGER COMPANY

The Kroger Company, now considered a national chain, was established in 1882. It operates approximately 2,000 stores in nineteen states, an area bounded by Pennsylvania on the east, Kansas on the west, Michigan and Wisconsin on the north, and Arkansas and Georgia on the south. Its manufacturing division includes offices and a large factory in Cincinnati, Ohio. There are fourteen bakeries, two cookie and cracker plants, four dairies in branch cities, plus an evaporated milk plant and a peanut-shelling plant. The Kroger Company employs about 26,000 people. Sales were $861,242,642 in 1950 making it the third largest food chain and sixth largest retailer.

Vacation Program

All regular employees with one year of continuous service receive one week's vacation with pay. Those regular employees with three years' continuous service receive two week's vacation with pay. Members of management (including store managers and co-managers) and office personnel receive two week's vacation after two years of continuous service. The above policy applies to all regular employees except those covered by a union contract which provides a different vacation policy.[1]

Employees' Retirement Program

About 25,000 employees are covered under the Kroger Retirement Program. The entire cost of the program is borne by the food chain. The company established a $2,000,000 reserve for employee retirement benefits known as the Employees' Benefit Fund. There is added to this reserve, annually, an amount equal to 5 percent of the year-end therein, and additional allocations may be made from time to time as the board of directors deems necessary or advisable.

All regular employees age twenty-five or older are considered eligible. Under the program, participating service is defined as all the years of continuous employment between an employee's twenty-fifth and sixty-fifth birthdays. The maximum length of participating service is forty years. Minimum length of participating service to qualify for retirement income is fifteen years.

Annual retirement income is figured as follows:

(a) The employee's total earnings during the ten calendar years preceding his retirement are divided by ten to determine his average annual earnings.

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[1]The Kroger Company. Kroger Personnel Policy No. 16-A, August 28, 1952.

(b) The years of continuous service between his twenty-fifth and sixty-fifth birthdays are counted to determine the years of participating service.

(c) If his average annual earnings do not exceed $3,000, the average earnings are multiplied by three-fourths of 1 percent and the result by the number of participating years to obtain the annual Kroger retirement income.

(d) If his average annual earnings do exceed $3,000:

(1) The first $3,000 is multiplied by three-fourths of 1 percent and the result by the number of participating years.

(2) The amount over $3,000 is multiplied by 1-1/2 percent and the result by the number of participating years.

(3) The results of (1) and (2) are added together to obtain the annual Kroger retirement income. (See Table 4.)

The minimum retirement income is $30 per four-week Kroger period even if less when figured by the above method. The maximum is $10,000 per year.

TABLE 4*

ANNUAL RETIREMENT INCOME
FOR EMPLOYEE AND WIFE[a]

Average Annual Earnings (Last ten years)	From Kroger Retirement Program	Estimated Social Security Benefits	Estimated Combined Annual Retirement Income
$ 2,400	$ 450	$ 1,170	$ 1,620
2,700	506	1,238	1,744
3,000	564	1,305	1,868
3,500	750	1,418	2,168
4,000	938	1,440	2,378
4,500	1,125	1,440	2,565
5,000	1,313	1,440	2,753
7,500	2,250	1,440	3,690
10,000	3,188	1,440	4,628

*Source: The Kroger Company. Employees' Retirement Program.

[a]For employees with twenty-five years participating service before age sixty-five.

Under normal circumstances an employee is retired at the end of the Kroger period during which he reaches his sixty-fifth birthday. Under justifiable circumstances the board of directors may postpone retirement with the employee's approval. Payments start at the time of actual retirement with no increase in retirement income.

An employee over age fifty-five with fifteen years of participating service may retire before age sixty-five with the consent of the board of directors. In this event his retirement income is reduced since his length of participating service is less than if he had continued to work until age sixty-five.

There is no provision for an employee to retire under a contingent annuity option. Death before normal retirement cancels all rights. Death after normal retirement is provided for in the payment of a $500 death benefit to a designated beneficiary.[2]

Kroger Employees' Savings and Profit Sharing Plan

Under the plan there are two separate funds. Individual employee savings are deposited in the savings fund and the company profits in the profit sharing fund. Both funds are managed by a bank and

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[2]The Kroger Company. Employees' Retirement Program.

trust company and the president and vice president in charge of finance of the Kroger Company. All assets of both funds are in the custody of the bank and trust company.

To be eligible to participate in the plan, the employee must be age twenty-one with two years of continuous service.

Each employee can save and deposit up to 5 percent of his regular weekly pay not including overtime. This amount is deducted from each pay and credited to his account. No one can deposit less than one dollar nor more than fifteen dollars per week. These savings are invested in government bonds.

Each year the company, from its net profit before Federal income tax, contributes 5 percent of the profit from $1 to $25,000,000; 10 percent of the profit from $25,000,000 to $50,000,000; 15 percent of the profit over $50,000,000. However, the company must earn $15,000,000 before taxes each year before any contribution to the fund. This amount is needed to pay the stockholders and keep buildings and equipment up-to-date.

To illustrate the size of the employees' share of the profits, if the plan had been in effect from 1946 through 1950, the employees' share during those five years would have been $5,516,603. Each employee's share of the profits contributed by the company for any year is credited to his account in proportion to the deposits he makes in the savings fund during that year. Each year he will receive a statement of his account in both funds. For example, assume 20,000 members deposit savings for the year totaling $4,000,000, and the company's contribution from profits is $2,000,000. If one employee's deposit in the savings fund is $200, he would be credited with $100 in the profit sharing fund.

While all money deposited in the savings fund is invested in government bonds, part of the profit sharing fund is invested in Kroger Company stock and the remainder in other stocks and bonds.

The plan has been set up as a long-range program to help provide future security. Thus, while an employee may withdraw from the plan and receive his entire contributed savings, plus interest thereon, he achieves maximum benefit only by remaining a member for twenty years or more. In only such case does he receive 100 percent of credits from the profit sharing fund, except in the event of death or permanent disability, whereupon the same full payments will be made.

These earned credits from the profit sharing fund depend on the number of years of membership in the plan as shown in Table 5.

TABLE 5*

YEARS OF PLAN MEMBERSHIP AND CORRESPONDING PERCENTAGES OF EARNED CREDITS

Number of Years Membership	Percentage of Credits Receivable from the Profit Sharing Fund
Less than 3 years	None
3 years	15 %
4 years	20 %
5 years	25 %
7 years	35 %
10 years	50 %
12 years	60 %
14 years	70 %
16 years	80 %
17 years	85 %
18 years	90 %
19 years	95 %
20 years	100 %

*Source: The Kroger Company. Kroger Employee's Savings and Profit Sharing Plan.

The credits in the profit sharing fund not earned by members leaving the company or otherwise withdrawing are credited to the remaining members in proportion to the deposits they make in the year withdrawals occur. Any time a member withdraws from the plan, the amount paid him will be the current market value of his assets in both funds.[3]

Credit Unions

In twenty-one out of twenty-five branches there are Kroger Employees' Credit Unions in existence to aid the employees in saving money, besides lending money to members at a low interest rate. There is an arrangement whereby the amount the employee desires to save is deducted from his pay. Each credit union is a separate organization, some under Federal Charters, others under State Charters.

Basic Group Life Insurance

Every Kroger employee becomes eligible for $2,000 of free life insurance through the Prudential Life Insurance Company of America after twelve weeks' continuous service on a full-time basis. This insurance carries with it payments of $36.30 per month for sixty months for total and permanent disability.

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[3]The Kroger Company. Kroger Employees' Savings and Profit Sharing Plan.

Supplemental Group Life Insurance

The company has also provided the opportunity for employees to have additional life insurance under a group plan. Like Basic Group Life Insurance, it includes benefits for total disability. Management personnel are not eligible.

Upon death, regardless of cause, basic and supplemental life insurance are paid to the beneficiary. If an employee leaves the company, full coverage is continued for thirty-one days. During this period, the individual may arrange to convert his insurance to an individual policy without a medical examination. (See Table 6.)

Supplemental Group Life Insurance For Management Personnel

Any management employee is eligible for this type of group insurance after three months of continuous employment, provided he is actually at work and his annual salary is at least $2,000.

An employee's insurance classification is determined each collection date by figuring his current rate of pay on an annual rate. Only actual salary is considered in determining the amount of insurance to which each employee is entitled. An employee drawing an annual salary of $2,000 but less than $2,500 is entitled to $2,000 worth of insurance. An employee drawing annual

TABLE 6*

SUPPLEMENTAL GROUP LIFE INSURANCE
FOR EMPLOYEES

Weekly Pay	Amount of Supplemental Insurance[a]	Cost Per Four Week Period
Under $ 58	$ 1,000	$ .35
$58 to 67	2,000	.70
67 to 77	3,000	1.05
77 to 96	4,000	1.40
96 and over	5,000	1.75

*Source: The Kroger Company. <u>You and the Kroger Team</u>.

[a]In case of total and permanent disability sixty monthly payments range from $54.45 to $127.05 per month according to the amount of weekly pay. This includes $36.30 from $2,000 Group Life Policy.

salary of $2,500, but less than $3,000, is entitled to $2,500 worth of insurance. The amount of insurance increases with salary up to a limit of $10,000. The cost to the employee is $7.16 per $1,000 per year.

Any employee participating under this plan and receiving a salary increase sufficient to entitle him to more insurance is given increased coverage at the next premium payment period following the salary increase. Premiums are collected twice annually in advance by deductions from pay.

If an employee is totally and permanently disabled while insured under the group life policy, further premiums need not be paid and the insured receives the amount of the policy in monthly installments. This occurs, provided the disability happens before the insured reaches age sixty and has been continuously insured for one year prior to the time he becomes disabled.

Monthly installments begin six months after disability. Payment is in one hundred and twenty equal installments if the policy is for $6,000 or more. Otherwise, payment is for a lesser period so that each installment, except perhaps the final one, amounts to $50.

If the insured leaves the employ of the company, he may convert his group policy to an individual one for the same amount. The premiums are placed at current rates according to the attained age and class of risk of the insured. No medical examination is necessary.[4]

Hospitalization and Surgical-Medical Plan

The Blue Cross Hospitalization Plan is available to all regular employees who wish this kind of protection. Also in most locations a surgical-medical plan is available.

Health and Accident Insurance

Health and accident insurance is available to regular employees at no cost to them. Benefits begin on the eighth day of disability and continue as long as the employee is disabled up to twenty-six weeks. The one exception to this is pregnancy. Benefits are paid for six weeks, provided the policy has been in effect for twenty-eight weeks. Benefits are paid only if the employee is under the care of a licensed physician.

If an employee is injured at work, the company pays the difference between the Workmen's Compensation benefit and the Kroger health and accident weekly benefit, provided the latter is higher.[5] (See Table 7.)

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[4]The Kroger Company. Supplemental Group Life Insurance Plan.

[5]The Kroger Company. You and the Kroger Team.

TABLE 7*

HEALTH AND ACCIDENT WEEKLY BENEFIT

Weekly Earnings	Health and Accident Weekly Benefits
$24 but less than $28	$ 15.00
28 but less than 32	17.50
32 but less than 36	20.00
36 but less than 40	22.50
40 but less than 48	25.00
48 but less than 58	30.00
58 but less than 70	35.00
70 and over	40.00

*Source: The Kroger Company. <u>You and the Kroger Team</u>.

Summary and Conclusions

The Kroger Company benefits program in brief is as follows:

1 - Vacation Plan
2 - Retirement Plan
3 - Profit Sharing Plan
4 - Credit Unions
5 - Group Life Insurance
6 - Hospitalization and Surgical-Medical Plan
7 - Health and Accident Insurance

The outstanding feature of the Kroger employee benefits program would seem to be the profit sharing plan. It is a long-range program set up in such a way that the employee must save regular amounts over a long period of time to achieve maximum gain from the plan. Thus its main purpose would appear to be that of an additional cushion after retirement, rather than increased income during the working years. Also, this type of profit sharing does not lull the employee into the state of mind where he considers such shares as part of his regular income, even feeling resentful when these shares are not forthcoming. Still, under the Kroger plan, the employee is reminded of this benefit by an individual annual statement giving his balances in the profit sharing and savings funds.

It is generally conceded that there are two real disadvantages to non-contributory pensions. First, non-contributory pensions usually do not have as large benefits as these to which the employees contribute. This is not borne out in the Kroger retirement plan, as it seems on a par with contributory plans in other food chains. The second disadvantage is inherent in non-contributory pensions. When employees do not contribute, they do not seem to feel as great a responsibility for their own future security.

The writer believes that the Kroger benefits program offers real security for the employees. However, it is felt that sick pay could be granted to employees with one or two years' service. Though the health and accident program gives protection, it does not begin until the eighth day. This means that the employee is covered by his previous week's pay for seven days and by benefits after that while he is sick, but there is a period of one week after his return to work during which he has no income.

CHAPTER IV

COLONIAL STORES, INCORPORATED

Colonial Stores, a regional chain, has approximately three hundred and fifty stores in Georgia, Florida, Maryland, North Carolina, South Carolina, and Virginia with its headquarters office in Norfolk, Virginia. Currently about 6,000 people are employed. Sales volume in 1950 was $179,330,616.

Retirement Plan

Prior to July 1, 1951 any regular full-time employee was eligible to participate after five years of continuous service, provided he had reached age thirty. After that date, any regular full-time employee age thirty is eligible after only one year of continuous service.

The normal retirement date is the first day of the calendar month following an employee's sixty-fifth birthday. With the consent of, or at the direction of the pension committee, an employee may retire at age sixty. In such case where the committee finds an employee permanently and totally disabled, he may retire at age fifty-five or older, provided he has completed ten years of continuous service. With the consent of the company, an employee may work past age sixty-five, but receives no additional retirement benefits at the time of actual retirement.

The plan is a contributory one where the employee contributes 2 percent on the first $3,000 of his base annual compensation and 3 percent in excess of $3,000. The amount he contributes is governed by his compensation class. To simplify operation, earnings have been grouped into classes. The class in which an employee's salary falls is his compensation class. If his salary is increased enough to put the employee in a higher class, his contributions are increased accordingly during the first of the following plan year. Similar reductions are made in event of decrease in salary. The amount of retirement income naturally is altered in relation to salary changes.

The employee has a choice in the form of retirement income he receives. Besides regular retirement income payments, he may elect a contingent annuity option, whereby the person named by the participant receives income payments as long as he (person named) lives. The amount of each payment of this type is reduced since it continues after the participant dies.

If the employee dies before reaching retirement age, his beneficiary receives a sum equal to 200 percent of his total contributions in a lump sum or monthly installments. If the participant dies after retirement, the same holds true, except that amount of payment already made is subtracted.

The retirement benefit payable at normal retirement age is made up of two parts -- past service (prior to July 1, 1948) and future service (after effective date of the plan, July 1, 1948). The annual benefit for past service is one-half of 1 percent on that part of base annual compensation under $3,000, plus 1 percent in excess of $3,000, times the number of years of credited past service.

Future service is credited for each year of continuous service rendered after the effective date of the plan and prior to normal retirement date. The annual amount of retirement benefit for future service is 1 percent of the first $3,000 of base annual compensation, plus 1-1/2 percent in excess of $3,000, times the number of years of credited future service. (See Table 8.)

If an employee leaves the company before retirement, his contributions are returned with 3 percent interest compounded annually. In the event that the employee has ten years of continuous service, a retirement benefit is available at a later date.

The plan is administered jointly by the trustee, the Wachovia Bank and Trust Company of Winston Salem, North Carolina, and a pension committee made up of five members appointed by the president of the company.[1]

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[1]Colonial Stores, Incorporated. Building Your Future.

TABLE 8*

PARTIAL SCHEDULE OF ANNUAL RETIREMENT BENEFITS

Annual Compensation	Years of Credited Service Prior to 7/1/48	After 7/1/48	Annual Retirement Benefits[a]
	0	25	$ 600
$ 2,700	10	15	480
	20	5	360
	0	25	1,020
3,500	10	15	834
	20	5	648
	0	25	1,380
4,500	10	15	1,146
	20	5	912
	0	25	2,460
7,500	10	15	2,082
	20	5	1,704
	0	25	3,360
10,000	10	15	2,862
	20	5	2,364

*Source: Colonial Stores, Incorporated. Building Your Future.

[a]For employees with twenty-five continuous service retiring at age sixty-five.

Vacations

A vacation of one week is granted to all regular employees after six months service and two weeks after service of one year. Vacations must be taken between April 15 and September 15. Employees must have completed the above service by April 15.

Credit Union

A credit union is operated in the headquarters office for the benefit of the employees. It is owned and operated by the employees and pays 4 percent interest on savings and 6 percent interest on stock. Normally 6 percent plus moderate service charges is charged for loans. At present credit union capital is not sufficient to make loans on real estate.[2]

Group Insurance Plan

All regular full-time employees are eligible to enroll under the plan on the first day of the calendar month following the date they start work. Those considered ineligible are part-time employees, those employed intermittently, and directors receiving a salary under $1,000 per year exclusive of fees for attending directors' meetings.

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[2]Letter. Colonial Stores, Incorporated. September 25, 1952, Saxon W. Holt Jr., Personnel Manager.

Dependents that are eligible include the spouse and unmarried children, stepchildren, and those legally adopted over fourteen days and under nineteen years old, unless they are entitled to benefits as full-time employees.

Group life insurance. Life insurance benefits are payable in the event of death regardless of cause. The amount of insurance is determined by the size of base earnings as shown in Table 9.

The beneficiary may receive this insurance at the time of the insured's death in a lump sum or in installments over a period of not more than twenty years.

If the insured is totally and permanently disabled before age sixty, the entire amount of insurance is paid him in installments after proof of disability is given. Upon entering military service, free coverage continues for one hundred and twenty days, the entire cost being paid by the company.

If the employee is a participant in the retirement plan, one-half of his insurance is continued at no cost to him on normal retirement.

If the insured leaves the employ of the company, he may convert his policy to any individual insurance policy written by the Travelers Insurance Company with the exception of term insurance. Application must be

TABLE 9*

SCHEDULE OF LIFE INSURANCE BENEFITS

Base Weekly Earnings	Life Insurance	Accident and Sickness Weekly Indemnity
Under $ 40	$ 1,000	$ 24
40 to 48	2,000	30
48 to 56	2,000	36
56 to 68	3,000	42
68 to 80	4,000	50
80 to 105	5,000	60
105 to 125	6,000	60
125 to 140	7,500	60
140 and over	10,000	60

*Source: Colonial Stores, Incorporated. _10-Way Protection Insurance Plan_.

made within thirty-one days of termination of employment, but during this period the individual still retains complete coverage.

Accidental death or dismemberment benefits. If an employee, as a direct result of an accident, loses his life within ninety days, his beneficiary is paid an amount equal and in addition to his life insurance.

Similarly, if he suffers the loss of one of the following, he is paid a benefit equal to:

Both hands, feet, sight of both eyes	His life insurance
One hand and one foot	His life insurance
One hand and sight of one eye	His life insurance
One foot and sight of one eye	His life insurance
One hand or one foot	One-half his life insurance
Sight of one eye	One-half his life insurance

Accident insurance benefits are additional payments and not payments in place of life insurance. Only one amount is payable for injuries from one accident.

Loss resulting from air travel of any type is covered, provided the insured is not a member of the air crew and has no duties connected with it. Losses as a result of an act of war are not covered.

Weekly disability benefits. Weekly benefits are available when an employee is totally disabled due to accident or illness where attendance by a physician is necessary.

The benefit is payable from the first day of disability resulting from an accident and from the fourth day for sickness, up to a maximum of twenty-six weeks for any one disability.

If the disability results from an on-the-job accident, the benefit is the difference between the benefit under Workmen's Compensation Law and the amount of the indemnity as scheduled in Table 9.

There is no limit to the number of times the benefit may be granted for different disabilities resulting from accident or illness. However, successive periods of disability are considered one unless separated by return to active work for one week, unless the injury or accident is entirely unrelated to the previous disability.

Hospital benefits for employees. If an employee is confined in a legally constituted hospital as a resident patient on the recommendation of a physician, he is entitled to benefits, provided he is ineligible for benefits under Workmen's Compensation Law.

The benefit pays $10 per day of confinement for room and board up to a maximum of thirty-one days during any one period of disability, plus an amount equal to charges for medical care and treatment, other than board and room, nursing care, and attendance by a physician, but not more than $100 for any one period of disability.

In such case where insurance terminates, the above benefits remain in effect for three months during total disability that continues from the date of termination.

If the employee does not qualify for the above benefits, but, as the result of a non-occupational accident, he incurs charges for emergency hospital treatment for injuries within twenty-four hours of the time of the accident, he is paid an amount equal to such charges exclusive of nursing care and attendance by a physician, but not more than $100 for any one accident.

Surgical benefits for employees. If an employee finds it necessary to undergo an operation, he is paid a sum up to the amount listed in the schedule of operations, the maximum being $200. If the surgeon's fee is under the amount listed, the employee is paid an amount equal to that fee.

The scheduled payments are made in the event that surgery is necessary as a result of a non-occupational accident or disease, even though the operation is not performed at a hospital.

If the employee undergoes more than one operation, the benefit is payable for each as listed in the schedule of operations, but not more than the highest amount listed in the schedule is paid for all operations during any one disability.

Successive operations are considered as having occurred during one period of disability unless the employee has completely recovered from the cause of the previous operation or returned to active work for one full working day.

Surgical benefits are paid if the operation is performed within three months after termination of insurance and during total disability which has been continuous from the date of termination.

Poliomyelitis benefits for employees. If an employee becomes disabled through contraction of poliomyelitis after the effective date of his insurance, he is paid an amount equal to actual expenses met in treatment of the disease for a period of two years from the date of contraction. Maximum benefit is $5,000.

The following expenses are covered:

1 - Hospital board and room, medical expenses, including drugs, medicines, use of iron lung, and physiotherapy.

2 - Services of qualified physicians, osteopaths, and physiotherapists.

3 - Services of graduate or licensed nurses.

4 - Ambulance transportation to and from the hospital.

5 - Transportation by rail or air from where the insured becomes disabled to a hospital qualified to provide poliomyelitis treatment.

The above are the only benefits payable for treatment of poliomyelitis. No additional benefits are allowed under the hospitalization and surgical sections of the plan.

Maternity benefits for employees. Maternity benefits are payable only if the pregnancy commences after the effective date of the insurance. Also, to be eligible for benefits, attendance by a physician is required.

If the employee is totally disabled as a result of pregnancy, childbirth or miscarriage, her weekly sickness benefit is payable from the fourth day of disability for a maximum of six weeks for any one pregnancy.

On being confined to a legally constituted hospital by the recommendation of a physician, the employee is paid $10 for each day of hospital confinement up to fourteen days for one pregnancy, plus an amount equal to cost of medical care and treatment, exclusive of nursing care and attendance by a physician, but not more than $100.

Surgical charges for obstetrical procedure are paid as listed in the schedule of operations.

In the event of the termination of insurance, the hospital and surgical benefits remain in effect for nine months for confinement due to pregnancy existing at the date of termination.

Maternity benefits for dependents. Obstetrical benefits are available to the employee's wife only and payable only if pregnancy commences after insurance covering the employee's wife has become effective.

If an employee's wife is confined in a legally constituted hospital as a result of pregnancy, the employee is paid the amount of hospital charges for room and board and medical care and treatment for wife and child, exclusive of charges for nursing care and attendance by a physician, up to $100 for any one pregnancy.

Surgical charges are paid for delivery, miscarriage, or other operations resulting from pregnancy as listed in the schedule of operations.

In such case where insurance terminates in respect to the employee's wife, the benefit remains in effect for nine months for confinement due to pregnancy existing at the date of termination.

Hospitalization benefits for dependents. When one of an employee's dependents is confined as a resident patient in a legally constituted hospital on the recommendation of a physician, due to sickness or an off-the-job accident, the employee is paid the cost of room and board up to $10 per day of confinement up to a maximum of thirty-one days. Also, the benefit provides for payment of up to $100 for other hospital charges, exclusive of doctors' and nurses' fees.

If, due to any non-occupational accident, a dependent receives emergency hospital treatment, but does not qualify as a resident patient, the employee is paid an amount equal to these charges, exclusive of doctors' and nurses' charges, up to $100.

During military service and continuance of the group policy, dependents remain covered by hospitalization benefits for a period of two years. The cost is borne entirely by Colonial Stores.

Surgical benefits for dependents. When any of an employee's dependents require an operation, he is paid an amount equal to the surgeon's fee, the maximum being that amount listed in the schedule of operations. Conditions of payment are the same as those of the employee's surgical benefits.

If the dependent undergoes more than one operation, the benefit is payable for each as listed in the schedule of operations, but not more than the highest amount listed in the schedule is paid for all operations during any one period of disability.

Successive operations are considered as having occurred during one period of disability unless the dependent has completely recovered from the previous operation, or the cause of a later operation is entirely unrelated to a former one.

Coverage continues during military service as under hospitalization benefits.

Poliomyelitis benefits for dependents. If a dependent becomes disabled through contraction of poliomyelitis after the effective date of his insurance, the employee is paid an amount equal to actual expenses met in treatment of the disease for a period of two years from the date of contraction. Maximum benefit payable is $5,000.

The following expenses are covered:

1 - Hospital board and room, medical expenses, including drugs, medicines, use of iron lung, and physiotherapy.

2 - Services of qualified physicians, osteopaths, and physiotherapists.

3 - Services of graduate or licensed nurses.

4 - Ambulance transportation to and from the hospital.

5 - Transportation by rail and air from where the insured becomes disabled to a hospital qualified to provide poliomyelitis treatment.

The above are the only benefits payable for treatment of poliomyelitis. No additional benefits are allowed under the hospitalization and surgical sections of the plan.

Contributions to the group insurance plan. Employee contributions are based on the amount of salary earned and whether or not dependents are included as shown in Table 10.

If an employee passes from one income class to another, the amounts of insurance and cost are changed accordingly on the first of the calendar month after the change in status.[3]

Summary and Conclusions

The most important features of the Colonial Stores' employee benefits program are as follows:

1 - Group Life Insurance

2 - Accidental Death and Dismemberment Insurance

3 - Weekly Disability Insurance

4 - Hospitalization and Surgical Benefits

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[3]Colonial Stores, Incorporated. 10-Way Protection Insurance Plan.

TABLE 10

MONTHLY CONTRIBUTIONS TO GROUP INSURANCE

Class	Base Weekly Earnings	Employee Monthly Contributions Without Dependents	Employee Monthly Contributions With Dependents
1	Under $ 40	$ 2.50	$ 3.40
2	$ 40 to 48	3.40	4.30
3	48 to 56	3.60	4.50
4	56 to 68	4.40	5.30
5	68 to 80	5.40	6.30
6	80 to 105	6.40	7.30
7	105 to 125	7.00	7.90
8	125 to 140	7.90	8.80
9	140 and over	9.40	10.30

5 - Vacation Plan

6 - Poliomyelitis Benefits

7 - Retirement Plan

While there are no striking features to this employee benefits program, it grants rather complete coverage to any misfortune that is likely to overtake an employee and most benefit payments are large enough to cover the expenses incurred. The life insurance and accidental death and dismemberment insurance are both paid in case of accidental death, the total amount giving dependents a means of support superior to the insurance usually carried by an employee.

Weekly disability benefits start immediately in the event of an accident and on the fourth day for sickness. This would seem to be a sound policy, because an accident victim need not go through a period with no income and the three-day waiting period stops malingering and makes the plan easier to administrate. Benefits start at $24 for those making under $40 per week with the maximum $60 per week.

Management has provided a generous poliomyelitis benefit for those employees and their dependents who contract the disease. All expenses met in treatment, plus air, rail, and ambulance transportation to and from a qualified hospital, are covered for two years up to $5,000. In view of the epidemics of 1951 and 1952, this insurance would seem very worthwhile.

CHAPTER V

THE GRAND UNION COMPANY

The Grand Union Company, a regional chain founded in 1872, has over 300 stores in Connecticut, Massachusetts, New Jersey, New York, Pennsylvania, and Vermont, and Route Division Branches in thirty-four states. Sales for stores alone in 1950 were $137,030,328. The company makes the claim of being the first major food chain to give employees of all departments two weeks' vacation with pay and to provide a retirement plan for all its employees.

Vacation and Holiday Plan

All full-time employees are granted one day's vacation with pay for each full month of employment prior to June 1, up to a maximum of ten individual working days or two calendar weeks. Regular full-time employees are paid for holidays legally recognized in the communities where the stores, offices, or warehouses are located.[1]

Group Life Insurance

The Grand Union Company plan is designed to provide enough insurance to equal approximately a year's income. Payment of death benefit to the beneficiary may be in one lump sum or part of the benefit at once and the balance in twelve

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[1]The Grand Union Company. Policy Manual.

or twenty-four monthly installments. Both installment-type payments include credited interest.

To be eligible for this insurance an employee must have completed three months of continuous, full-time service. The insurance becomes effective on the date of application, provided application is made prior to completion of six months of continuous full-time service.[2]

Any increase in the amount of insurance for which an employee becomes eligible is effective on April 1 of each year and is determined by his base earnings for the previous calendar year. Employees retain permanently the maximum amount of insurance for which they have become eligible regardless of changes of income. The rate of earnings of those employed by the company for less than twelve months is calculated on an annual basis. (See Table 11.)

All insurance under the plan terminates when employment ends. If, however, a person leaves the company, he may arrange to keep his insurance in effect. No medical examination is required, but application for continuance of insurance must be made within thirty-one days after leaving the employ of the Grand Union Company. In the event of death during this thirty-one day period, the amount of the insurance is payable to the beneficiary. If employment is terminated or interrupted because of a physical disability, the insurance may be kept in force by continuing contributions to the plan. If contributions

[2]The Grand Union Company. The Grand Union Plan of Group Life Insurance.

TABLE 11*

ANNUAL SALARIES, PREMIUMS, AND INSURANCE

Salary	Annual Salary	Monthly Premium Paid by Employee	Group Life Insurance
1	Less than $ 1,500	0.90	$ 1,500
2	$ 1,500 to $ 2,500	1.50	2,500
3	2,500 to 3,500	2.10	3,500
4	3,500 to 4,500	2.70	4,500
5	4,500 to 5,500	3.30	5,500
6	5,500 to 6,500	3.90	6,500
7	6,500 to 7,500	4.20	7,000
8	7,500 to 8,500	4.80	8,000
9	8,500 to 9,500	5.40	9,000
10	9,500 to 10,500	5.70	9,500
11	10,500 to 11,500	6.00	10,000
12	11,500 to 12,500	6.60	11,000
13	12,500 to 13,500	7.20	12,000
14	13,500 to 14,500	7.80	13,000
15	14,500 to 15,500	8.40	14,000
16	15,500 to 16,500	9.00	15,000

*Source: The Grand Union Company. <u>The Grand Union Plan of Group Life Insurance</u>.

to the plan are continued after retirement, the company continues its contributions and the insurance remains in effect.

Hospital, Surgical, Medical Insurance Plan

This is a new plan, believed by the management to give greater protection to the employees. It became effective June 1, 1952.

To be insured, a full-time employee at the time of original enrollment may be enrolled and he and his dependents become insured on the effective date. If he becomes a full-time employee after the effective date of the plan, the insurance becomes effective on the first of the month following the date he has completed thirty days of continuous service. If the employee waits more than thirty-one days after the date on which he first could have been insured, he and his dependents are required to give evidence of insurability (a medical examination) satisfactory to the Prudential Insurance Company of America.

Dependents who may be insured are a spouse, and unmarried children at least fourteen days old, but less than nineteen years. In the event that an unmarried child is over nineteen, but under twenty-three years, and principally devoting his time to attending school, he is insured at no extra cost. Stepchildren, foster-children, and legally adopted children may also be included if they depend on the insured employee for support and maintenance. Other dependents may not be insured.

<u>Hospital expense benefits.</u> The employee is paid the amount the hospital charges for room and board up to $12 a day during the first thirty-one days, and up to $6 a day during the next sixty days. This does not apply to maternity cases.

When there is a hospital charge or room and board, the employee is paid the amount charged for the following services, up to a maximum of $500:

1. Medical care and treatment provided by the hospital; for example, anaesthesia, operating room, medicines and drugs.
2. Administration of anaesthesia by any licensed medical doctor.
3. Ambulance provided by the hospital or ambulance service.

There is no limit to the number of hospital confinements for which benefits are paid if they are due to different causes, or if they are separated by complete recovery or return to full-time work. Benefits under "other services" do not apply to maternity cases.

When a female employee or the wife of an employee requires hospital confinement for pregnancy, the plan pays a maximum of $120 for room, board, and other services and charges for any one pregnancy.

Maternity benefits apply only if either husband or wife has been insured from the commencement of pregnancy until hospital confinement starts. However, if the husband or wife becomes insured as a dependent within thirty-one days following the effective date of the plan, maternity benefits are available for an existing pregnancy, provided either husband or wife remains insured as a dependent until hospital confinement starts. These benefits are paid for hospital confinement approved by a licensed doctor, due to any accident or illness not covered by a Workmen's Compensation Law. Any legal hospital may be chosen regardless of location.

Surgical expense benefits. Under this part of the plan the employee is paid the doctor's fee for the operation up to the maximum allowed under the schedule of maximum surgical benefits. The payment for all operations during one period of disability may not be more than the maximum surgical payment unless the operations are due to different causes or are separated by complete recovery. Two or more surgical operations performed through the same abdominal incision are considered one operation.

There are no other limits to the number of operations for which benefits are paid, provided the operations are due to different causes, or separated by complete recovery, or the patient returns to full-time employment.

These benefits are paid for any surgical operation or illness not covered by Workmen's Compensation Law. The operation may be performed at home, in a doctor's office, or in a hospital. Any licensed doctor may perform the operation.

Hospital medical expense benefits. For hospital confinement in which no operation has been performed, the patient receives the fee the doctor charges for hospital calls, up to an amount found by multiplying the daily limit of $5 by the number of days of confinement. For hospital confinement in which an operation has been performed, the patient receives the doctor's fee for hospital calls made before the date of the operation, up to an amount found by multiplying the daily limit of $5 by the number of days of confinement prior to the day of the operation.

The maximum payment for any one confinement is $155. There is no limit to the number of periods of hospital confinement for which benefits are paid if the confinements are due to different causes, or if they are separated by complete recovery or return to full-time work.

These benefits are paid for visits by a licensed medical doctor during a hospital confinement for which hospital expense benefits are payable for room and board. Hospital medical expense benefits are not payable for any calls made during hospital confinement due to pregnancy.

After insurance ceases, benefits of all three types are extended for three months to cover expenses from illness or accident that began while the insurance was in force, provided benefits would have been payable. Similarly, maternity benefits are extended for nine months, provided pregnancy started before the insurance ended, except in the case of hospital medical expense benefits which are not payable in any event for calls made during hospital confinement due to pregnancy.[4]

Sick Pay

All regular, full-time employees that have been employed for a period of three months but less than one year are entitled to their full wage if absent for one week due to illness. Those who have been in the employ of the company for more than one year and find it necessary to be absent, due to illness, are paid their regular wages for a maximum of two weeks in any one year, starting from the anniversary date of employment. If someone in the immediate family should die, a maximum of three days with pay is given the employee. This time is charged against his sick leave.[5]

Employees' Retirement Plan

Employees of the Grand Union Company are covered under a contributory retirement plan, funds being managed by the Bankers Trust Company in New York City. The bank, as trustee, holds and invests the money in trust.

For an employee to become eligible under the plan, he must have had three years of continuous service, and on becoming eligible, be over age twenty-five, but under thirty-five;

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[4]The Grand Union Company. Employees' Hospital-Surgical-Medical Insurance Plan.

[5]The Grand Union Company. Welcome to Grand Union.

one year of continuous service is required if the employee is over age thirty-five, but under sixty on becoming eligible.

The usual retirement age is sixty-five for employees hired at age fifty or under; at the end of fifteen years for employees hired over age fifty, but not under fifty-five; age seventy for employees hired over age fifty-five. Under the plan employees are allowed to retire five years prior to the normal retirement date at their request with company approval or at the request of the company. Because of longer life expectancy and less money paid into the fund, the actuarially calculated benefits are reduced. Benefits at age sixty would be roughly 60 percent of benefits at the normal retirement age.

The total retirement income at normal retirement age, including social security benefits, may be determined by a schedule (page 69) and consists of a benefit for membership service (service between date of membership and retirement date), in addition to benefit for prior service (service prior to the date of membership provided the employee is eligible for prior service benefits under the provision of the plan), and supplemental allowance (in order that a minimum benefit may be attained for all employees having fifteen or more years of service, this minimum being $100 a month for twenty-five years of service, or $4 a month for each year of service from fifteen to twenty-five years). Schedules of contributions and benefits are given in Tables 12 and 13.

TABLE 12*

SCHEDULE OF BENEFITS

Compensation for year	ANNUAL RETIREMENT INCOME BENEFIT[a] FOR EACH YEAR OF Membership Service after 2/28/50	Membership Service prior to 2/28/50	Prior Service
$ 1,560 to $ 1,800	$ 29.40	$ 25.20	$ 25.20
1,800 to 2,040	33.60	28.80	28.80
2,040 to 2,280	37.80	32.40	32.40
2,280 to 2,520	42.00	36.00	36.00
2,520 to 2,760	42.30	39.60	39.60
2,760 to 3,000	50.40	43.20	43.20
3,000 to 3,480	58.70	48.60	47.40
3,480 to 3,960	65.10	55.80	52.20
3,960 to 4,440	73.50	63.00	57.00
4,440 to 4,920	81.90	70.20	61.80
4,920 to 5,400	90.30	77.40	66.60
5,400 to 5,880	98.70	84.60	71.40
5,880 to 6,360	107.10	91.80	76.20
6,360 to 6,840	115.50	99.00	81.00
6,840 to 7,320	123.90	106.20	85.80
7,320 to 7,800	132.30	113.40	90.60
7,800 to 8,280	140.70	120.60	95.40
8,280 to 8,760	149.10	127.80	100.20
8,760 to 9,240	157.50	135.00	105.00
9,240 to 9,720	165.90	142.20	109.80
9,720 to 10,200	174.30	149.40	114.60
10,200 to 10,680	182.70	156.60	119.40
increasing by 480	8.40	7.20	4.80

*Source: The Grand Union Company. Employees' Retirement Plan.

[a] Subject to maximum limitations of the plan ($7,500 for a member whose ten-year average annual compensation is less than $15,000; if more than $15,000 the maximum is $7,500 plus 20 percent of the excess of the employee's average compensation over $15,000).

TABLE 13*

SCHEDULE OF CONTRIBUTIONS FOR EMPLOYEES

PAID MONTHLY OR TWICE A MONTH

Compensation for Month	Contributions at end of month
$130.00 but less than $150.00	$ 3.50
150.00 " " " 170.00	4.00
170.00 " " " 190.00	4.50
190.00 " " " 210.00	5.00
210.00 " " " 230.00	5.50
230.00 " " " 250.00	6.00
250.00 " " " 290.00	7.25
290.00 " " " 330.00	9.25
330.00 " " " 370.00	11.25
370.00 " " " 410.00	13.25
410.00 " " " 450.00	15.25
450.00 " " " 490.00	17.25
490.00 " " " 530.00	19.25
etc. increasing by 40.00	2.00

*Source: The Grand Union Company. <u>Employees' Retirement Plan</u>.

EXAMPLE NO. 1

Assume that an eligible employee becomes a member of the plan as of March 1, 1945 and that on that date he is forty-five years of age, has had ten years of continuous service and is receiving compensation at the rate of $350 per month, or $4,200 per year. Assume also that his compensation up to normal retirement age sixty-five is as follows:

Age	Compensation Monthly	Compensation Annually
45-50	$350	$4,200
50-55	400	4,800
55-65	450	5,400

His annual retirement income commencing at age sixty-five would be determined as follows:

For Membership Service:

5 years membership x $63.00	$315.00	
5 years membership x 81.90	409.50	
10 years membership x 98.70	987.00	
Add Prior Service:		
10 years credited prior service x $57.00 . .	570.00	
Combined Annual Income (including Primary Social Security Benefit)		$2,281.50
Deduct the Social Security Program:		
Annual Allowance to employee at age 65		614.40
The Grand Union Company Plan		1,667.10
Add Annual Primary Social Security Benefit.		614.40

Add further Allowance to dependent wife, if over 65 .	307.20
Combined Annual Income from all sources	$3,588.70

This member's contributions under the plan would be:

$10.50 every month for 5 years	$ 630.00
$13.25 every month for 5 years	795.00
$17.25 every month for 10 years.	2,070.00
Total contributions	3,495.00

If this employee lives 12.7 years after retirement (the average number of years for an individual sixty-five years of age), he receives payments totalling about $21,172 from the plan above, or more than six times his contributions. If he reaches retirement age and fails to live the average number of years, the least amount which he and his beneficiary receive from the plan is payment for five years, a total of approximately $8,336, or more than twice his contributions.

EXAMPLE NO. 2

Assume that an eligible employee becomes a member of the plan as of March 1, 1950 and that on that date he is twenty-five years of age, has had three years of continuous service and is receiving compensation on a weekly basis at the rate of $45 per week, or $2,340 per year. Also assume that his compensation up to normal retirement age sixty-five is as follows:

Age	Compensation Weekly	Compensation Annually
25-30	$48	$2,496
30-35	52	2,704
35-45	56	2,912
45-55	61	3,172
55-65	67	3,484

His annual retirement income commencing at age 65 would be determined as follows:

For Membership Service:

5 years membership x $42.00	$210.00
5 years membership x 46.20	231.00
10 years membership x 50.40	504.00
10 years membership x 56.70	567.00
10 years membership x 65.10	651.00

Combined Annual Income (including Primary Social Security Benefit)	$2,163.00
Deduct the Social Security Program:	
Annual Allowance to employee at age 65	668.00
The Grand Union Company Plan	$1,495.00
Add Annual Primary Social Security Benefit	668.00
Add further Allowance to dependent wife, if over 65	334.00
Combined Annual Income from all sources	2,497.00

This member's contributions under the plan would be:

$4.62 every 4 weeks for 5 years	$ 300.30
$5.08 every 4 weeks for 5 years	330.20
$5.54 every 4 weeks for 10 years. . . .	720.20

$6.69 every 4 weeks for 10 years	. . . .	$ 869.70
$8.54 every 4 weeks for 10 years	. . . .	1,110.20
Total contributions		$3,330.60

If this employee lives 12.7 years after retirement (the average number of years for an individual sixty-five years of age), he receives payments totalling $18,986 from the plan above, or almost six times his contributions. If he reaches retirement and fails to live the average number of years, the least amount which he and his beneficiary receive from the plan is payments for five years, a total of $7,475, more than twice his total contributions.

In place of a straight lifetime retirement allowance, an employee may elect to retire under a contingent annuity option. Under this election an employee has the following options:

1. A reduced income payable during life, and after his death, income to be continued for the life of his contingent member.
2. A reduced income, but larger than in Option 1, payable during his life, and after his death one-half of this amount is continued for the life of his contingent member.

If an employee dies before retirement, his named beneficiary will receive his contributions with compound interest. If the beneficiary is not living, his contributions with compound interest are paid to his estate.

If an employee dies after retirement and before sixty monthly payments have been made, the balance of the sixty monthly payments is made to his named beneficiary if living.

Retirement cannot be postponed beyond the normal retirement date except under unusual circumstances, and then on a year-to-year basis, but not beyond five years. This provision is normally upon request of the board of directors of the company, subject to the employee's approval. In such case no further contributions to the plan are made by the employee or the company. The retirement income starts when the employee actually retires. The amount of the benefit is the same as though he had retired on his normal retirement date.[6]

Stock Option Plan

The purposes of the stock option plan are to provide employees with an opportunity to invest in the company, to encourage employees to remain with the company, and to increase their efforts to make the company more successful in its operations.

There have been reserved for the purposes of the plan 64,000 shares of available authorized but unissued common stock (approximately 10 percent of the total of the stock presently outstanding and reserved for the plan) for issue

[6] The Grand Union Company. Employee's Retirement Plan.

to the employees of the company. This includes officers who are directors of the company but not directors who are not officers of the company.

All employees with five years of employment on the effective date of the plan (July 1, 1951) are eligible. Store managers, route division regional managers, office department heads, and others holding equivalent or higher positions are eligible after three years' employment. The classification of each employee is made by the stock option committee. As additional employees become eligible, they are granted options and employees who receive increases in compensation are granted additional options. Approximately 1,500 employees will be eligible prior to the expiration of the plan.

The stock option committee determines the number of shares for which each option will be granted. However, options shall not be granted to the president for more than a total of 15 percent of the number of shares reserved for the plan and options shall not be granted to any other officer or employee for more than 7½ percent of these shares.

The purchase price per share for each option is fixed by the stock option committee. It is not less than 85 percent of the fair market value at the time such option is granted. The price established on January 11, 1953 was $29.03 per share, the market price being $29.50 per share on that date.

The term of each option shall be fixed by the stock option committee, but no option shall permit the purchase of shares under the plan for a period of more than five years or after December 31, 1960.

Each option is exercisable on dates fixed by the stock option committee. The committee may specify that only a certain percentage of the shares covered by any option may be purchased in any one year.

Upon the death of any employee, his legal representatives may exercise any part of an option not exercised. This must be done within three months of the employee's death. Upon resignation or discharge, an employee must exercise his accrued option rights within thirty days. Retirement rights of option are the same as death rights.

An adjustment will be made in the number of shares covered by each option and the price per share should there be a split-up or combination of common stock or a dividend payable in common stock, so that proportionate interest is maintained.[7]

Summary and Conclusions

The Grand Union Company employee benefits program is as follows:

1.- Group Life Insurance

2 - Vacation Plan

3 - Hospital, Surgical, Medical Plan

4 - Sick Pay

[7] The Grand Union Company. Employees Stock Option Plan.

5 - Retirement Plan

6 - Stock Option Plan

On the surface the program would not appear to differ greatly from other programs in effect today. However, the attitude of management toward the program, coupled with periodic reviews, are what make the difference. Management takes the realistic approach that a good benefit program is sound economic policy in the long run, realizing that while the program increases immediate costs of doing business, money is saved by reduced labor turnover, more efficient work, and a higher type employee is attracted to the company.

Specifically, in its policy of reviewing the program, management found that the hospitalization plan was not as effective as it might have been, due to the increased cost of medical care and treatment. Therefore, the present plan was selected because it supplied greater coverage and higher benefits.

The stock option plan is an example of the company's leadership in the field of employee benefits. Most plans of this type were brought into being as a device for retaining top executives, enabling them to pay a capital-gains tax instead of the regular income tax that any other type of bonus or increased salary would require.

CHAPTER VI

STOP & SHOP, INCORPORATED

Stop & Shop, Incorporated is a sectional food chain operating in eastern Massachusetts and three cities in Connecticut. In 1919 the present management took over the Economy Grocery Stores, an ailing chain of twenty-seven stores. In 1925 the Rose T. Company and its eighty-five stores were acquired. A bakery was opened in 1938. In 1932 the company had four hundred and fifty stores doing an annual sales volume of $15,000,000. In 1951 eighty-five stores did over $61,000,000.

Retirement Income Plan. The plan became effective on January 1, 1945. A regular full-time employee is eligible to join the plan on any July 1 or January 1, provided he has completed five years of continuous full-time service and has not reached age sixty. An employee becomes a member of the plan on the January 1 or July 1 on which he became eligible to join, provided he makes application within thirty-one days.

Employees normally retire on the first day of the month following their sixty-fifth birthday, or on their sixty-fifth birthday if it falls on the first day of the month. At this time they receive the retirement income which has been provided to start on such date.

With the consent of the company, an employee may retire on the first of the month during the ten-year period preceding the normal retirement date. If an employee follows this choice, retirement income is reduced in amount. Also with the consent of the company, an employee may continue to work after his normal retirement date. In such case, his contributions and those of the company cease, and retirement income payments start as if actual retirement had occurred.

Employees participating in the plan make contributions amounting to 2 percent of their annual basic rate of pay as of January 1 of each year up to $3,000, and 4 percent of their annual basic rate of pay over $3,000. Basic rate of pay is considered as regular salary exclusive of overtime, profit sharing payments, and all other of forms of extra compensation.

The company contributes an amount greater than the total amount contributed by all employees to cover the balance of the cost.

Employee contributions are deducted monthly and are deposited with the John Hancock Mutual Life Insurance Company along with company contributions. Stop & Shop, Incorporated gives each participating employee a statement at the end of each year showing the total of his contributions.

Each year the employee's contributions and those of the company are combined to buy for the employee an amount of fully paid annual retirement income from the insurance company. The amount purchased each year equals three-fourths of 1 percent of the employee's annual basic rate of pay as of January 1 of that year up to $3,000, and 1-1/2 percent of his annual basic rate of pay over $3,000.

The total amount paid to the employee each year for life after his normal retirement date is the sum of the amounts of retirement income purchased each year during the employee's participation in the plan.

The employee may choose to receive a reduced amount of retirement, with the provision that all, two-thirds, or one-half of this reduced retirement income is continued after his death in favor of a contingent annuitant. The amount of the reduced retirement income depends on the age and sex of the employed and contingent annuitant and on the percentage of the reduced income to be continued to the contingent annuitant. This option may be elected at any time prior to the retirement date, but if elected within a period of five years before payments are to start, the insurance company requires satisfactory evidence of good health on the part of the employee.

If either the employee or the contingent annuitant dies before the employee's retirement date, or the monthly amount of retirement income is less than $10, this option is cancelled. If this option is elected, it cannot be changed or withdrawn, nor can an earlier retirement date subsequently be elected, except by consent of the insurance company.

If an employee dies before his retirement date, his beneficiary receives an amount equal to his total deposits with credited interest. Should the employee die after his retirement date, his beneficiary receives an amount equal to his total deposits with credited interest minus any retirement income payments made to the employee. When there is a contingent annuity option in effect, the above does not apply. If there is a contingent annuity option in effect and the employee and contingent annuitant die after the retirement date, a beneficiary receives an amount equal to the employee's total contributions with credited interest minus all retirement income payments made to the employee and contingent annuitant.

If a participant in the plan leaves the employ of the company before his normal retirement date, he may elect one of two options. He may have his contributions with credited interest returned to him or he may leave his contributions with the insurance company and receive a retirement income based on what his deposits alone have provided. If he has completed fifteen or more

years of participation in the plan, his retirement income is increased by the amount of company contributions made on his behalf.

An employee who has elected the latter option may choose to have his retirement income start on the first day of any month during the ten years preceding his normal retirement date, but such income is reduced in amount. As an alternative the employee may elect at any time before his normal (or earlier) retirement date to receive the return of all of his deposits with credited interest, in place of all retirement income provided by his deposits and those of the company.

No employee may withdraw his deposits or borrow against them at any time so long as he remains in the employ of the company, since this would interfere with the basic purpose of the plan.

If the retirement income to which an employee is entitled amounts to less than $120 per year, the income payments may be made quarterly. If such amount is less than $10 per quarter, the insurance company may grant a cash settlement in place of income payments.

The plan is administered under a group annuity contract issued to the company by the John Hancock Mutual Life Insurance Company.[1]

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[1]Stop & Shop, Incorporated. <u>Retirement Income Plan</u>.

Group Insurance

Regular full-time employees who have been employed for three months or more are eligible to join the plan. New employees may make application at the time of employment and the insurance becomes effective at the end of three months service.

Weekly sickness and accident benefits. Accident benefits commence immediately for absence from work due to a disability not covered by Workmen's Compensation Law. Sickness benefits start after the third day of absence from work. While the employee need not be confined to bed, he must be under the care of a licensed physician.

Maternity benefits are paid for any pregnancy or complications therefrom if pregnancy begins after the effective date of the insurance. These benefits are paid for a period not exceeding six weeks.

Benefits are paid for thirteen weeks for each separate period of disability. If the employee is under age sixty, there is no limit to the number of periods of disability for which benefits are paid, provided each disability results from separate and unrelated causes. If age sixty or over, the employee is limited to thirteen weeks in any twelve-month period. (See Table 14.)

TABLE 14*

MONTHLY CONTRIBUTIONS AND WEEKLY
SICKNESS AND ACCIDENT BENEFITS

Basic Weekly Earnings	Weekly Benefits	Monthly Contribution
$ 27.50	$ 16.50	$ 1.10
32.50	19.50	1.30
37.50	22.50	1.50
42.50	25.50	1.70
50.00	30.00	2.00
55.00	33.00	2.20
57.50	34.50	2.30
60.00	36.00	2.40

*Source: Stop & Shop, Incorporated. Group Insurance Benefits for Employees.

Contributions for sickness and accident benefits are four cents per month for each dollar of an employee's basic weekly earnings. The company makes a payment in addition to that of the employees. Weekly benefits are equal to 60 percent of an employee's basic earnings.

Group life insurance. Life insurance benefits are payable to the beneficiary regardless of the cause of death. The amount of insurance for which an employee is eligible is based on his basic weekly earnings as shown in Table 15.

TABLE 15*

SCHEDULE OF LIFE INSURANCE BENEFITS

Basic Weekly Earnings	Life Insurance	Monthly Contribution
Up to $ 35	$ 1,000	$ 0.60
$35 to 50	2,500	1.50
50 to 75	5,000	3.00

*Source: Stop & Shop, Incorporated. Group Insurance Benefits for Employees.

If an employee's basic weekly earnings change to the extent of effecting a change in the amount of insurance benefits, adjustment is made on the first day of February, June, or October, whichever comes first.

Under this plan accidental death and dismemberment benefits are included for those employees covered by group life insurance. In case of death from external, violent, or accidental causes, an amount equal to the employee's life insurance is paid his beneficiary.

Likewise the employee receives an amount equal to his life insurance if he loses:

Both hands or both feet

One hand and one foot

Sight of both eyes

One hand and sight of one eye

One foot and sight of one eye

He receives an amount equal to one-half his life-insurance if he loses:

One hand.

One foot

Sight of one eye

If the employee becomes totally and permanently disabled before reaching age sixty, he is paid an amount equal to the value of his life insurance, this being paid in installments.

Should an employee leave the company for any reason, his life insurance is continued for thirty-one days. During this period, he may convert his life insurance to any individual policy usually issued by the John Hancock Mutual Life Insurance Company. No physical examination is necessary.[2]

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[2]Stop & Shop, Incorporated. <u>Group Insurance Benefits for Employees</u>.

<u>Hospital and surgical benefits</u>. Free individual coverage of basic Blue Cross and Blue Shield is provided for each employee with three months of full-time service. Basic coverage is the $7 a day Blue Cross and Plan A Blue Shield.

The effective date of the free Blue Cross and Blue Shield coverage is the twentieth day of the month following three months of full-time service.

Additional coverage is available to each employee. It includes the $10 a day and the $12 a day Blue Cross plans and Blue Shield Plan B, in addition to basic coverage plans. The additional premium is deducted from the employee's pay each month. The three Blue Cross plans differ in the amount of daily allowance for hospital room and board. The standard plan allows $7 a day, while the other two plans allow $10 a day and $12 a day respectively. This allowance covers the first sixty days of hospital confinement. The amounts are cut in half for the second sixty days of confinement.

Blue Cross also pays for the operating room, medications and dressings, laboratory services, electrocardiagrams, basal metabolism examinations, use of incubators, inhalators, and physical therapy equipment, oxygen, all approved drugs, emergency department treatment within twelve hours after an accident, out-patient surgery and routine maternity delivery up to $70.

Blue Shield Plans A and B are for different income groups. Plan A is for individuals with annual income below $2,000, families of two below $2,500 and families of three or more below $3,000. If an employee chooses Plan A and has an income larger than the above, he may be subject to an additional charge by the physicians. Plan B is for the three groups with annual income ranging from the above limits to $5,000. Any of the groups with annual income over $5,000 are subject to an additional charge by the physician under Plan B. Plan B Blue Shield provides larger benefits than Plan A. For example, Plan A provides $75 for an appendectomy, while Plan B provides $125.

Blue Shield covers 900 approved types of operations. It pays for the physician-anaesthetist, X-ray therapy treatments when used in place of surgery, a maximum of twenty-one days on doctor's visits to the hospital for non-surgical cases, for routine maternity delivery $50 under Plan A and $75 under Plan B toward the doctor's fee, and doctor's care in the home or office for injuries.

For family members there is a twelve-month waiting period after enrollment before physical maladies existing at the time of enrollment are covered by Blue Cross and Blue Shield. This period must elapse before maternity, tonsil, and adenoid operations are covered.

There is no cost to the employee for individual coverage of Blue Cross $7 a day plan and Blue Shield Plan A. For additional individual coverage the employee's monthly premium is thirty-five cents for Blue Cross $10 a day and sixty cents for Blue Cross $12 a day. For Blue Shield Plan B the monthly premium is fifty cents. For family coverage the additional monthly premium for Blue Cross $7 a day is $2.25; Blue Cross $10 a day $3.10; Blue Cross $12 a day $3.70. For extra Blue Shield coverage the additional monthly premium for Individual Plan B is fifty cents; for family membership Plan A is $1.60 and Plan B is $3.85.[3]

Summary and Conclusions

The more important features of the Stop & Shop employee benefits program are as follows:

1 - Group Life Insurance (with a provision for accidental death and dismemberment)

2 - Weekly Disability Insurance

3 - Hospitalization

4 - Surgical Benefits

5 - Retirement Plan

One of the strongest features of the benefits program would seem to be the hospital and surgical benefits.

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[3] Stop & Shop, Incorporated. Stopics, November, 1952.

The company provides minimum hospital and surgical benefits at no cost to the employee, who, if he desires, may enroll under plans that provide greater hospital and surgical benefits for his family and himself.

The retirement plan also has good features in that it permits the participant on leaving the company to let his contributions remain with the insurance company, thereby maintaining retirement income for the period spent with the company. If the employee has completed fifteen or more years of employment, his retirement income is increased by the amount of company contributions made on his behalf. Of those eligible, 95 percent of the employees are participating in the retirement plan.

The group life insurance policy provides benefits to dependents up to $5,000. Incorporated in the policy is a provision which pays the employee up to $5,000 in case of accidental death or dismemberment. In the event of the former, the benefit to the beneficiary is in addition to the life insurance benefit.

CHAPTER VII

WRIGLEY'S STORES, INCORPORATED

In 1932 John and Nathan Lurie opened their first grocery store in Detroit, Michigan. By the end of World War II they had acquired ten more markets. By mid-1951 Wrigley's Stores, Incorporated was operating twenty-five super markets in the Detroit area. On July 25, 1951 Wrigley's Stores, Incorporated merged with Packers Super Markets and consolidated under the Wrigley name. In 1950 sales were $32,370,987.

The trading area of this organization includes four cities in two counties in the greater Detroit area.

Group Insurance Plan

Employees may make application to join the plan when they are first hired. The insurance becomes effective on the first day of the calendar month following three months of continuous service on a full-time basis.

Dependents who may be enrolled are a spouse and all unmarried children under age nineteen. A new born child may be enrolled at birth. No physical examination or health statement is needed and there is no age restriction on adults under the plan.

Group insurance includes group life insurance, accidental death and dismemberment insurance, weekly sickness and accident insurance, the hospital plan and surgical plan.

Life Insurance. Life insurance is payable in the event of death no matter what the cause. Payment is made in a lump sum or installments to the beneficiary designated by the employee. Under the plan all employees are covered by $1000 of life insurance. Department managers and administrative personnel are granted an additional $1,500, thus bringing their total coverage to $2,500 as shown in Table 16.

In event of total disability before age sixty, premium payments are discontinued and the entire amount of the insurance is paid to the beneficiary if death occurs without recovery.

Life insurance coverage remains in effect for thirty-one days after the insured leaves the employ of the company. At any time within this period the group policy may be converted to individual life insurance without the necessity of a physical examination. Premiums are at the Crown Life Insurance Company's regular rates.

TABLE 16*

INSURANCE SCHEDULE FOR PERSONNEL

	Life Insurance	Accidental Death and Dismemberment	Weekly Sickness and Accident	Hospital Plan	Maximum Surgical Fees
Employees	$1,000	$1,000	$10	Semi-private service - 120 days	$150
Department managers and administrative personnel	2,500	2,500	40	Semi-private service - 120 days	150
All dependents				Semi-private service - 120 days	150

*Source: Wrigley's Stores, Incorporated. Employee's Group Insurance Plan in the Spirit of Wrigley's.

<u>Accidental death or dismemberment insurance</u>. If an employee is injured or loses his life as a result of a non-occupational accident, he or his beneficiary is paid accordingly as follows:[1]

Loss of life	$1,000
Both hands or both feet	1,000
One hand and one foot	1,000
Sight of both eyes	1,000
One hand and sight of one eye	1,000
One foot and sight of one eye	1,000
One hand, or one foot, or sight of one eye	1,000

In the event of death, accidental death and dismemberment insurance benefits are payments made in addition to, not in place of life insurance. Only one amount is payable for injuries from one accident.

Loss resulting from air travel of any type is covered, provided the insured is not a member of the crew and has no duties connected with it. Losses as a result of an act of war are not covered.

This insurance ceases when employment ceases or when premium payments are discontinued.

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[1] Department managers and administrative personnel are paid on the basis of $2,500 for loss of life, et cetera.

Weekly sickness and accident insurance. If an employee becomes ill or is disabled by a non-occupational accident, either of which do not entitle him to benefits under Workmen's Compensation Law, benefits are paid him starting on the eighth day for sickness and on the first day for disability as a result of a non-occupational accident. The benefit continues for a period of up to thirteen weeks. To receive the benefit, the employee must be attended by a licensed physician.

The amount of this benefit is $40 per week for department managers and administrative personnel. Regular employees receive $10 per week.

Should an employee return to work after having received the benefit for less than thirteen weeks and becomes unable to work because of the same illness or accident, he is then entitled to immediate continuance of the benefits for the remainder of the thirteen-week period.

If an employee is under age sixty, he is entitled to the above benefit for each period of disability due to different and unrelated causes, provided there is a return to work between each period. Employees over age sixty are entitled to benefits up to a period of thirteen weeks for all non-occupational illness for each twelve-month period.

Hospital plan. The hospital and surgical plans are underwritten by the John Marshall Group Division of Bankers Life and Casualty Company. The insurance company pays, without cash limitation, hospital expenses actually incurred by employee and his dependents enrolled under the plan for a period of one hundred and twenty days in a semi-private room for each period of confinement to the hospital. A semi-private room is considered as one having in it two or more beds. If the patient occupies a private room, the insurance company contributes toward the room rental that amount charged by the hospital for its largest number of two-bed rooms.

Hospital charges other than room rental that are paid include meals, special diets, infant feedings, general nursing care, laboratory service, X-ray and use of radium, all drugs except blood and blood plasma, use of physical therapy apparatus, operating room and treatment room services, anaesthesia, electrocardiograms, basal metabolism examinations, dressings and casts, and oxygen.

Tuberculosis, nervous, and mental cases are entitled to seventy-five days of care as stated above. Benefits are paid for successive confinements to a hospital when re-admission occurs more than six months after the previous discharge.

In the event of an accident, the insurance company pays for expenses incurred by emergency room care on the first visit to the hospital, including necessary diagnostic service, provided the service is obtained within twenty-four hours of the time of the accident.

Maternity benefits are paid when confinement of the mother occurs at least nine months after insurance has become effective. No waiting period is necessary for any complications resulting from pregnancy. Where the mother is entitled to maternity benefits, the insurance company pays the hospital for all services and the doctor's fee up to the amount listed in the schedule of surgical operations and benefits.

Surgical plan. In the event of a surgical operation, the insurance company pays the fee up to the amount listed in the schedule of surgical operations and benefits. The plan covers surgery for the treatment of diseases and injuries and the correction of fractures and dislocations, whether or not the employee is a bed patient in a hospital. Maximum surgical fee is $150.

The insurance company pays the hospital expenses incurred for the first visit of those surgical cases not requiring bed care, when referred to the hospital by a physician.

Under the hospital and surgical plans, benefits are not paid for any hospital or doctor service secured through any government institution, or injury or illness arising out of gainful occupation, or otherwise secured without cost to the employee or his dependents. Benefits are not paid for refraction of the eyes, services of blood donors, private nursing services, special braces, appliances, or dental care. Hospital charges for services or supplies not necessary for hospital bed care must be paid for by the insured.

Employee contributions to group insurance. The employee's weekly contribution toward the cost of group insurance is governed by whether or not dependents are included and by his job classification. Department managers and administrative personnel make a larger contribution because they are granted greater coverage in certain sections of the plan as previously mentioned. Department managers and administrative employees contribute \$1.62 per week without dependents and \$2.18 per week with them. Regular employees contribute \$0.96 per week without dependents and \$2.18 per week with them. Contributions are deducted from the employee's pay each week, the balance of the cost being paid by the company, as well as the entire cost of the life insurance.[2]

Vacations

To be eligible for a paid vacation, the individual must be a full-time employee who has worked full time for a minimum of twelve continuous months. A full-time employee is one who works forty-five hours or more per week. After three years employment, a full-time employee is eligible for two weeks vacation with pay. The vacation period falls between June 1 and October 1. For an employee to be eligible, the above service must be completed before October 1.

Credit Union

The Wrigley Employee Credit Union has been established so that employees may have a safe and convenient way of saving money. Loans at a low rate of interest are also available.

The credit union is operated entirely by Wrigley's employees under State Banking Commission regulations.

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[2] Wrigley's Stores, Incorporated. Employee's Group Insurance Plan in the Spirit of Wrigley's.

Employees may purchase shares by cash payment or payroll deductions. Dividends are paid annually on the basis of credit union earnings.[3]

Summary and Conclusion

Briefly, the Wrigley's employee benefits program is as follows:

1 - Group Life Insurance

2 - Hospital Plan

3 - Surgical Plan

4 - Accidental Death and Dismemberment Insurance

5 - Weekly Sickness and Accident Insurance

6 - Credit Union

In the opinion of the writer, the hospital plan is the outstanding feature of the Wrigley's employee benefit program. It covers the expenses incurred in a semi-private room with no cash limitation. Therefore, it can be considered that here a service is underwritten, rather than an allowance granted toward the cost of a service. The advantage of this type of hospital plan is that it is always up-to-date. No matter how high or low the cost of a semi-private room may fluctuate, the insured gets the same service. In other plans where a maximum dollar allowance is granted toward the cost

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[3] Wrigley's Stores, Incorporated. Employee Manual.

of hospital room and board, a resident patient may be in a private room during one period of illness and a ward during another.

The obvious defect to date in the Wrigley benefit program is its lack of a retirement plan. It should be noted, however, that the company is only twenty years old, so it is unlikely that there are very many employees old enough to retire that have service records of sufficent length.

Other benefits that might be increased are those paid on the life insurance, accidental death and dismemberment insurance, and the weekly sickness and accident insurance for regular employees. Even if the amount of the employees' weekly contributions were increased, the writer believes that many of the employees would still be in favor of increased benefits.

CHAPTER VIII

CONCLUSIONS

Requirements of an Employee Benefit Program

While each employee benefit program must be tailored to the needs of individuals within a company, there are certain requirements that must be fulfilled for the program to be successful.

First, the cost must be within the company's ability to pay. This means the ability to pay year in and year out throughout the lifetime of the company. During World War II some organizations launched impressive employee benefit programs in hopes of luring additional workers to their plants. Now that profits have returned more to normal, these companies face the unpleasant task of discontinuing or curtailing the programs in order to maintain a competitive position in business.

Another essential of a successful employee benefit program is that it must be actuarially sound. This is especially true in pension planning. Actuarial soundness guarantees retiring employees the promised amounts of retirement income and the employer full tax advantages.

While rarely considered, a benefit program should present benefits to the employer. The employer should be able to expect increased efficiency, better morale, and improved public and employee relations.

The employee should benefit from the program to a degree greater than he could provide for himself at the same cost. The best way to defeat the purpose of the entire program is to provide benefits that are too low. The program should be fair without unbalanced benefits for those on the executive level.

A benefit program should be flexible enough to provide benefits that cover mishaps to the same degree during all phases of an economic cycle. Where this is not possible, management must be alert in making revisions when necessary. To the writer this is the area in which there is the greatest opportunity for improvement in employee benefit programs by employers and insurance companies.

Finally, a benefit program should be simple, practical, and easily understood by the participants.[1] Thorough explanations to employees should be put in booklet form by the employer.

Types of Benefits

Today there are twelve types of benefits generally found in employee benefit programs. Though it might seem

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[1]National Insudtrial Conference Board, Incorporated. Studies in Personnel Policy, No. 61. April, 1944.

ideal to include a large majority of them under one program the cost would be prohibitive. They are as follows:

1 - Group Life Insurance

2 - Vacation Plans

3 - Pension Plans

4 - Accidental Death and Dismemberment Insurance

5 - Sickness and Accident Insurance

6 - Sick Pay

7 - Hospital Plans

8 - Surgical Plans

9 - Poliomyelitis Benefits

10 - Stock Option Plans

11 - Profit Sharing Plans

12 - Credit Unions

While the above are not listed in the order of their frequency, credit unions, stock option plans, profit sharing, and poliomyelitis benefits do not appear in benefit programs as often as the other benefits.

Group life insurance. Group life insurance has always ranked first in the number of wage earners covered and contracts written, the reason being that the death of the wage earner is the worst possible misfortune to befall a family. There are two methods most commonly used in deciding the amount. Either a single benefit is provided for all employees or benefits are graduated according to salary.

Usually the insurance is paid in a lump sum or in installments. Today a few employers are purchasing group permanent insurance to meet objections to group term insurance. In most of these cases the employer's contributions pay for the term insurance, while employee's contributions go toward the paid-up part of the policy.

There are conflicting views concerning continuation of group insurance after retirement. Some employers continue the full amount of the policy, while others decrease it. A few companies discontinue it altogether.

At present, premium rates average about sixty cents per month per $1,000 for groups where no extra hazard is present.[2]

Vacation plans. The usual policy on paid vacations is that employees are eligible for one week's paid vacation after one year of continuous, full-time service and two weeks after two or three years of continuous, full-time service. While not generally realized, a paid vacation policy is one of the most costly employee benefits, since a two-week paid vacation is about 4 percent of annual payroll.

Pension plans. There are generally four types of funded pension plans in effect today. The group annuity plan is underwritten and administered by an insurance

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[2]National Industrial Conference Board, Incorporated. Studies in Personnel Policy, No. 112. January, 1951.

company. Contributions are in the form of premiums and the terms are in a master contract between the employer and the insurance company.

The individual policy plan is also underwritten by an insurance company. Retirement income or annuity income policies, such as any individual may buy, are generally used. These policies are obtained on the lives of participants for the desired amount of benefits. The plan is administered under a pension-trust agreement with the trustee holding and administering the policies.

Under the trust fund plan, contributions actuarially determined to provide given pension benefits are deposited in a trust under a trust agreement. These funds are usually invested. The fund is administered by a bank or trust company and is separate from corporation control. Benefits are paid out of the trust or immediate annuity policies are purchased on retirement of the employee.

The pension-profit-sharing plan depends upon the profitability of the company. Contributions, all or in part, are based on a predetermined percentage of profits. These contributions are then placed in a trust. The funds are invested and payment made when the employee retires. The exact amount is unknown until retirement.[3]

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[3]National Industrial Conference Board, Incorporated. Studies in Personnel Policy, No. 61. April, 1944.

Over the last decade, employees retired on pension have faced increased difficulties as the buying power of their fixed number of dollars shrank. At present there are at least two pension plans in existence which bind the pension dollar to the cost-of-living index or some other reflector of purchasing power.

One of these plans provides "correction factors" determined at the end of one year for use in the following year, instead of a direct cost-of-living connection with the pension. The "correction factors" are under the control of the company and generally have moved with the cost-of-living index.

The second plan, still under development, is made up of two parts. The basic part of the plan is a definite benefit annuity, providing a fixed number of dollars determined by earnings and length of service. The amount of the base pension would be considered equal to a minimum pension plan. A supplemental plan, added to the basic plan, involves an equities fund into which company contributions would be made at periodic intervals. Employees would own shares in the equities fund, each share having a fluctuating dollar value depending upon the current market value of the securities in the fund and the investment income of the fund.

A retired employee would receive, in addition to his basic pension, a lifetime pension of the benefits accruing from his shares in the supplemental plan. The shares would produce a benefit every month, varying as the dollar value of the shares varied, depending on the continuing investment experience of the equities used for funding the supplemental plan.

As it is now being considered, the plan is contributary on the basic portion and paid for by the company on the supplemental portion. About one-third of all funds would go into the supplemental equities fund.

The principle behind this pension plan is that investments have generally followed the cost-of-living index, and, if they continue to do so in the future, the equities fund would provide a built-in inflationary hedge of total dollar benefits for retired employees.[4] It would seem that this type of pension should merit consideration in future planning.

Accidental death and dismemberment insurance. Accidental death and dismemberment insurance is not as prevalent as other forms of group insurance. It is usually written in conjunction with group life, sickness, or hospital expense insurance.

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[4]Towers, Perrin, Foster and Crosby, Incorporated. The TPF&C Letter. Philadelphia Pennsylvania, December, 1951.

Benefits may be paid for off-the-job accidents, but most plans pay for on-the-job accidents as well.

The schedule of benefits is usually the same as provided under the group life insurance of the plan, either a uniform benefit throughout or graduated in accordance with salary.

Premium rates average ten cents per month per $1,000 for non-occupational accidents only. For industries with few hazards, the rate remains the same, increasing accordingly as hazards increase.

Sickness and accident insurance. Sickness or other disability is a serious misfortune for the worker and his family. A lengthy illness can mean real financial trouble. Sickness and accident insurance bridges that gap when there is no income. Most policies are geared to pay an amount that provides the essentials, but not enough to be an incentive to malinger. As in other group insurance, benefits are either uniform or graduated according to salary. The duration for most plans is between thirteen and twenty-six weeks.

Minimum monthly premium rates per $10 of weekly health and non-occupational accident benefits range from eighty cents (thirteen weeks of benefit) to one dollar (twenty-six weeks of benefit) when payments start on the first day for accidents and the fourth day for sickness. The rates are increased if there are an unusually large number of old people employed or the percentage of women employed is higher than a specified amount.

Sick pay. Sick pay is an alternative for accident and sickness insurance. Usually employees are eligible for full pay during illness up to a maximum of one week after one year of full-time service and two weeks after two years. As can be seen, persons with slight illnesses gain under this plan, but persons with more serious accidents and illnesses that require a longer period of recuperation do not fare too well. Also there is greater incentive for malingering.

Accident and sickness insurance provides protection against the longer disabilities which produce real financial difficulties. Therefore, while the employee would not fall back on it as often as sick pay, it is of greater value in time of serious need.

Hospital plans. The criticism that benefits are inadequate has been aimed against hospital and surgical plans more than any other type of group insurance.

While most hospital plans set a maximum dollar allowance for hospital room and board benefits, the John Marshall Group Division of Bankers Life and Casualty Company has evolved a plan whereby it pays the hospital expenses actually incurred by the employee or his dependents for one hundred and twenty days in a semi-private room. If a patient occupies a private room, an allowance is granted equal to the cost of a semi-private room. (For further details see Chapter VII.)

The Blue Cross plans are similar to the above in that they, too, offer service benefits, while most group hospital plans offer cash benefits. Blue Cross rates are $1.25 per month for a single person; $2.00 per month for two persons, and $2.75 per month for a family.[5] Rates for the individual subscriber under group hospitalization are lower than under Blue Cross. However, Blue Cross family rates are cheaper than group hospitalization.

It is the writer's belief that prospective buyers of group insurance should give serious consideration to the type of plan that offers service benefits instead of cash benefits, whether it be a Blue Cross plan or a group hospital plan. Service benefits provide the same benefits during all phases of a business cycle, while cash benefits do not.

Surgical plans. The standard schedule of payments is fixed by the insurance company with the employee receiving an amount equal to the surgeon's fee, up to the

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[5] The cost of Blue Cross coverage depends on locality. The above figures are considered average.

maximum listed in the schedule. Maximum surgical benefits run from $100 to $500, most being around $150. The more recent plans usually have a higher benefit than those in existence for a longer period of time. As previously stated, most criticism is aimed at inadequate benefits, inadequate in the sense that they usually do not cover the complete cost of the operation.

Associated Medical Care Plans, Incorporated, known as the Blue Shield Commission, provides prepaid surgical and in-hospital medical care. The Blue Shield plans meet some of the criticism of inadequate benefits with their three types of surgical benefits. Under the straight service plan, the participant gets no bill from the physician who receives his fee direct from the organization. Under the indemnity contract, there is a schedule of fees for each type of operation. The participant is credited with this predetermined amount and the physician may charge more if he so desires. This type is similar to the surgical benefits under group insurance plans. The third type is a combination of the first two. For example, under New York City's Blue Shield plan, a single person having an annual income of $2,500 per year or less, or a married person having an annual family income of $4,000 or less, receives full service benefits. Members earning more receive indemnity payments, depending upon the type of surgery performed. Any additional costs are paid by the member. Maximum allowance is $250.

Average monthly rates are $1.17 for a single person, $2.26 for two persons and $2.75 for a family. This is for the medical-surgical contract; the surgical contract is less.

While the latter type of plan would seem superior to surgical benefits under group insurance, there is still room for improvement. For one thing the base figures of $2,500 and $4,000 might be raised.

Poliomyelitis benefit. The poliomyelitis benefit is a fairly recent one, likely given impetus by severe epidemics in recent years. This benefit differs from hospital benefit plans under group insurance in that it makes payment for all actual expenses incurred in treating the disease for two years, the maximum being $5,000. The long and expensive convalescence from this disease really seems to have dictated the structure of the benefit. (See Chapter V for fuller discussion of benefits.) This type of benefit likely will remain in benefit programs as long as poliomyelitis is such a serious threat to the nation's health.

Stock option plans. As time goes on, stock option plans are becoming more plentiful. Originally, they were used to grant executives a tax savings by allowing them to pay a capital gains tax on profits resulting from stock purchased below the market value, instead of the regular income tax they normally would pay on any type of cash bonus. At present more plans tend to include all regular employees and the motive has changed. Management now expects an employee to be generally more responsible if he is also a part owner.

While the trend toward including greater percentages of employee is good, there are still certain drawbacks to stock option plans. Many employees feel their promotions may be slowed if they do not exercise their options, and yet they may not desire to invest in the company or they may be hard pressed financially to do so. Once an employee has invested, one of the rules of the plan states that he must retain the stock for six months after it is issued and a few years after the original option is granted. Also some employees may become disgruntled if the stock drops below the purchase price, even if previously warned of this possibility.

Profit sharing plans. The subject of profit sharing plans might well be a separate study in itself. Suffice it to say that neither of the two best known plans in the food retailing industry today pay out shares at regular intervals. The Kroger Company plan reserves the employee's contributions and his share of profits until his retirement. It is meant to be a sum used in addition to retirement income. (See Chapter III.)

The Jewel Tea Company's plan, Jewel Retirement Estates, is a pension-profit-sharing plan whereby an employee's contributions and his profit shares are paid him on retirement. Payment may be in one of two lump sums or spread over a period of five years. If the employee prefers, the trustees may purchase paid-up retirement insurance or an annuity for him.[6]

Credit unions. Credit unions provide members with an excellent service. The credit union permits members to save a specified amount of money at regular intervals by payroll deduction. Even more important, members may make loans at a low rate of interest. The latter is important because many employees have difficulty in securing loans except at a rate excessive to them.

A credit union is one benefit that costs the employer very little while getting underway and nothing once it is established. At the outset the employer may determine if there are enough prospective members for the credit union to be successful. He may provide legal counsel, advice, and office space. He may allow employees to

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[6] Jewel Tea Company, Incorporated. Looking at the Future Through J. R. E.

conduct credit union business on company time. He cannot invest company funds in the credit union. Once established, the credit union is run entirely by the employees. (See Chapter II.)

The Cost Factor in Planning Employee Benefits

In benefit program planning today the most sensible way for an employer to work out a program is to determine how much can be spent year in and year out, then apply that amount in a way that best promotes the welfare of the employees.

Initial costs vary accordingly with a number of factors. As is well known, group life insurance premiums vary from fifty cents per month per $1,000 at age twenty to $3.76 per month at age sixty-five, assuming no occupational hazards. Premiums for sickness and accident benefits are based on the percentage of benefits for female employees, the number of weeks for which benefits are paid, the waiting period before benefits start, and whether or not maternity benefits are included. Similar factors apply to other forms of group disability insurance.

Using an example for figuring the cost of a benefit program, let us assume an average premium age of forty-five years for life insurance. Also it is assumed that there are few female employees (allowing use of minimum rates) and maternity benefits are included. A sickness and accident plan is used that provides for both sickness and accident benefits to start on the first day and continue for twenty-six weeks. The hospital expense benefit provides a seventy-day plan with ten times the daily benefit for special services. Also it is assumed that 70 percent of the enrolled employees have dependents.

Table 17 shows in what amounts the assumed benefits may be purchased with variations. Plan I in the Table is fairly good as it stands, but an additional $1,000 of life could be added for one-half cent per hour. In Plan II, $1,000 of life insurance and increased surgical benefits could be added for one cent per hour.[7]

A survey taken by the Research Council for Economic Security demonstrates the variance in the cost of different benefits. In the survey employers were divided into four groups: those having over fifty employees, those employing over 500, those having over 5,000, and those having over 50,000 employees. The survey shows that the most ex-

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[7]Central Hanover Pension Bulletin. Published for Central Hanover Bank and Trust by Prentice-Hall, Incorporated. New York, May, 1950.

TABLE 17

COSTS OF VARYING AMOUNTS OF BENEFITS

	Plan I	Plan II	Plan III
Life	$2,000	$2,000	$2,000
Accidental Death and Dismemberment	2,000	2,000	2,000
Accident and Health Weekly Benefit	25	35	35
Hospital Expense For Employees			
Daily Benefit	8	8	8
Special Services	60	80	80
For Dependents			
Daily Benefit	6	6	8
Special Services	60	60	80
Surgical Operations			
For Employees	150	150	225
For Dependents	---	150	225
Cost per hour[a] 2000-hour year	3.6¢	4.7¢	5.9¢
Percent of pay[a] 2000-hour year	2.4%	3.1%	3.9%

*Source: Central Hanover Pension Bulletin. Published for Central Hanover Bank and Trust by Prentice-Hall, Incorporated, New York, May, 1950.

[a]Assumes a 15 percent dividend.

pensive item of a benefit program to be the pension at 3.60 percent of taxable payroll. Next is the paid vacation at 3.29 percent.

The cheapest items are surgical benefits at .18 percent of taxable payroll, hospitalization at .34 percent, health and accident insurance at .84 percent.

The survey shows the average cost of benefit programs for all four groups as 11.91 percent of taxable payroll (8.95 percent paid by the company, 2.96 percent by the employees). Compulsory government benefits are 4 percent, making a total of 15.91 percent of taxable payroll.

From the above figures it can be seen that without care and analysis in planning and revising benefit programs, the cost of benefits could become crippling.

While costs of various benefit plans differ somewhat from one size organization to another, the pension plans vary from 2.50 percent in the large organizations to 8.94 percent in small ones.[8]

Admittedly, pensions are deserved recognition for loyalty and length of service. However, in view of their cost it would seem that they should not be permitted to slow up the development of hospitalization, surgical benefits, health and accident insurance, and other benefits of a rounded program. This applies especially to those

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[8] Research Council for Economic Security. Social Security in Industry. Chicago, 1948.

companies having exceptionally high pension costs.

In conclusion, it must be remembered that for any employee benefit program to be successful, the employees must be made constantly aware of it. It is not enough to enroll those employees desiring coverage when the program is initiated or explain it to new employees at the time of hiring. There must be a plan of continuous education about benefits conducted through company papers, magazines, and other publications.

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