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An Analysis of Supplemental Unemployment Benefit Plans in the Rubber Industry

LeRoy Biondi

Loyola University Chicago

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AN ANALYSIS OF SUPPLEMENTAL UNEMPLOYMENT BENEFIT PLANS IN THE RUBBER INDUSTRY

by

LeRoy Biondi

A Thesis Submitted to the Faculty of the Institute of Social and Industrial Relations of Loyola University in Partial Fulfillment of the Requirements for the Degree of Master of Social and Industrial Relations

June

1959
LIFE

LeRoy Biondi was born in Chicago, Illinois, February 3, 1929.

He was graduated from St. Ignatius High School, Chicago, Illinois, June 1947, and from Loyola University, June 1955, with the degree of Bachelor of Science.

The writer began his studies in the Institute of Social and Industrial Relations at Loyola University in September 1955.
PREFACE

Among the many pressing problems of industrial employment, job security is one of those at the forefront. In recent years, much material has been devoted to this problem of a guarantee of work and wages. It is this aspect of security with which the writer is concerned--the guarantee of work and wages.

The writer will briefly explore the problem confronting all industry but the major theme of this research will be devoted to what the Rubber Industry has done to achieve a guarantee of work and wages for its workers. An analysis will be made of its Supplemental Unemployment Benefit Plan to see how that Plan solves the problem it was designed to solve.

This research proceeded along the following lines:

(1) The Agreements were obtained by writing to the Research Director of each of the four Rubber Companies--United States Rubber, Goodyear Tire & Rubber, Firestone Tire & Rubber and B. F. Goodrich.

(2) A bibliography was compiled from literature on related studies contained in books, periodicals, and pamphlets available in various libraries, both private and public, universities and private organizations.
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. INTRODUCTION</strong></td>
<td></td>
</tr>
<tr>
<td>A. Definition of Guarantee Annual Wage</td>
<td>1</td>
</tr>
<tr>
<td>B. Background</td>
<td>3</td>
</tr>
<tr>
<td>C. Issues and implications</td>
<td>12</td>
</tr>
<tr>
<td>D. Terminology</td>
<td>13</td>
</tr>
<tr>
<td><strong>II. RUBBER SUPPLEMENTAL UNEMPLOYMENT BENEFITS--PART I</strong></td>
<td>15</td>
</tr>
<tr>
<td>A. The Rubber plan</td>
<td>15</td>
</tr>
<tr>
<td>B. Ohio ruling on SUB-UC integration</td>
<td>16</td>
</tr>
<tr>
<td>C. Differences in plans</td>
<td>20</td>
</tr>
<tr>
<td>D. Effective date</td>
<td>21</td>
</tr>
<tr>
<td>E. Establishment of fund</td>
<td>21</td>
</tr>
<tr>
<td>F. Maximum fund and trust fund position</td>
<td>22</td>
</tr>
<tr>
<td>G. Company contributions</td>
<td>23</td>
</tr>
<tr>
<td>H. Eligibility requirements</td>
<td>24</td>
</tr>
<tr>
<td>I. Credit units</td>
<td>26</td>
</tr>
<tr>
<td>J. Seniority and size of benefits</td>
<td>27</td>
</tr>
<tr>
<td>K. Calculation of benefits</td>
<td>28</td>
</tr>
<tr>
<td><strong>III. RUBBER SUPPLEMENTAL UNEMPLOYMENT BENEFITS--PART II</strong></td>
<td>31</td>
</tr>
<tr>
<td>A. Duration of benefits</td>
<td>31</td>
</tr>
<tr>
<td>B. Conditions necessary for effectiveness of plan</td>
<td>33</td>
</tr>
<tr>
<td>C. Administration of plan</td>
<td>33</td>
</tr>
<tr>
<td>D. Costs of administration</td>
<td>36</td>
</tr>
<tr>
<td>E. Appeals procedure</td>
<td>36</td>
</tr>
<tr>
<td>F. Reports by the company</td>
<td>39</td>
</tr>
<tr>
<td>G. Miscellaneous</td>
<td>41</td>
</tr>
<tr>
<td>H. Amendment, duration and termination of plan</td>
<td>42</td>
</tr>
<tr>
<td><strong>IV. EXPERIENCES OF SUB IN RUBBER INDUSTRY</strong></td>
<td>45</td>
</tr>
<tr>
<td>A. B.F. Goodrich experience</td>
<td>45</td>
</tr>
<tr>
<td>B. Goodyear experience</td>
<td>47</td>
</tr>
<tr>
<td>C. Firestone experience</td>
<td>47</td>
</tr>
<tr>
<td>D. Current status of SUB</td>
<td>48</td>
</tr>
<tr>
<td>E. Summary data of SUB</td>
<td>49</td>
</tr>
<tr>
<td>Section</td>
<td>Page</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------</td>
</tr>
<tr>
<td>V. CONCLUSION</td>
<td>51</td>
</tr>
<tr>
<td>APPENDIX I</td>
<td>53</td>
</tr>
<tr>
<td>APPENDIX II</td>
<td>54</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>55</td>
</tr>
</tbody>
</table>
CHAPTER I

INTRODUCTION

A) Definition: Guarantee Annual Wage

Regularity of work and wages has always been the primary concern of workers in industry. The number of jobless workers during the depression of the 1930's emphasized the importance of regular pay, and the full employment of the war years convinced many of the possibility of a full years income.

The extreme opponents contended that a guarantee of work and wages would end the free enterprise system, that U.S. industry could not bear up under its crushing weight, that technological changes and economic expansion would cease and that union leaders would encroach into the councils of management.¹

The advocates believed that a guarantee of work and wages would cure the chief remaining source of economic misery in a capitalistic society: the unemployment that is caused by fluctuations in demand and production. Some also saw a dawning age when every wage earner would receive a year's purchasing power.²

²Ibid.
Caught between these two groups, listeners often wonder if everyone is talking about the same thing. This is probably the first point that must be kept in mind about the guarantee annual wage—it is a different thing or takes on a different meaning to different people. There seems to be a wide disagreement even on a definition of guarantee annual wage. Some regard it as a fringe benefit, by itself; some as a supplement to public unemployment compensation programs; some even as a replacement for such programs.

The term, "guaranteed annual wage" means a specified yearly income paid in equal amounts each pay period during the year, regardless of the hours worked. The amount of this guarantee would be approximately the worker's earnings at the time of layoff. In times of full employment and production, the guarantee would involve little or no cost to the employer. Conversely, during the reduced production and layoff periods, workers would be paid the guaranteed annual salary whether or not they actually worked.

Actually, at the present time, the GAW is neither defined or demanded in its purest form. When discussions of the GAW began, the prevalent concept was close to the pure form but over the intervening years the concept has moved steadily toward a more liberal interpretation. Today the term has little

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standard meaning, all plans, however, may be generally classified into one of
the following categories:

1. Plans guaranteeing an annual amount of wages.
2. Plans guaranteeing an annual amount of employment.
3. Plans guaranteeing an annual amount of wages and employment.

The common factor running throughout all types of guarantee annual wages
is the annual security concept.

B) Background

A description of each of the five major types of SUB Plans, namely, rubber, steel, auto, can and glass is listed in the appendix.

The chief innovation about CAW in 1955 was the head of steam behind it.
The idea itself goes back some sixty years.

The first plans under which employers assumed responsibility for guaranteeing work or wages were established in the 1890's. Best known of these were the plans in the wallpaper industry. The pattern was set by negotiations in 1894 between the National Wallpaper Company which controlled from 50 to 75 percent of the industry, and the National Association of Machine Printers and color mixers, when the company agreed to an eleven month employment guarantee. In 1896 a twelve month guarantee was agreed upon, and independent firms in the industry followed suit. Similar arrangements were negotiated with

4 Mullady and Latimer Report.
5 Ibid.
6 Ibid.
the National Print Cutters' Association of America, another union in the industry. Modifications were made in the pilot plan in subsequent years, and it survived until 1930.

Other pre-1900 plans were negotiated in New York and Philadelphia by The National Union of the United Brewery Workmen of the United States, and by the Machine Printers Beneficial Association and a New Jersey Textile finisher. 7

Only one plan was established in the first decade of this century, and seven between 1910 and 1920. At least twenty-six plans were established during the 1920's including the plan of Procter & Gamble Company. 8 More than 200 guarantee plans were instituted during the 1930's, mostly unilaterally by employers.

Noteworthy among the plans of the 30's were those established by George A. Hormel & Company and the Nunn-Bush Company. 9 Nunn-Bush became the last sizable employer to install a guarantee annual wage plan, but 189 smaller companies adopted such plans from 1935 to 1946. 10

Also during the 30's the General Electric Company made two attempts to guarantee employees' wages. In 1931, General Electric instituted a plan in twelve of its lamp departments under which employees with two or more years of service were guaranteed employment for 50 weeks a year. The number of hours

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7 Mullady, p. 1.
8 Ibid.
9 Ibid.
10 Ibid.
per week varied from 30 upward. This plan was discontinued in 1938 after various states in which the plants were located had adopted unemployment compensation laws.\footnote{11}

First of the state unemployment compensation laws was adopted in Wisconsin in 1932, and this was directly responsible for the establishment of numerous guaranteed wage plans in that state.\footnote{12} The law provided a complete exemption from the UC tax for employers who guaranteed their employees at least 42 weeks of employment, 36 hours per week during the year.\footnote{13} In 1935, the required guarantee was changed to 40 weeks at two-thirds of full time pay. Ninety-Six employers instituted guarantee plans under this provision.\footnote{14}

Also in 1935, however, the Federal Social Security Act was passed, and this included a provision designed to encourage the establishment of guaranteed-wage plans by permitting the states to offer reduced UC contribution rates to guaranteeing employers.\footnote{15} But it did not allow complete exemption. The Wisconsin law was promptly revised to conform with the federal statute, and just as promptly, all 96 employers discontinued their guarantee plans.

In 1946, the Labor Department's Bureau of Labor Statistics counted all

\footnote{11}{Mullady, p. 4.}
\footnote{12}{Ibid.}
\footnote{13}{Ibid.}
\footnote{14}{Ibid.}
\footnote{15}{Ibid.}
the plans that guaranteed employment for three months or longer. It found that 347 plans had been adopted since the 1890's and that 19% of these were still operating. Of the 19% guaranteed wage plans operating at that time, only thirty-nine guaranteed full-time employment or wages for 52 weeks a year, to all workers when hired, or within 30 days thereafter. For the most part, these were plans operating in small establishments in relatively stable industries where the required employee complement was least likely to change. All but four of them covered fifty or fewer workers; all but ten of them were in trade and service establishments. The 151 plans that had been dropped included the ninety-six Wisconsin companies leaving fifty-five others that had been abandoned for various reasons. These reasons were generally not related to general business depression but to the special problem of individual industries or employers.

While unions for many years have made sporadic demands for annual wage or employment guarantees, occasionally with success, the birth of the current union campaign need be traced back no further than 1944. At that time, with World War II drawing to a close and unions becoming concerned over the prospect of post-war unemployment, United Steelworkers AFL-CIO and Auto Workers

16 USOWMR, Latimer Report - Appendix C.
17 Ibid.
18 Ibid.
19 Ibid.
AFL-CIO both demanded the guaranteed annual wage from companies with whom they had contracts. The National War Labor Board ultimately had to decide the issue.

The unions proposed what appeared to be a relatively simple, but most comprehensive program. It included the following features.20

1) Every employee was to be covered by the wage guarantee.
2) All costs were to be met by the employer.
3) For each week during the life of the contract (2 year contract was being proposed) each employer was to receive a minimum weekly wage equal to 40 times his straight-time average hourly rate.

This was virtually a demand for a 100 percent guarantee of wages without any significant qualifications.

The National War Labor Board rejected the demand on the basis that, "The demand in its purest form would, if granted, subject the industry to such serious financial risks...as to be unworkable." However, they further explained, "These risks could be reduced by modifications and safeguards worked out through collective bargaining, but in the present state of the country's information on the subject, the Board is not prepared to impose such guarantees by order."21

At this point, the Board recommended to the President of the United States that the whole question of guaranteed wage plans be studied on a national scale by a specially appointed independent commission. The President assigned

21 USOWMR, Latimer Report.
the job to the U. S. Office of War Mobilization and Reconversion, which in
turn set up a research staff, known as the Guaranteed Wage Study Staff under
the direction of Murray W. Latimer, previously chairman of the United States
Railroad Retirement Board. 22

The study included a comprehensive review of guaranteed wage plans, cost
estimates for guaranteeing wages in a number of establishments and recommenda-
tions for measures which would increase the feasibility and applicability of
guaranteed wages, as well as an analysis of the economic effects of wage
guarantees prepared by two eminent economists, Professors A. H. Hansen and
Paul R. Samuelson, of Harvard University and Massachusetts Institute of Tech-
nology, respectively. 23

The findings of the guaranteed wage study confirmed the National War Labor
Board's decision that granting the Steelworkers' demands would involve sub-
stantial financial risks. 24 On the basis of data available from twelve basic
steel plants, the study determined that, for the five-year period 1937-1941,
the cost of meeting the demands would have amounted to about one-sixth of total
payroll. 25

22 USOWMR, Latimer Report.
23 Ibid.
24U.S. National War Labor Board, Case 111-6230-D, Report of the Steel
Panel, (Washington, 1944)
25 Ibid.
Since this matter of cost was obviously the biggest problem involved in
guaranteed wage plans, a large portion of the study was devoted to analyses of
various methods for controlling and minimizing costs. Included in its report
were:

1) The suggestion that tax-exempt contributions should be made to
   a trust fund in good times, which would be used to support
guaranteed payments in bad times.

2) The proposal that employers supplement state unemployment com-
   pensation benefits, both in the benefit levels and the duration
   of benefits.

3) The suggestion that the employer's liability should be limited
to a specified percent of his payroll.

The study concluded that the co-ordination of unemployment insurance and
wage guarantees would provide a high degree of income security at costs which
were regarded as feasible.

In 1951, the United Steelworkers of America renewed their demand for a
guaranteed wage.26 This demand, however, which was eventually presented to
the Wage Stabilization Board was quite different from their previous demands.
This time, much time was spent on the preparation of the details; it was for
less than a 100 percent guarantee of annual wages; and it took into considera-
tion the recommendations and findings of the Guaranteed Wage Study. In 1951,
the Union proposed the following program which included these features:27

26 U. S. Wage Stabilization Board, Case D-18-C, Panel Report, Report and
Recommendations of the Wage Stabilization Board, 1952.
27 Ibid.
1) Far different from their previous demands of an unlimited liability, they asked that the employers' costs be limited to an agreed upon rate of contributions to the trust fund—seven cents per hour was suggested.

2) Seniority was changed to include workers with three years of continuous service—not every employee as proposed previously.

3) Out of this trust fund, laid off employees would be paid the difference between his guaranteed amount and any state unemployment compensation benefits payable to him.

4) In order to receive these benefits, an employee would have to be able to and available for work.

5) Employees should receive 30 times the standard hourly wage for any week in which he was unable to work because of layoff or shutdown for a maximum of 52 weeks.

This proposal was a first attempt at developing a realistic proposal for achieving income security in the steel industry. In reality it was a supplemental unemployment compensation program and was recognized as such by the Wage Stabilization Board. The Board stated the difficulty of estimating the cost of such a program and chose not to rule on the proposal and referred it back to the parties for joint study. The Steelworkers' demands failed to include any features designed to give the employers a special incentive to stabilize employment. However, they did state in so many words that if costs turned out to be lower than expected, the union would negotiate for lower contributions.

The United Automobile Workers (CIO), who were the most active proponents of the idea, were the first to negotiate for guaranteed wage plans with the principal employers in a leading mass production industry.

In their study, the Auto Workers concluded that none of the existing guaranteed wage plans met the needs of the workers in their industry. Accord-
ing to them, any guaranteed wage program developed for UAW (CIO) members must have the following objectives:

1) provide the strongest incentives to employers to plan for regular, full-time, year-round employment for all seniority workers.

2) provide regular income to those seniority workers when the employers fail to provide such employment.

The UAW (CIO) did not copy the features of any existing guaranteed wage plan but rather borrowed from them and from the Guaranteed Wage Study together with adding a few features of their own in developing a program which they regarded as appropriate to their own industry.

The principal features of their proposed program were:

A. A guarantee for full week layoffs.

1) Every seniority worker who passed his probationary period would be covered.

2) A worker would be paid the difference between his guaranteed amount and any state unemployment compensation benefits he was entitled to.

3) The maximum costs of the employer would be limited to an agreed upon percentage of his current payroll.

4) For each and every week that a worker is laid off with an advance notice, an amount would be payable to him which would enable him to maintain the same standard of living as when employed, up to a maximum of one-half of the number of weeks he had received compensation as a seniority worker but not more than 52 consecutive weeks.

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29 Ibid.
B. A guarantee for short workweeks, covering every worker. This means that, if a worker is able and available for work and is laid off work without an advanced notice, he is entitled to receive from the employer pay for 40 straight time hours.

SUB plans were first negotiated by the Ford Motor Company and the United Auto Workers (CIO) in 1955 in answer to the union's demand for a guaranteed annual wage. Since that date other automobile companies, steel, glass, rubber, and other industries have negotiated SUB plans of varying types.

C) Issues and Implications of GAW

The first important implication or issue involved with the guaranteed annual wage is the cost factor. The cost of wage guarantees might raise the break-even point for individual companies and might cause the guaranteeing employer to hire few workers. It might also limit their willingness to take risks which are a part of business and reduce the incentive to start new business and would have a serious effect on small business.

Secondly, worker productivity is another much discussed issue. Wage guarantees might increase productivity, reducing or eliminating much of the workers' motivation for controlling output. However, some argue that the security provided will make the workers lax.

High on the list, is the issue of management perogatives. Employers feel


that guarantee wage plans may be administered by both themselves and union representatives. This joint administration may involve such matters as production, marketing policies and price, all internal matters which have an intimate relationship to the volume of employment.

Of equal importance is the issue of unemployment compensation. Employers believe that high incomes resulting from supplementation during periods of unemployment would encourage more laid off workers to extend this period in which they receive benefits. This, in time, would drain the unemployment compensation funds.

D) Terminology

Supplemental Unemployment Benefit Plan is designed to supplement state unemployment compensation paid to eligible employees in the event they are laid off for reasons other than their own fault.

Before proceeding to the discussion and analysis of Supplemental Unemployment Benefit Plans in the Rubber Industry, a brief explanation of the terminology which will be used must be given. These are basic terms throughout the Industry. They are as follows:

1. "Company" in this research will be specified as "United States Rubber Co.", "B.F. Goodrich Company", "Firestone Company", and "Goodyear Company".


3. "Plan" means the Supplemental Unemployment Benefit Plan established by an Agreement between the Company and the Union.

4. "Trustee" means the Trustee or Trustees of the General Fund established under the Plan.

5. "Weekly Supplemental Benefit" means a weekly benefit payable under
6. "Substitute Supplemental Benefit" means that in states where integrated company and Unemployment Compensation payments are not permissible simultaneously, the payments by the company to the workers are made after unemployment compensation payments have been exhausted.

7. "Benefit" means a Weekly Supplemental Benefit or a Substitute Supplemental Benefit, or both.

8. "Fund" or "General Fund" means a trust fund established under the individual plans from which benefits may be payable to the workers.

9. "Company-wide Contract" means the collective bargaining agreement between each individual company and the International Union and the Local Unions.

10. "Credit Unit" means a unit or fraction credited to an employee under the Plan.
CHAPTER II

RUBBER SUPPLEMENTAL UNEMPLOYMENT BENEFITS--PART I

A) The Rubber Plan

In July 1956, United States Rubber, B. J. Goodrich, Firestone and Goodyear during joint wage negotiations with the United Rubber Workers (AFL-CIO) agreed to set aside three cents per hour to finance a Supplemental Unemployment Benefit Plan. \[32\] It was further agreed the details of the Plan would be negotiated before November 1, 1956. Each of the four companies met in Cleveland, Ohio on a separate basis with their respective union locals and reached an agreement on the details of the Plan.

The Plan was to cover 100,000 rubber workers in forty-seven plants. \[33\]

"It calls for payment by the companies of supplemental unemployment benefits of 65 percent of normal, after-tax, weekly take-home pay for a maximum of 26 weeks."

The Plan required each of the four rubber companies to pay into a separate fund an amount equal to three cents an hour for each employee covered. Over $5,000,000 was paid into the four funds by the four rubber companies during its

\[32\] Rubber Age, "Big Four Rubber Companies Sign Supplemental Pay Pacts", October, 1956, p. 93.

\[33\] Ibid.
first year of operation. The Plan was not effective until July, 1957.

The agreement provided maximum amounts at which the rubber companies had to maintain the supplemental unemployment benefit funds. "At the rate of three cents an hour per employee it was expected it would take from three to four years for the maximums for each company to be reached." The individual maximums were determined by contributing three cents per hour per employee on a basis of 2000 hours per year per employee. Then the maximum per employee was multiplied by total coverage.

"As soon as the fund reached its maximum, the companies were required merely to maintain these amounts in the funds." The funds were to be administered solely by the individual companies with investments of the funds limited to U.S. Government obligations."

B) Ohio Ruling on SUB-UC Integrations

"In states allowing integration with unemployment compensation programs, the Plan acted as supplemental pay in the case of layoff or shortened work weeks." In other states, such as Ohio, where integration was not permissible by State law at that time, the Plan provided for two alternative pay methods.

One alternative method called for a "lump sum" payment to the worker by his employer at the end of the layoff period or end of his Unemployment Compensation eligibility. "The "lump sum" was equal to what he would have received if the state permitted integration of the SUB Plan with the state's

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Rubber Age, p. 93.
unemployment compensation program."

"The second alternative, known as the "periodic method" called for two weeks of unemployment compensation payments during layoff followed by one week of payments from the SUB fund." "These payments would make up the difference between SUB and unemployment compensation."

During negotiations the rubber companies assured the Union that they would work for a change in the Ohio laws to permit integration of supplemental unemployment benefits with jobless compensation laws. The companies further stated they would join forces with auto and steel companies, in attempting to change Ohio's ruling.

The rubber SUB Plan was the result of three weeks of diligent bargaining. The time consuming deliberations were not involved with labor-management differences, but with ways of avoiding conflict with the language of Ohio's unemployment compensation law. The Union apparently felt that technical difficulties in the way of SUB in Ohio were largely of management's making.

This attitude was the result of the bitter fight in 1955 over an unemployment compensation vote in the state. The CIO, which included the United Rubber Workers, pressed a two-fold program in Ohio in 1955, seeking (1) to broaden and increase the state's unemployment compensation, and (2) to make it possible for employees to receive both state UC benefits and supplemental payments from their employers during layoff. 35 Employers, big and small, banded

together to present an organized opposition to both proposals. The electorate rejected both unemployment compensation changes.

At that time, supplementary benefit plans in Ohio were limited almost entirely to those in the automobile industry's branch plants. The Ohio Bureau of Employment Compensation had declared these plans invalid under the state law, ruling that in Ohio workers could not receive state benefits and motor industry type supplemental private benefits at the same time.

However, since 1955, a lot of collective bargaining has gone on in Ohio and SUB plans have spread out of the auto industry. Many employers, particularly in rubber, have come to accept it.

As a result, some employers wished that the 1955 referendum hadn't linked the question of integrated UC and SUB payments with an unpopular proposal to increase UC benefits. Because of the defeat which was handed to auto-type SUB, employers were convinced that nothing short of legislative action would likely change the Ohio position against integrated benefits. Thus, for those willing to accept SUB, alternative payment plans as described above, were worked out.

However, in March, 1958, an Ohio state court upheld integrated supplementary unemployment benefits. The Ohio ruling for SUB came March 10th in a suit brought by the United Steelworkers against four major steel producers with SUB contracts and J. R. Tichenor, head of the Ohio Bureau of Employment Com-

pensation. In July, 1957, Tichenor barred the simultaneous payment of state and private unemployment benefits, stating that under Ohio's statute, SUB payments would be counted as wages and deducted from State UC checks. The Steelworkers challenged the order in court, and won a permanent injunction.

Although the Ohio court upheld integrated SUB, the unions took no chances. They worked out special agreements "just in case" the Ohio Bureau of Unemployment Compensation appealed the lower court decision.

The Supreme Court by decision issued December 3, 1958, determined that private supplementation of state unemployment compensation was not permitted under the Ohio Unemployment Compensation Act and that private benefits of this type were deductible from state unemployment compensation benefits.

A bill is now pending before the General Assembly of Ohio and has been passed by one house which, if passed by the other house and signed by the Governor, will have the effect of legalizing SUB in Ohio. This bill attempts to legalize SUB not only on a prospective basis but also on a retroactive basis. This is considered desirable in the case of the rubber workers because they have received SUB benefits from the major rubber manufacturers upon exhaustion of their state benefits or upon being recalled by their employer

37 Business Week, p. 36.
38 Ibid.
following which the state has made a determination that they were overpaid. It is also considered desirable in the case of the steel and automobile workers as their employers have agreed to pay SUB benefits which, but for the Ohio decision, would have become due some time ago.

However, one group in Ohio, known as the Ohio Information Committee, has already indicated that if the Act is passed it will attempt to litigate the constitutionality of the Act. Their position is that the law, as proposed and passed by one house, violates a provision of the Ohio Constitution which prohibits the General Assembly from passing retroactive legislation.

Goodyear entered into its Agreement for Supplemental Unemployment Benefit Plan with the Union on September 10, 1956. B. F. Goodrich completed its on September 11, 1956, and the United States Rubber and Firestone agreed on September 12, 1956.40

The four rubber plans are identical except for the maximum fund, number of employees covered and a few variations in terminology peculiar to each company.

C) Differences in Plans

From Table I, we see that U. S. Rubber established the largest fund, $5,601,846., because of its larger coverage, 30,250 employees. B. F. Goodrich on the other hand, established the smallest fund, $2,500,000., covering only 13,500 employees.

TABLE I

AMOUNT OF FUND AND COVERAGESa

<table>
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<tr>
<th>Company</th>
<th>Maximum Fund</th>
<th>Employees Covered</th>
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<tr>
<td>U. S. Rubber</td>
<td>$5,601,846</td>
<td>30,250</td>
</tr>
<tr>
<td>Goodyear</td>
<td>$4,400,000</td>
<td>23,760</td>
</tr>
<tr>
<td>Firestone</td>
<td>$3,890,000</td>
<td>21,000</td>
</tr>
<tr>
<td>B. F. Goodrich</td>
<td>$2,500,000</td>
<td>13,500</td>
</tr>
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D) Effective Date

The effective date of each Plan, the date when employees covered were eligible to receive benefits, was July 15, 1957.41 The interval of time from September 1956 until July 1957 enabled the four rubber companies to build their individual fund positions.

E) Establishment of Fund

Each Company established a Fund with a qualified bank or trust company selected by the Company. The bank or trust company chosen was the trustee of

its fund. The Company's contributions of three cents per hour per employee were placed in its Fund, and the Trustee had the choice of holding these assets in cash or investing only in Federal government securities.

F) Maximum Funding and Trust Fund Position

The term "maximum funding and trust fund position" refers to the actual amount of money in the Fund at any time compared to the maximum amount which it can hold. Table I showed the maximum fund of each company. Each fund was to be maintained at its maximum level each month after July, 1956. The maximum level was determined by multiplying a) the amount of three cents per hour for the month of July, 1956 by b) the number of employees on the active payroll and the number of persons laid off from work who are not on the active payroll but who have credit units. These figures must be made available to the Trustee prior to the first Monday in the month for which the maximum funding is to be determined. If, for example, the maximum funding for the month of November was being determined, the figures must be made available by the last working day in October.

The trust fund position is always stated as a percentage and was to exist for each month after July, 1957. The position of this Fund for each month was determined by dividing the total assets in the Fund as of the last business day of the month by the maximum funding of the Fund. For example, if there is actually $1\frac{1}{2}$ million in the Fund for November and the maximum fund is $2\frac{1}{2}$ million, the fund position for that month is 50 percent.

G) Company Contributions
The first contribution by the companies to the Fund were made on the first Monday of the month following the month in which details of Supplemental Unemployment Benefits were negotiated, namely on the first Monday in October, 1956. Each subsequent contribution was made on or before the close of business on the last scheduled work day of the month.

The companies contributed to their respective funds, the amount of three cents per hour per employee multiplied by the total number of hours for which the employee received pay from the Company in that pay period. This includes hours of paid vacation, holiday pay, jury pay, reporting-for-work pay, etc. For example, say U. S. Rubber paid an employee for 40 hours during the pay period of July 16, 1956. U. S. Rubber's contribution to the Fund for this employee would be 40 x .03 = $1.20. This obligation of contributing three cents per hour may cease on the Company's part, once the Trust Fund Position has reached 100 percent. If the Fund Position remains at 100 percent for two or three consecutive months, the Company need not contribute a penny. However, if the Fund Position drops below this level, the Company by using the method previously described must resume its contributions in order to raise the level of the Fund to 100 percent. In case the contributions for any month exceed 100 percent, say by 10 percent or 20 percent, the Company need not contribute until the Fund Position drops below 100 percent.

Table II shows that each of the four rubber companies contribute to the Fund approximately $185 per employee. Once their contributions have provided for $185, the maximum Fund has been reached and the Company's payments stop. They will resume contributions when the Fund drops below this level.
which means the Fund Position is less than 100 percent. Assuming no withdrawals from the Fund, it would require approximately three years and three months to reach the maximum of $185. per employee

**TABLE II**

**MAXIMUM CONTRIBUTION PER EMPLOYEE**

<table>
<thead>
<tr>
<th>Company</th>
<th>Maximum Funding</th>
<th>Employees Covered</th>
<th>Amt. Contributed per Employee to Reach Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodyear</td>
<td>4,400,000</td>
<td>23,760</td>
<td>185.</td>
</tr>
<tr>
<td>Firestone</td>
<td>3,890,000</td>
<td>21,000</td>
<td>185.</td>
</tr>
<tr>
<td>B. F. Goodrich</td>
<td>2,500,000</td>
<td>13,500</td>
<td>185.</td>
</tr>
</tbody>
</table>

*Agreement to Company-Wide Contract SUB, U. S. Rubber, p. 3; Goodyear, p. 3; Firestone, p. 3; B. F. Goodrich, p. 12.*

*bApproximation—by writer.*

**H) Eligibility Requirements**

To be eligible for SUB payments, an employee must meet the eligibility requirements before filing an application.

Since SUB payments were not payable until the week of July 15, 1957, an eligible employee was not entitled to benefits before this time even though he or she was laid off from work. However, after July 15th, they were eligible to receive benefits.
As mentioned, an applicant was eligible for SUB payments only if he or she was laid off from work by the company during the week for which he or she applied for benefits and if this week was on or after July 8, 1957. However, the terms "layoff" and "during the week" have some implications which require further explanation.

In connection with the eligibility requirements, such "layoff" (1) must have been from a bargaining unit. The applicant must have been a member of this unit; (2) the layoff must have been a result of a reduction of the work force or temporary layoff. By temporary layoff, they mean a work week in which regular 8 hour employees work less than 20 hours or regular 6 hour employees work less than 18 hours. If such was the case, the applicant would be entitled to draw benefits under this section, provided all other requirements were met; (3) the layoff was not for disciplinary reasons and was not a result of strike, slowdown, work stoppage, picketing or concerted action at a company plant or dispute of any kind involving the employee or any fault of the applicant, sabotage or an act of God.

In regard to the term "during the week", the applicant: (1) had to have at least one-quarter (.25) credit units; (2) was not in military service; (3) did not refuse an offer by the company of available work and did not refuse to accept work when recalled from layoff; (4) appeared personally and reported during the week of layoff at an office or department of the plant where persons laid off from work must appear in order to file their application for benefits; (5) did not receive any unemployment benefits from any other employer with whom he has greater seniority; (6) did not claim or was not eligible for
any accident, sickness or disability benefit whether publicly or privately
financed or a pension or retirement benefit financed by the Company. However,
the claiming of any disability benefit does not disqualify the applicant for a
benefit if he would have been eligible for a disability benefit had he been
actively at work and the receipt of this disability payment does not disquali-
fy him from receiving a state unemployment benefit; (7) his benefit computed
under the Plan is at least two dollars.

An employee to receive SUB payments must serve a one week waiting period.

I) Credit Units

This is a term which is frequently used in the SUB Plan. Credit units do
not have any fixed value in terms of either time or money. They are simply a
means of determining the duration or how long the employee is entitled to re-
ceive benefits. The number of credit units, an employee accrues, depends upon
the length of service with the Company. Credit units were credited to service
workers for work weeks beginning on or after July 16, 1956. These units were
credited at the rate of one-half (.50) of a credit unit for each full work
week.

For computing purposes, a full work week means one in which the employee
receives pay for at least 20 hours if on standard 8 hour day or at least 18
hours if on a standard 6 hour day. Time lost for attendance at Union meetings
or a leave of absence for Union business is included in determining a full
work week.

However, an employee may not have to his credit, more than 26 credit units
under the Plan. When he reaches the maximum of 26, his account remains there
until some of them are used. And, of course, when they are all used, he must earn new ones to be eligible for more benefits.

An employee is unable to accrue credit units until he has at least one year of seniority and is on the active payroll in the bargaining unit for at least ninety days.

All units credited to an employee's account are forfeited permanently if (1) the employee incurs a break in his seniority; (2) is laid off from the bargaining unit for a continuous period of two years, or if (3) he wilfully misrepresents any material fact in connection with his application for benefits under the Plan.

If an employee is transferred out of the bargaining unit to a job which is not covered by a similar SUB Plan of the company, his credit units are cancelled. However, if he is transferred back to the bargaining unit, the credits are reinstated after he has acquired at least one year seniority.

J) Seniority and Size of Payments

The amount and duration of benefits an employee receives is based on a combination of factors, including seniority, weekly earnings, size of the trust fund in relation to its maximum and the number of credit units he has acquired while working for the company.

If a person was employed on or before July 8, 1956, that person began earning credit units starting with that date. Anyone employed after July 8th began earning units on their effective service date. However, no one is eligible to draw SUB payments during their first year of service. The longer seniority employees are eligible for a greater duration of benefits than the
shorter seniority employees.

The amount of weekly SUB payments depend upon a worker's earnings before layoff, the amount of State Unemployment Compensation payment and the amount the worker earns from other sources during layoff.

The largest amount a person can receive from SUB in a week in which he also receives State Unemployment Compensation is $25. plus $2. for each of not more than four dependents. If the person is eligible for SUB and not for State Unemployment Compensation, the largest weekly amount he receives is $48.30 plus $2.00 for each of not more than four dependents.

If a person's weekly income, from State Unemployment Compensation, other jobs, etc. is equal to 65 percent or more of his normal straight-time after-tax earnings, he will not receive any SUB payment for that week.

K) Calculation of Benefits

The writer has prepared the following material, citing two examples of how SUB payments are calculated. The basic SUB amount the eligible employee is entitled to receive is 65 percent of straight-time (after-tax) earnings, less the amount of state unemployment compensation and any other compensation earned by him while laid off.

The following two examples are based on hourly earnings of $2.00.

Example No. 1 Assume that the employee receives a state UC payment of $30.00 for the week, but he receives no other income from any source.

<table>
<thead>
<tr>
<th>Number of Dependents</th>
<th>None</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Straight time weekly wage (40 x $2.00)</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
</tr>
<tr>
<td>2. Taxes withheld</td>
<td>14.60</td>
<td>12.30</td>
<td>10.00</td>
<td>7.70</td>
<td>5.30</td>
<td>3.00</td>
</tr>
<tr>
<td>3. Straight time after taxes</td>
<td>65.40</td>
<td>67.70</td>
<td>70.00</td>
<td>72.30</td>
<td>74.70</td>
<td>77.00</td>
</tr>
<tr>
<td>4. 65% of straight time after taxes</td>
<td>42.51</td>
<td>44.00</td>
<td>45.50</td>
<td>46.99</td>
<td>48.55</td>
<td>50.05</td>
</tr>
<tr>
<td>5. Minus state benefit</td>
<td>30.00</td>
<td>30.00</td>
<td>30.00</td>
<td>30.00</td>
<td>30.00</td>
<td>30.00</td>
</tr>
<tr>
<td>6. Employee's SUB payment</td>
<td>12.51</td>
<td>14.00</td>
<td>15.50</td>
<td>16.99</td>
<td>18.55</td>
<td>20.05</td>
</tr>
<tr>
<td>7. SUB maximum</td>
<td>25.00</td>
<td>27.00</td>
<td>29.00</td>
<td>31.00</td>
<td>33.00</td>
<td>33.00</td>
</tr>
</tbody>
</table>

As shown in Example No. 1, the maximum supplementation allowed under the Plan is $25.00 per week, plus $2.00 for each dependent not to exceed 4, for a maximum duration of 26 weeks.

Example No. 2 is a case where SUB payments cannot be made concurrently with state unemployment compensation due to laws or regulations. In such cases, the Plan provides that affected employees may receive a lump sum payment on the expiration of their receipt of state unemployment compensation, equal in amount to the total SUB payments for which they would have been eligible had weekly SUB payments been allowable in that state.

Assume that the employee is ineligible for a state UC payment when he is receiving SUB but becomes eligible for a SUB payment when UC has been exhausted and that he has no income for the first week from any source.

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Straight time weekly</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
<td>$80.00</td>
</tr>
<tr>
<td>wage (40 x $2.00)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Taxes withheld</td>
<td>14.60</td>
<td>12.30</td>
<td>10.00</td>
<td>7.70</td>
<td>5.30</td>
<td>3.00</td>
</tr>
<tr>
<td>3. Straight time after</td>
<td>65.40</td>
<td>67.70</td>
<td>70.00</td>
<td>72.30</td>
<td>74.70</td>
<td>77.00</td>
</tr>
<tr>
<td>taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. 65% of straight time</td>
<td>42.51</td>
<td>44.00</td>
<td>45.50</td>
<td>46.99</td>
<td>48.55</td>
<td>50.05</td>
</tr>
<tr>
<td>after taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Employee's SUB payment</td>
<td>42.51</td>
<td>44.00</td>
<td>45.50</td>
<td>46.99</td>
<td>48.55</td>
<td>50.05</td>
</tr>
<tr>
<td>6. SUB maximum</td>
<td>48.30</td>
<td>50.30</td>
<td>52.30</td>
<td>54.30</td>
<td>56.30</td>
<td>56.30</td>
</tr>
</tbody>
</table>

The Plan further provides that if the arrangement as shown above is not allowable by the state, an employee may receive periodic substitute payments by passing up state unemployment compensation payments every third or fourth week, when he will receive three or four times the amount of his weekly SUB payment had such payments been allowed on a weekly basis.

Over a period of time, the worker in the second example actually receives more money since the SUB and Unemployment Compensation payments are not paid concurrently and hence are spread out with SUB payments being paid after Unemployment Compensations payments have been exhausted.

In certain states the duration of unemployment compensation benefits is less than 26 weeks. In such states, on the expiration of state unemployment benefits, a maximum weekly SUB benefit in the amount of $48.30 plus $2.00 for each dependent, not to exceed 4 may be paid for the remaining weeks up to a maximum of twenty-six.
CHAPTER III

RUBBER SUPPLEMENTAL UNEMPLOYMENT BENEFITS--PART II

A) Duration of Benefits

The number of weeks for which an eligible employee may receive a weekly supplemental benefit payment is determined on the basis of the number of his credit units and the trust fund position at the time when payments are paid to him. When all of his credit units have been used or cancelled, he will be entitled to no further benefits until he has been credited with additional units.

The writer has prepared Table III which shows how credit units are cancelled on payment of a benefit.

From Table III we see that the number of credit units which are cancelled for any weekly supplemental benefit are determined on the basis of the employee's service with the Company and the position of the trust fund at the time or during the week when a benefit is paid to him.

If an employee does not have the full amount of credit units which he would need for a full weekly supplemental benefit, he receives only a portion of this benefit. This partial payment is equivalent to the number of credit units he actually has to his credit. Using Table III, for example, if the trust fund position for a particular week is 80 percent or over, and the employee is in the one to five year group but has only one-half (.50) credit unit, he would receive only half of the regular full amount of supplemental benefit for that
week. However, no benefits are paid to anyone if insufficient credit units provide payments of less than two dollars.

Short seniority employees surrender credit units faster in exchange for weekly SUB benefits than long seniority employees when laid off. However, all employees surrender credit units faster when the Fund is in a lower position in relation to its maximum amount.

As long as the trust fund position for any week is under 4 percent, no weekly supplemental benefits or substitute supplemental benefits are paid for that week.

**TABLE III**

**CANCELLATION OF CREDIT UNITS ON PAYMENT OF A BENEFIT**

| If the trust fund position applying to the week for which a benefit paid is: | And if the continuous service credit of the person to whom the benefit is paid is: |
|---|---|---|---|---|---|---|---|---|
| | 1 to 5 yrs. | 5 to 10 yrs. | 10 to 15 yrs. | 15 to 20 yrs. | 20 yrs. & over |
| 80% or over | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 70 - 79.99% | 1.15 | 1.00 | 1.00 | 1.00 | 1.00 |
| 60 - 69.99% | 1.30 | 1.15 | 1.00 | 1.00 | 1.00 |
| 50 - 59.99% | 1.50 | 1.30 | 1.15 | 1.00 | 1.00 |
| 40 - 49.99% | 2.00 | 1.50 | 1.30 | 1.15 | 1.00 |
| 30 - 39.99% | 2.50 | 2.00 | 1.50 | 1.30 | 1.15 |
| 20 - 29.99% | 3.33 | 2.50 | 2.00 | 1.50 | 1.30 |
| 10 - 19.99% | 5.00 | 3.33 | 2.50 | 2.00 | 1.50 |
| 4 - 9.99% | 7.50 | 5.00 | 3.33 | 2.50 | 2.00 |
| under 4% | No Benefits Paid |

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B) Conditions Necessary for Effectiveness of Plan

All four rubber companies have received favorable rulings from the Commissioner of Internal Revenue that these contributions constitute a current deductible expense and that it is not taxable income under the Internal Revenue Code. The companies also received an affirmative ruling from the U. S. Department of Labor that no part of these contributions were to be included in the regular rate of any employee. These rulings, satisfactory to all four rubber companies, were obtained prior to September 12, 1957.\footnote{Agreement to Company-Wide Contract SUB, U. S. Rubber, p. 12; Goodyear, p. 14; Firestone, p. 16; B. F. Goodrich, p. 22.} If the rulings had not been obtained prior to that time, the companies would not have had to take any further action under the Plan.

In case the companies at any time were or would be required to withhold any amount from any contribution to the Fund by reason of any Federal, state or municipal law or regulation, the companies would have the right to deduct this amount from their contribution and to pay only the balance to the Fund.

C) Administration of Plan

In general, the Company is responsible for setting up all reasonable rules, requirements and procedures necessary to administer the Plan and for making all determinations of amounts and duration of SUB payments to employees.

So far as practicable, the procedure requires the employee or applicant to apply for a benefit under the Plan for any week of layoff and during the same week that he has received his state unemployment benefit.
The Company designates an office at each plant where applicants may appear for the purpose of complying with the above requirement.

The applicant is required to show his unemployment check for the week in which he is applying for a benefit under the Plan. In case payment from UC is made in cash, he must show a copy of the payment receipt showing UC payment for that particular week.

In any case, where a person is required to report at the designated Company office prior to the time that he files an application for a benefit, he may be required to show his reporting card from the unemployment office as evidence that he has reported at the office designated by the State, and has complied with the eligibility requirements under that system.

In addition, an applicant may be required to state, in writing, under oath, whether he received any benefit from any source other than the Plan and UC, for the week in which he is applying for a benefit; the identity and number of his dependents; the amount earned from all sources during the week applying for and name of sources; and any additional information which the Company may deem as necessary in order to enable them to determine if the applicant is eligible to a benefit under the Plan, and if so, the amount of the benefit.

When a person files an application for a benefit in the manner mentioned above, and furnishes to the Company evidence and information they need, the Company in turn then determines whether the applicant is eligible and if he is eligible, then the Company determines the number of uncancelled credit units the applicant has to his credit and determines whether any weekly supplemental benefit is payable to him, and if so, the amount he is entitled to receive.
Once the Company determines the person is eligible for a benefit for the week in which he applied, a written notice containing the applicant’s name and the amount of the benefit is sent to the Trustee. Upon receipt of this notice, the Trustee makes the payment from the Fund to the applicant within a reasonable time. In the event the Company discovers that a person has been paid a weekly supplemental benefit which he was not entitled to receive or should have been paid a lesser amount, a written notice is sent to the applicant who in turn, must return the overpaid amount to the Trustee. If the person fails to return it within a reasonable time, the Company may either instruct the Trustee to deduct the overpayment from any future weekly benefit or deduct the equivalent in credit units until such time as the payment is mailed back to the Trustee.

However, if the Company determines that the employee is not entitled to a weekly supplemental benefit or substitute supplemental benefit with respect to the week he applied for, a written notice with an explanation is mailed to the applicant.

The Plan grants certain powers and authority to each of the four companies in order to carry out the above mentioned duties. Of primary importance are the powers and authority which enable any of the "Big Four" (1) to investigate the correctness and validity of information furnished by any employee who applies for a weekly supplemental benefit or substitute supplemental benefit, (2) to obtain from persons filing an application for benefits, the Trustee or any eligible person any information which the Company deems necessary in order to carry out its duties, (3) to establish and maintain necessary records, (4) to
prepare and distribute information explaining the Plan, (5) to round out figures, use averages and employ other customary and routine accounting techniques as the Company deems necessary and appropriate.

D) Costs of Administering the Plan

The costs and expenses incurred by the Trustee under the Plan are charged to the Fund.

The Company has the right to be reimbursed each year from the Fund for the cost to the Company of services performed by it during the preceding year in carrying out its duties under the Plan as certified to by a qualified independent firm of certified public accountants selected by the Company.

The Chairman of the Board of Appeals is also reimbursed for reasonable and necessary expenses of the Board for forms and stationery required in connection with the handling of appeals.

The employee designated by the local Union as its representative for the consideration of appeals is paid from the Fund for time lost while working on these matters.

E) Appeals Procedure

As established under the Plan, the Company must appoint one person to serve as its representative for the consideration of appeals by applicants and the Union must appoint one person for the same purpose. The person representing the Union will be paid from the Fund for any time lost from work in attending meetings with the Company representative in considering any appeal.

Any person who has been determined by the Company not to be entitled to
any benefit, or who has been determined to be eligible for a weekly or substitute supplemental benefit but is paid an amount that is less than the amount to which he believes he is entitled, or who questions the number of credit units credited to him at the time of layoff or had more credit units cancelled than he believes correct, may appeal any of these issues by presenting a special written appeal form to either the Company or Union representative. This appeal must be filed within ten days following the date he was notified of his ineligibility or within ten days after he was mailed a check in a smaller amount than he believed he was entitled to. The representative who receives this written appeal must then send one copy to the other representative.

If one of the representatives finds that the appeal is justified, he notifies the other and both representatives must then meet within ten days from the date of appeal.

In the event the two parties cannot reach a decision, either representative, at the request of the applicant, may refer the matter to the Board of Appeals. There is a separate Board for each Company.

Within twenty days after the appeal has been forwarded to the Board, the Union representative may request a filing by the Board of Appeals. This request must be in writing and must specify what Article under the Plan is claimed to have been violated and must also state the facts which justify a reversal of the Company's original decision.

The Board has no authority to waive, qualify or alter in any manner, the eligibility requirements originally set up under the Plan between the Company and the Union or the procedure for applying for weekly or substitute supple-
mental benefits or any other provisions of the Plan. The only jurisdiction the Board has is to determine, on the basis of the facts presented, whether the first stage appeal and the appeal to the Board were made within the time and in the manner specified under the Plan; whether the person is eligible with respect to the benefit involved; and if so, the amount he should have received; and whether the accrual or cancellation of credit units was properly determined. This is the range of the Board's jurisdiction.

The decision of the Board is final and binding upon the Union, the persons involved, the Trustee and the Company. The Union must discourage any attempt by the applicant to bring the matter to any other court or labor board nor must the Union attempt to bring about a settlement once the Board has rendered a decision.

The appeal procedure under this Plan cannot be used to protest a denial of a state system unemployment benefit, or to determine whether or not a benefit should have been paid under a state system. The Board of Appeals does not have power in determining questions arising under any collective bargaining agreement even though relevant to the issues before the Board.

The Board of Appeals consists of four members, two appointed by the Company and two appointed by the Union. Each member of this Board has an alternate who, in the event a member is absent from a meeting of the Board, may attend and when in attendance, he may exercise the powers and perform the duties

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of a regular member. Either the Company or the Union at any time may remove a member appointed by it and may appoint another member to fill the vacancy. However, both the Company and the Union must notify each other in writing of the members appointed before the appointment becomes effective.

A fifth member of the Board is the impartial chairman who is appointed by the members themselves and serves on the Board until requested in writing by two members of the Board to resign. The chairman is considered a member but attends meetings and votes only when the members of the Board cannot reach a majority vote.

The arbitrator for U. S. Rubber is Mr. W. Jensen. The names of the arbitrators for B. F. Goodrich, Firestone and Goodyear were unavailable.

As outlined in the Plan, at all meetings of the Board, the Company members have two votes and the Union members two votes with the vote of any absent member given to the member present appointed by the same party, so that the decisions of the Board may be by a majority of the votes cast.

The Board does not have the authority to maintain an office or staff of its own. However, the Company and Union are responsible for furnishing any clerical and other assistance as its respective members of the Board may require. Copies of all appeals, reports, and other documents filed with the Board must be in duplicate, one copy to be sent to the Company members and the other copy to the Union members.

F) Reports by the Company

Under each of the plans there is usually a steady flow of paper work: records must be kept of payments, credit units cancelled, duration of benefits,
number of employees laid off, and so forth. It is the Company's responsibility to furnish the Union with statistical information on the operation of the Plan.

On or before May 1st of each year, the Company must furnish the Union with a statement certified by a qualified independent firm of certified public accountants showing:

1. The number of hours for which the employees received pay from the Company and the amount in dollars contributed to the Fund during each month of the preceding year.

2. The number of employees on the active payroll and the number of laid-off persons, both with and without credit units, during each month of the preceding year.

3. The number and seniority of employees laid off in each plant.

4. The amount and type of benefit paid to each employee.

5. The duration of the benefit.

The Company must comply with reasonable requests by the Union for any statistical information on the operation of the Plan which the Company may have compiled during the preceding year. This procedure became effective May 1, 1957. 46

The Trustee also has a responsibility of submitting reports to both the Union and the Company. Within ten days after the first of the month, the Trustee must furnish both Union and Company with three statements. The first statement must show the amounts received from the Company for the Fund during the preceding month. The second must show the total value of the Fund as of the

last business day of the preceding month, and the third, the amounts, if any, paid as weekly supplemental and substitute supplemental benefits from the Fund each week during the preceding month.

G) Miscellaneous

The Goodyear, Firestone and B. F. Goodrich SUB Plans were developed so that all rights and duties would be governed, construed and administered in accordance with the laws of the State of Ohio, with the exception being that the eligibility of a person for, and the amount and duration of state unemployment benefits would be determined in accordance with the laws of the state in which the person claims benefits. The U. S. Rubber SUB Plan was in accordance with the laws of the state of New York with the same exception of eligibility, amount and duration of unemployment benefits.

All benefits are paid only to the person who is eligible, except if the person is deceased or is unable to manage his affairs for any reason, any benefit payable to him is paid to his duly appointed legal representative, if there is one, and if not, to his wife, children, parents or other dependents. In case of death, no benefit is paid for any period following the last full week of layoff preceding the person's death.

Any person who enters the United States Military Service directly from the employ of the Company is considered while in service, as on leave of absence and is not entitled to any benefits. All credit units credited to him at the time he entered the service are credited to him upon his reinstatement as an employee.

The Company, the Trustee and the Union, and each of them are not liable be-
cause of a mistake or failure to act by one of them. Each is authorised under
the Plan to rely on the correctness of any information furnished to it by an
authorised person or representative of the other.

No benefit is paid from the Fund except as stated in the Plan. No person,
as an individual, has any right to borrow, title or any interest in, or to any
assets of the Fund or to any of the contributions by the Company. Likewise,
the Company is not obligated to provide for any benefit or payment not stated
in the Plan or to make any contributions to the Fund, not specially provided
for in the Plan, even though the assets in the Fund are insufficient to pay
benefits to which eligible persons would have been entitled under the Plan were
the assets of the Fund adequate to pay the benefits. Furthermore, the Company
is not obligated to make up any depreciation or loss arising from the deprecia-
tion in the value of the securities held in the Fund and the Union cannot in-
sist that the Company make up this depreciation or loss.

H) Amendment, Duration and Termination of Plan

As long as the Company-Wide Agreement of April 1955 and the next succeed-
ing Agreements remain in effect, the U. S. Rubber SUB Plan cannot be amended,
modified, suspended or terminated except if proper and permissible under the
terms of the Plan. The Company may, during the term of the Agreement, make
necessary revisions in the Plan but such revisions must not change the purpose,
structure or basic provisions of the Plan. Any necessary revisions must stay
as close as possible to the language and purpose of the Plan.

If the Plan is terminated, it would terminate in all respects except that
the assets remaining in the Fund are subject to all of the provisions of the
Plan and used until exhausted to pay expenses of administration and to pay
benefits to eligible applicants laid off after the termination of the Plan, in
the order each week of the respective date they were laid off. In the event
there are any assets in the Fund after all the above payments are made, the
Company and the Union negotiate an agreement for the equitable distribution of
the funds.

The original Company-Wide and Supplemental Agreement of April 1955 became
effective upon approval by a majority of the Local Unions representing a major-
ity of the membership and by the General Executive Board of the International
Union and remained in effect during the life of the original Agreements and
during the life of the next succeeding Company-Wide and Supplemental Agreements.

The Company and the International Union have the right to issue a written
notice to each other, to terminate or amend these Agreements not more than
seventy-five nor less than sixty days prior to the expiration date of the suc-
ceeding Agreements. In the event this notice is given, the Company and the
International Union must begin negotiations within forty-five days; and if these
negotiations are not completed before the expiration date of the succeeding
Company-Wide Agreement, the present Agreements are terminated unless both the
Company and the International Union mutually agree to extend the Agreements.

The above procedure pertains not only to the U.S. Rubber SUB Plan but also
to the Goodyear, Firestone and B. F. Goodrich Plans. The only difference is the

\[47\] Agreement to Company-Wide Contract, SUB, U. S. Rubber, p. 26; Goodyear,
p. 26; Firestone, p. 35; B. F. Goodrich, p. 37.
date of the original Agreement.

The Goodyear Company-Wide Agreement was dated February 10, 1955; Firestone's September 4, 1954 and B. F. Goodrich's October 18, 1954. 48

48 Agreement to Company-Wide Contract, SUB, U. S. Rubber, p. 25; Goodyear, p. 27; Firestone, p. 34; B. F. Goodrich, p. 36.
CHAPTER IV

EXPERIENCE OF SUB IN THE RUBBER INDUSTRY

This chapter is devoted to a follow-up to see how SUB Plans are working in the rubber industry. Since three of the rubber companies, namely B. F. Goodrich, Goodyear and Firestone furnished some information as to the progress of SUB within their own organization and the Union did not send any material, this chapter contains each of the aforementioned companies' individual experiences and also the current status of SUB in Indiana and California.

Information from B. F. Goodrich was furnished in letter form signed by Mr. R. M. Schlemmer, Employee Services Department, Goodyear by Mr. J. H. Ake, Controller Staff and Firestone's by Mr. R. V. Hasmiller, Assistant Director Industrial Relations.

The rubber industry, like most of the durable goods business, experienced a mild recession in the latter part of 1957 and the first half of 1958. With this came layoffs of a substantial nature and for an extended period of three to six months. This condition gave the SUB Plans a good tryout in the entire industry.

A) B. F. Goodrich Experience

In Ohio, the State System maximum payment is $33.00 per week plus $3.00 for each of not more than two dependents or a total of $39.00. On averages, the weekly supplementation from the B. F. Goodrich SUB Program approximates 45
$16.00. Thus, it takes about 530 plus man hours being worked and a corresponding three cents per hour payment to the Fund to equal one week of supplemental unemployment benefit payment. In other words, approximately fourteen or fifteen employees must remain working to pay into the Fund the amount being taken out weekly by one laid-off worker. Thus, the Fund will be stable or increase if no more than 6 percent of the working force are on layoff at a given time.

The B. F. Goodrich Fund has not yet reached the maximum funding position. The three cents per man hour worked is still being paid into the Fund. This is a direct cost equivalent to any other three cents of wages being earned by employees. It is the opinion of B. F. Goodrich that few employees realize the situation or the definite relationship of the Fund to their individual efforts. Why? Because according to the companies "so few employees benefit from SUB". 49

There seems to be too much clerical or paper work connected with this Company's current administration of the Plan. Basically, the Plan is related to the wage earner group or factory production employees. When production falls or tends to become less and less because of insufficient work or other reasons, layoffs occur. When layoffs do happen, the indirect cost of non-production employees, meaning salaried or office employees, increases due to operations of maintaining administration and control of programs related to former employees, such as SUB. This is a pyramiding situation inverse to the general scheme of

49 B. F. Goodrich, letter dated February 24, 1959 signed by R. M. Schlemmer, Employee Services Department.
keeping various costs proportionate.

B. F. Goodrich admits making some mistakes. They have had a few protests or problems during the first year of administering the Plan. They feel that the payment into the Fund is sufficient to more than maintain any required payments during periods of layoff within the rubber industry.

B) Goodyear Experience

The Goodyear Fund has not yet reached the maximum funding position. The three cents per man hour worked is still being paid into the Fund.

In the administration of the Plan, Goodyear has had very little difficulty either in the interpretation or application of the Plan. There have been very few appeals and only in a few cases have these appeals been taken to a final Appeal Board.

This Company was not at liberty to furnish statistical information since it was considered confidential.

According to the terms of Goodyear's original Agreements, they are now in negotiations which began March 1, 1959. In the case of each of the Big Four rubber companies, meetings are scheduled to start the third week of March to discuss possible revisions to the SUB Plan. Neither Goodyear nor the other rubber companies have any knowledge as yet as to what type of demands they will receive from the Union as they relate to the SUB program.

C) Firestone Experience

The Firestone Fund has not yet reached the maximum fund position. The three cents per man hour worked is still being paid into the Fund. The maxi-
num will be reached in October, 1959.

Firestone finds the clerical work involved in the administration of the Plan is more than they can handle and have taken necessary steps to reduce all unnecessary paper work.

They have had few protests or appeals during the administration of the Plan.

Firestone's Trust Fund position was 32.08 percent in July 1957, 50.86 percent in April 1958 and 44.77 percent in August 1958.

D) Current Status of SUB

The effective date of SUB Plans depended upon the companies receiving satisfactory rulings from the Internal Revenue Department and the U. S. Department of Labor. Although there was some delay in getting these approvals, all of the plans were approved by these agencies of the Federal Government. There have been, however, some problems with State laws, particularly in California and Indiana where large numbers of United Rubber Workers were employed. The current status of these areas are mentioned below. 50

Indiana

In the very beginning, the Employment Security Division of Indiana issued a ruling prohibiting the payment of SUB benefits and State Unemployment Compensation simultaneously. They also prohibited the use of lump sum benefits pay-

able when the employee exhausted his state benefits or was recalled by the employer. Since the rubber plans called for action on the part of the Union and the Company when it was determined that none of the proposed methods of payment in the Plan were acceptable to a particular state, the Union and the companies negotiated a Memorandum of Agreement which permitted the use of an Alternative Benefit in the State of Indiana. This system was approved by a decision of the Review Board of the Indiana Employment Security Division in its Case No. 58-A-445. Subsequent to this decision, the rubber companies are making alternate benefit payments in the State of Indiana.

California

In California the Attorney General and the administrative agency processing unemployment compensation both take the position that private supplementation of state unemployment is permissible. However, a case is on its way up through the courts which will result in a definite judicial pronouncement on this subject. In the intermediate courts the decision held that private supplementation of state benefits was not permissible. This decision, however, will not be binding on the employers or on the state bureau administering the program until confirmed by the highest California court.

E) **Summary Data of SUB**

The following statistical data on rubber SUB experience covers all four major rubber companies from July, 1957 through August, 1958.51

51 Firestone Tire & Rubber Co., letter dated March 5, 1959, signed by R. V. Hassmiller, Assistant Director, Industrial Relations.
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees covered</td>
<td>85,000</td>
</tr>
<tr>
<td>Number of applicants</td>
<td>18,675</td>
</tr>
<tr>
<td>Number of benefit weeks</td>
<td>180,537</td>
</tr>
<tr>
<td>Average duration of benefit in weeks</td>
<td>9.7</td>
</tr>
<tr>
<td>Average gross pay</td>
<td>$93.62</td>
</tr>
<tr>
<td>Average net pay</td>
<td>80.00</td>
</tr>
<tr>
<td>Average 65%</td>
<td>52.00</td>
</tr>
<tr>
<td>Average SUB</td>
<td>16.95</td>
</tr>
<tr>
<td>Average UC and other Income</td>
<td>35.04</td>
</tr>
<tr>
<td>Total dollars paid</td>
<td>$3,120,739</td>
</tr>
</tbody>
</table>
CHAPTER V

CONCLUSION

In general, the writer believes SUB Plans in the rubber industry have worked unusually well, accomplishing the desired results of providing supplementary unemployment benefits to those unfortunate enough to be laid off work.

Because of Ohio State law, SUB payments are accrued during a layoff period until the employee is returned to work or has drawn all possible State System benefits—then a lump sum payment is made. In the writer's opinion, this arrangement is inconsistent with the accepted premise or purpose of the Plan. The SUB payments were designed to nullify the general effects of adverse business situations. The writer believes that perhaps if such payments had been made on a week-to-week basis as originally proposed, the spending of the aggregate sum would have been more beneficial toward the economic recovery.

While there is a definite seniority program within the rubber industry, generally it is the youngest serviced employee first affected by layoff. The older serviced employees pay their relative share of the Program and have little chance to benefit or gain from it. The writer believes that no industry or plan will long exist or need to exist if the situation is so bad that senior employees are out of work.

Not all unions want SUB programs, but those that do will be working toward the goal set by the United Auto Workers (CIO) in its original proposal.
In 1954, 100 percent pay for 52 weeks guaranteed.

In the 1959 collective bargaining season, the writer is convinced some unions will make determined SUB demands. Others will use the threat of SUB to demand more in wages or fringe benefits.
APPENDIX I

November 20, 1958

To The Personnel Director:

I am a candidate for a Master's Degree in Industrial Relations at Loyola University in Chicago. My final curriculum requirement prior to graduation is the completion of a thesis.

As a thesis topic I have chosen, "An Analysis of Supplemental Unemployment Benefit Plans in the Rubber Industry". In order to have a thesis that will be informative and accurate, I am attempting to collect the Master Agreement or Contract which has been negotiated between your company and the Union which is affiliated with your industry.

Upon completion of this thesis and the tabulation of results, I will, upon request, be happy to furnish you with a copy.

Also, if other brochures or written material are available regarding supplemental unemployment benefit plans, please forward to me and the postage will be reimbursed, if requested.

Thank you in advance.

Yours very truly,

LeRoy Biondi

5220 W. Bloomingdale Ave.
Chicago, Illinois
<table>
<thead>
<tr>
<th>AUTO</th>
<th>CAN</th>
<th>GLASS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies pay 5¢ per employee-hr. worked into SUB fund</td>
<td>Companies pay 5¢ per employee-hr. worked into SUB fund</td>
<td>Companies pay 10¢ per employee-hr. worked into individual accounts up to $600 then contributions go into employees vacation fund</td>
</tr>
<tr>
<td>65% of take-home for first 4 weeks, then 60% weekly SUB Max. $25.</td>
<td>Same as Steel</td>
<td>Employee can draw from his account not less than $15. or more than 10% of his balance (Max.$30. weekly)</td>
</tr>
<tr>
<td>26 weeks</td>
<td>52 weeks</td>
<td>40 weeks: $75. a week until $600 is gone</td>
</tr>
<tr>
<td>One year's seniority</td>
<td>Three year's seniority</td>
<td>All regular employees covered</td>
</tr>
<tr>
<td>All workers get ½ credit for each week worked</td>
<td>Eligible employees get 1 credit for every 80 hrs. worked after Sept., 1954</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Same as Rubber</td>
<td>Same as Rubber</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Plan goes into effect only when states in which 2/3 of company's employees work approve integration</td>
<td>Plan goes into effect in any state approving integration</td>
<td>No provision in contract: not a problem in most states</td>
</tr>
<tr>
<td>During layoff</td>
<td>During layoff</td>
<td>During layoff or illness and upon quitting or retirement: at death, money in account goes to beneficiaries</td>
</tr>
<tr>
<td><strong>APPENDIX II</strong></td>
<td><strong>RUBBER</strong></td>
<td><strong>STEEL</strong></td>
</tr>
<tr>
<td>----------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>How plan is financed</strong></td>
<td>Companies pay 3¢ per employee-hour worked into SUB Fund</td>
<td>Companies pay employee-hr. w into SUB fund; 2¢ contingent liability</td>
</tr>
<tr>
<td><strong>Weekly benefits</strong></td>
<td>65% of take-home (Max. SUB $25) plus $2. each for up to 4 dependents until UC expires; then max. of $48.30 plus up to $8. for Dep. in Ohio &amp; other states benefits will be paid in lump sum after UC expires</td>
<td>65% of take-home SUB $25.) plus up to 4 dep. w expires; then $42. plus up to 4 dependents</td>
</tr>
<tr>
<td><strong>Maximum benefit duration</strong></td>
<td>26 weeks</td>
<td>52 weeks</td>
</tr>
<tr>
<td><strong>Employee Eligibility</strong></td>
<td>One year's seniority</td>
<td>Two year's con service</td>
</tr>
<tr>
<td><strong>How layoff credits accumulate</strong></td>
<td>Eligible workers get $ credit for each full week (20 hrs. or more) after July 16, 1956</td>
<td>Eligible employer credit for each after Aug. 1, 1</td>
</tr>
<tr>
<td><strong>How layoff credits are cancelled</strong></td>
<td>Credits go faster for benefits as fund level falls; amount of payments drop</td>
<td>Same as Rubber</td>
</tr>
<tr>
<td><strong>State SUB-UC integration</strong></td>
<td>Plan goes into effect in any state approving integration</td>
<td>Same as Rubber</td>
</tr>
<tr>
<td><strong>When employees draw benefits</strong></td>
<td>During layoff and in any week in which regular 8 hr. worker works less than 20 hrs. or 6 hr. employee works less than 18 hrs.</td>
<td>During any week less than 32 hrs. wo</td>
</tr>
</tbody>
</table>
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B. PHANMPHLETS


Mullady, P. M. Guaranteed Annual Wage and Employment Plans, New York School of Industrial Relations (Cornell U. 1952).

C. PERIODICALS


55


D. MISCELLANEOUS


E. GOVERNMENT

