Supplemental Unemployment Benefits in a Situation of Permanent Layoff a Case Study

James C. Koch
Loyola University Chicago

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SUPPLEMENTAL UNEMPLOYMENT BENEFITS IN
A SITUATION OF PERMANENT LAYOFF
(A CASE STUDY)

by
James C. Koch

A Thesis Submitted to the Faculty of the Graduate School
of Loyola University in Partial Fulfillment of
the Requirements for the Degree of
Masters of Social and Industrial Relations

June
1959
James C. Koch was born in Hannibal, Missouri, July 26, 1933.

He was graduated from St. Mary's High School, Hannibal, Missouri, June 1951, and from Conception Seminary, Conception, Missouri, June, 1955, with the degree of Bachelor of Arts.

From September 1955 to February, 1956, the author was enrolled in the Graduate School of Economics at the Catholic University of America, Washington, D. C. For the greater part of the following year the author was the Assistant Employment Director at the Zenith Radio Corporation of America, Chicago, Illinois. He began his graduate studies at Loyola University in September, 1956.
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INTRODUCTION

I. Social Setting for Guaranteed Wage Plans

The very word "guarantee" connotes insecurity, and a natural desire to provide for a condition of limited opportunity. No guarantee is more basic to earth's children than food, clothing, and shelter. Necessarily tied to the acquisition of these basic human staples is the means by which they are to be attained.

Although medicine, transportation, communication, and production have made man more optimistic over future prosperity, the workers of even such a productive nation as the United States are pessimistic of future economic security. One eminent author's analysis of this insecurity complex of workers is stated in the following words:

The scarcity consciousness of the manualist is a product of two main causes, one lying in himself and the other outside. The typical manualist is aware of his lack of native capacity for availing himself of economic opportunities as they lie amidst the complex and ever shifting situations of modern business. He knows himself neither for a born taker of risks nor for the possessor of a sufficiently agile mind ever to feel at home in the midst of the uncertain game of competitive business. Added to this is his conviction that for him the world has been rendered one of scarcity by an institutional order of things, which purposely reserved the best opportunities for landlords, capitalists, and other
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privileged persons. ¹

It is impossible to overemphasize the laboring masses' search for a guarantee against economic insecurity. In the face of a foe armed with the seemingly invincible offensive weapons of money, political power, and education the American labor movement pursued its struggle for human recognition relentlessly. American union-aspirations centered around economic security as opposed to the heavy political emphasis characteristic of the European labor organizations.

With the ultimate ascent of Gomperian voluntarism the American labor movement could concentrate on the attainment of its end. ² The AF of L's attempt at union organization suffered many set-backs from 1900 to 1932 on the legislative, judicial, and economic fronts, but the lessons were vivid enough to afford valuable experience for such a young and dynamic social institution.

Two important factors in the 1930's removed the last impediments to freedom and growth of the American labor move-


²For a fuller treatment of the philosophy of the early American Labor Movement as seen in the AF of L and the mind of its leader, Samuel Gompers, who piloted the Federation through 70 years of its most crucial period, see Seventy Years of Life and Labor (New York: E. P. Dutton and Co., 1925).
ment—one, the New Deal, pro-labor legislation, from 1932 to 1938; and the other, creation of the Congress of Industrial Organizations (CIO), came about with the split in the House of Labor over the fate of the industrial worker at the Atlantic City Convention of the AF of L in 1935. ³

The New Deal legislation embodied such important pro-labor laws as the National Industrial Recovery Act of 1933, the National Labor Relations Act of 1935, the Social Security Act of 1935, and the Fair Labor Standards Act of 1938. This legislation was the outcome of a growing social awareness permitted heretofore only in the more "radical" social movements. This social awareness was beginning to acquire a "respectable" atmosphere and, hence, becoming acceptable to even the more conservative American social groups. It was becoming more and more the recognized duty of the government to provide at least the means so that all men could attain a minimum of economic security. New Deal legislation was both the culmination of this general recognition and the guide for a formal concretization of the direction toward which economic security was tending for American workers.

The other factor stimulating the desire for economic

³See Saul Alensky's intimate biography entitled John L. Lewis (New York: G. P. Putman's Sons, 1949) for the factional growth of the industrial versus craft union spirit within the AF of L during the 1930's.
security at this time, although quite intangible in its specific aspects, was nurtured by the CIO. This organization was established to organize the unorganized, to lift the economic standards of the mass of dependent workers in this country. Such cosmic aspirations manifested themselves in the CIO's predilection for the unskilled and semi-skilled workers in auto, steel, rubber, and coal. The AF of L, on the other hand, had always believed that the "aristocracy of labor" in the key craft unions was the leverage by which organized labor would win all workers their just share of American industrial wealth. 4

In light of this resume of prevailing social philosophies afoot in the two main labor federations and the country-at-large in 1940, it is obvious from what sector new approaches to income security would spring. With the "freeze" of wages by the War Labor Board during World War II the militant CIO cast about for other ways to satisfy the rank-and-file. An elaborate system of "fringe" benefits followed, and a new interest in guaranteed wage plans was resurrected by the CIO Steelworkers in 1943. This demand was quickly refused by the

War Labor Board with this closely-reasoned statement:

The facts set forth by the panel report indicate that this demand in its present form would, if granted, subject the industry to such serious financial risks... as to be unworkable. 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.

II. The Rationale of Guaranteed Wage Plans before 1947

The Steelworkers' proposal was truly a resurrection of interest in guaranteed wage plans. The year 1894 dates the first recorded guaranteed wage plan, but the interest generated in the intervening years until 1943 is reduced to insignificance by the developments of the last fifteen years. Wisely, the WPB prevailed on the President of the United States to authorize a comprehensive study of guaranteed wages by an independent study of guaranteed wages by an independent committee. The President assigned the job to the Advisory Board, Office of War Mobilization and Reconversion in 1946, which in turn set-up a research staff known as the Guaranteed Wage Study, under the direction of Murry W. Latimer, then


chairman of the United States Railroad Retirement Board. 7

The outcome of this study embodied the definitive "Latimer Report" of 1947 which remained the "bible" and most comprehensive guide to guaranteed wage plans up to that time. In the Introduction of this 473 page report the projected importance of future guaranteed wage demands was stated in these words:

The trend toward guaranteed wage demands, unmistakable though it is, has not had sufficient time to become deeply ingrafted in labor organizations and their policy. Because security is of such great importance, and because the failure of an ill-advised effort to achieve security may have tremendous repercussions on the attitude of workers and on the stability of the economy, every essay at security should be subjected to critical analysis at an early stage before emotions become aroused. Such a critical analysis is the object of this report. 8

For the purposes of its study the Latimer Report defined a guaranteed wage plan as one "under which an employer guarantees to all or a defined unit of his employees a wage or employment for at least 3 months." 9 The verb "guarantees" in the above definition is of historical importance, for prior to 1940 the "guarantee" appears to have been conditional since

8 Ibid., p. 1.
9 Ibid., p. 2.
it seems they were financed, where necessary, by the employer essentially on a pay-as-you-go basis.

However, despite the conditional nature of the wage and job guarantees which these plans exhibited, there was a steadily increasing acceptance of a real social need for guaranteed wage protection. All plans prior to the Social Security Act of 1935 can generally be attributed to individual social awareness of single employers, or at most, to the initiative of labor leaders in the skilled or semi-skilled segments of industry. The solidification of the social need for guaranteed wage plans was complete with the financial cataclysm of 1929.

The words of the Latimer Report are eloquent in their paucity:

The tragedy, suffering, and frustration which characterized the 12 year period (1929 to 1941) produced a deep-rooted demand for security--of which the guaranteed wage is becoming one of the most important expressions. 10

The desire of the people for economic security was recognized by Congress, the legislative culmination was inevitable some nine years later, when the Congress of the United States passed the last of two acts which would strongly affect the future of guaranteed annual wage plans.

The first federal act which was to exert many direct and indirect influences on guaranteed wage plans was passed by

10Ibid., p. 10.
Congress in 1935. The Social Security Act laced together the four main areas of security which the poor of a nation feel most keenly--economic security against sickness, unemployment, old age, and death. From the aspect of economic security against unemployment the Act provided for state rather than federal administration.

However the federal authority does exercise control over state administration. There are a number of situations in which the state may not deny the eligibly unemployed applicant his compensation. The Act makes the following stipulations:
(a) applicant need not accept a job opening which is available due to a strike, lockout, or other labor dispute, (b) nor if the wages, hours, or working conditions are substantially less favorable than those prevailing for similar work in the locality, and (c) if, as a condition of employment the individual must join, resign from, or refrain from joining a bona fide labor organization.11

This federal commitment of responsibility for the unemployed worker proved abortive as a stimulating factor the growth of guaranteed wage plans. Concerning the effect of the Social Security Act upon guaranteed wage plans the Latimer

Report states:

The Social Security Act permitted State laws to include provisions designed to encourage, within certain limits, the substitution of a wage guarantee plan for unemployment insurance. Under specified conditions guaranteeing employers were to be allowed lower unemployment contributions by rate. At the same time, however, the Social Security Act permitted States to reduce rates to other employers, under certain circumstances, on about the same terms. Because the reduced rates without the wage guarantee involved no additional financial obligation on the part of the employer, the wage guarantee provision offered no advantage. The formulators of State laws, therefore, at no time became interested in it to any extent.\textsuperscript{12}

In fact, the Act had definite regressive effects on guaranteed wage plans previously negotiated. The reason for this phenomenon is again cited in the Report.

Before the enactment of the Social Security Act, Wisconsin permitted complete exemption of employers from the provisions of the unemployment insurance act if they guaranteed in advance 36 hours of work for 42 weeks. Some 96 employers sought and were granted exemptions effective in 1934. The law was changed in 1935 to conform with the Social Security Act, and without exception, employers promptly discontinued their guaranteed wage plans.\textsuperscript{13}

The second piece of federal legislation which was to affect the negotiation of guaranteed wage plans was enacted by Congress in 1938. By means of the Fair Labor Standards Act of 1938 the federal government attempted to set at least a minimum

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{12} Latimer, \textit{loc. cit.}, pp. 12-13.
\item \textsuperscript{13} Ibid., p. 13.
\end{enumerate}
\end{footnotesize}
standard for wages, hours, and control of child labor. The following stipulation in regard to maximum hours was recorded in Section 7 (a) of the Act: \(^{14}\)

No employer shall, except as otherwise provided in the section, employ any of his employees who are engaged in commerce or in the production of goods for commerce—for a workweek longer than forty hours after the expiration of the second year from such date unless such employee receives compensation for his employment in excess of the hours above specified at a rate not less than one and one-half times the regular rate at which he is employed.

However, in an effort to encourage the idea of regular employment by employers, the Act made the following exemption from Section 7 (a):

\[\ldots\text{if an employer and a certified union entered into a collective bargaining agreement which provided for either a maximum of fifty-two weeks of employment for 2,000 hours (changed to 2,080 hours in 1941); or twenty-six weeks of work for 1,000 hours. Where such contracts were bargained, employers were permitted to average out overtime, and to work employees up to twelve hours a day, or fifty-six hours a week without incurring penalty. If the 2,080 or 1,040 hours maxima were exceeded, the overtime exemption was lost.}\]^{15}

However, this provision also proved abortive, as a means of stimulating the growth of guaranteed wage or employment plans. The statistical proof of this ineffectiveness is again suc-

\(^{14}\)52 U. S. Stat. c. 1060, sec. 31,107 (1938). Commonly referred to as the Wage and Hour Law.

\(^{15}\)Turnbull et al., loc. cit., p. 448. In Chapter 16 a fine analysis is presented of the legislative history behind the Fair Labor Standards Act and its impact today. (See footnote 11 above.)
inctly stated in the Report: 16

In more than 8 years since the Fair Labor Standards Act went into effect only 60 such agreements or proposed agreements have been filed with the Wage and Hour Division of the Department of Labor, which administers the act. Of these, apparently no more than 14 covered an operating plan involving a waiver of premium overtime. The total number of operating plans, so far as is known, has been less than 20. At present, at the end of 8 years, apparently only 6 plans involving the overtime waiver are in operation.

In summary of the overall effect of legislation on the pre-1947 experiments in private guaranteed wage plans and those covering also employment, the Report states:

In part, the meager results of intended legislation encouragements reflects the fact that a successful guaranteed wage plan must be highly individualistic. This characteristic makes the legislating of encouragements a matter of peculiar difficulty. This does not mean that legislative encouragement is impossible. In the past, however, efforts have been based upon erroneous notions of the king of encouragement needed. The notion that a guarantee of wages can properly be substituted for unemployment insurance is an example. The two are really complementary and would work better together than independently. This legislation intended to encourage guaranteed wages would be more fruitful if it permitted guarantees by way of supplementation to unemployment benefit insurance. 17

III. The Rationale of Guaranteed Annual Wage Plans after 1947

The increased interest in guaranteed wage plans since

17Ibid.
1947 is due, in a significant degree, to the scholarly research which produced the Latimer Report. In its complete and unbiased assessment of legislative, economic, and social events which have influenced the history of guaranteed wage plans over the past fifty years, the Report has become the indispensable guide for scholar and practitioner alike of guaranteed wage plans. The impact of the Report can hardly be overestimated, for, even though there has been a deep-rooted demand for security in the United States since 1929, there must be an instrument by which this demand can be satisfied. If a social demand is created with no means of satisfaction only frustration can ensue. Although the Latimer Report was not specific in outlining the best form of employment security device to follow, to discerning labor, management, and legislative leaders the specific outlines for successful guaranteed wage plans were adequately analyzed.

The definitive sentence in the recommendations of the Latimer Report which effected all private guaranteed wage attempted since 1947 states:

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18 The Latimer Report includes a comprehensive review of guaranteed wage plans, cost estimates for guaranteeing wages in number of establishments, and recommendations of measures which would increase the feasibility and applicability of guaranteed wages, as well as an analysis of the economic effects of guaranteed wages.
Thus legislation intended to encourage guaranteed wages would be more fruitful if it permitted guarantees by way of supplementation of unemployment insurance. This concept, of a wage guarantee "by way of supplementation to unemployment insurance," has made its impact felt in almost every guaranteed pay plan since the promulgation of the Latimer Report. As the initiative for earlier plans came from management who were considerably enlightened and progressive—Proctor and Gamble, Hormel, and Nunn-Bush—so the renascence of guaranteed wage plans after the Latimer Report were initiated almost exclusively by union leaders.

The ineffectual efforts of the Steelworkers to secure a guaranteed wage plan from the War Labor Board in 1943 did not end their attempts. Using the findings of the Latimer Report the Steelworkers submitted a significantly revised pay plan to the Wage Stabilization Board in 1951. One author has made the following comparison between the principal features of the 1951 and 1943 plans introduced by the Steelworkers:

(1) Employees with three years of continuous service were to be covered—not every employee as previously proposed.

(2) The employers' costs were to be limited to an agreed-

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20Unterberger, op. cit., p. 18, cited from A Guaranteed Wage Plan for the Workers of the Steel Industry, Union Exhibit No. 11 (1951), Wage Stabilization Board Case No. D-18-C.
upon rate of contribution to a trust fund. Approximately seven cents per hour was suggested—far different from the unlimited liability previously proposed.

(3) For each week in which the employee was laid off or terminated because of shutdown, up to a maximum of 52 consecutive weeks the employee was to receive 30 times the standard hourly wage rate for the job class in which he worked more hours than any other during the preceding 13 weeks.

(4) Out of the trust fund, the laid-off employee would be paid the difference between any state unemployment compensation benefits payable to him and his guaranteed amount.

(5) An employee who had income from employment in a week in which he was eligible for benefits would be entitled to the difference between his income and his guaranteed amount plus $10.

(6) To receive benefits a covered employee would have to be able to work and be available for suitable work.

The initiative for a more widespread application of economic security for the working masses was now placed where it would be more effective. A powerful union like the Steelworkers with a membership of 1,250,000 strategically located in basic and processed steel industries all over the United States was in a most advantageous position to exert widespread influence on the future of guaranteed wage plans. This influence was reinforced by the higher degree of centralized control which has characterized the CIO industrial unions since their inception in 1935. Also, the heavy concentration of low-paid unskilled and semi-skilled workers in the industrial unions made guaranteed wage plans a greater necessity than it would
have been for the skilled craft workers of the AF of L with their high salaries and built-in seasonal compensations. However, the Steelworkers proposal was not activated in any labor-management agreement during 1951. The introduction of a guaranteed wage plan as a supplement to unemployment benefits would have to await another strong industrial union's initiative.

The United Automobile Workers, CIO, entered the research on union-inspired guaranteed wage plans in 1951. Its impact was soon felt and progress reports were released periodically to the public as a reminder of things to come. Guaranteed annual wages (GAW) became hot-copy for every business or labor-orientated periodicals in the country. The following extracts are characteristic:

An economic time bomb is about to go off on the labor-management front. If the blast occurs, it will be over the demands of Walter Reuther's United Automobile Workers for a guaranteed annual wage.21

The guaranteed annual wage, as the demand is generally known, or the guaranteed employment plan, as the U.A.W. more correctly terms it, is not simply a plan for supplementary unemployment compensation. . . . Walter Ruether's aim is vastly different. What he proposes is a system of penalties to force the industry to abandon its seasonal pattern of production and marketing, to provide year-round work for workers with seniority. If he should win, then the next step . . . would be to end the system of hiring

a factory worker by the hour, and to pay him instead by the week.22

All eyes were on Detroit and GAW became a fait accompli in the auto industry on June 30, 1955. This initial contract with the Ford Motor Company immediately doubled the number of workers covered by guaranteed wages in the United States. Chrysler and General Motors succumbed quickly to similar demands of the U.A.W., and a new era for GAW was begun. The Steelworkers capitalized on the U.A.W.'s initiative and soon proposed and secured GAW agreements with American Can Company and Continental Can.

It was soon apparent that GAW was a misnomer for the new type of guarantee plans. The new plans were denominated supplementary Unemployment Benefits Plans (SUB). The labor editor for America briefly records the philosophy behind this name change:

Strictly speaking, the term "guaranteed annual wage" is a misnomer. As originally advocated by the late Phillip Murray toward the end of World War II, it meant exactly what it says: the guarantee by an employer to an employee of 52 full paychecks in the course of a year.

That is not what it means today in Detroit or Pittsburgh or Chicago, where the Auto Workers, the Steelworkers, and the Packinghouse Workers are demanding a "guaranteed annual wage." What these unions are really asking for is

22Daniel Bell, "Beyond the 'Annual Wage,'" Fortune, May, 1955, p. 92.
an employer-financed supplement to unemployment benefits compensation.23

One reason for the advance of guaranteed plans is well-expressed by the following statement:

Labor's new demands are bolstered by a serious decline in the ratio of unemployment benefits to wages--off more than 20 percent from pre-war figures.

If present compensation could be doubled so that workers received approximately 60 percent of their wages in benefits, there would not be the crescendo shout for the guaranteed annual wage.

The same would hold if the eligible period were extended from 26 to 40 or more weeks.24

Add to this the bargaining power of many American labor unions and the success of SUB is apparent.

This is an excellent example of Pope Pius IX's principle of subsidiarity in action. In lieu of state intervention to supplement the inadequacies of unemployment insurance which have steadily increased over the past 20 years, the private institutions by bargaining initiative can and should seek to settle this problem in the most equitable manner for all concerned. Rev. Joseph M. Becker, S.J., a recognized authority on social security makes this pertinent remark regarding the


Ford Plan as accepted by the industry from the U.A.W.: 25

A favorable aspect of G.A.W. in the auto industry is that it relies on private group activity rather than on governmental activity to meet the threat of unemployment.

Although the Auto Workers' plan has held the spotlight for GAW and gained the publicity—due to the auto manufacturer's pivotal position in the American industrial complex—there has been other successful union-inspired plans at work. The International Brotherhood of Teamsters (IBT) was able to negotiate GAW plans in their cartage and wholesale warehousing union contracts as far back as November 11, 1952. At that time Teamsters' Local 688 of Joint Council No. 13 in St. Louis contracted for GAW with Brown Shoe Company of the same city. With the subsequent prosecution of union contracts from 1953-1955 Local 688 negotiated GAW with 68 firms for about 4,500 of its 10,017 members. 26

Rice-Stix, Inc., a wholesale clothing manufacturer with a warehousing operation in St. Louis was the second firm to contract the GAW with Local 688 on March 1, 1953. On May 5, 1955 Local 688's publicity director could write concerning the GAW plans it had negotiated on the St. Louis area:


While the program of unemployment in the St. Louis area has created several acute situations, it has not been deep enough to affect the protected areas of the guaranteed wage program. Therefore, the Union's experience under the program to date has been perhaps more academic and in the nature of refining principles and mechanics of future operations, than in the practical considerations that may be involved in any day-to-day developments within the program.  

The need for this statement was precipitated by the widespread inquiry into GAW generated by the impending U.A.W. guaranteed wage plan with the auto industry. The Bureau of National Affairs made a study of GAW a short time before the above statement was released, and concerning the plans of Local 688 they commented:

Contractually, the St. Louis guaranteed annual wage plan represents as simple and brief an approach to this much-debated issue a negotiator is likely to find.

This area of purely "academic" experience with the GAW plans was to change for the Teamsters in a short time. With the national decline of the wholesale warehousing industry Rice-Stix saw that its GAW commitment would soon be put to the test. On November 30, 1956 the GAW was modified into an SUB plan by joint approval of the Company and Union.

Although this plan covered only 420 workers--65 percent of the total employees--in a single warehousing operation, it

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supplied an excellent opportunity to study the impact of an actual SUB plan in a condition of permanent lay-off.
CHAPTER II

HISTORICAL BACKGROUND

Late in 1952 Local 688 of the St. Louis Teamsters devised a Five-Year Package Contract in "an effort to establish maximum confidence in the area of labor-management relations."28 This contract was a creation of the union's research division and sought to "eliminate the piecemeal, irrational and somewhat emotional approach to the traditional collective bargaining process, without sacrificing the historical perogatives of either side."29 Besides the wage increases this package contract included a guaranteed annual wage, no cargo clause (worker does not have to handle goods of a struck firm), cost-of-living escalator, insurance-pension, health and hospital, and blood donor provisions. During the calendar year of 1953 approximately 40 percent of Local 688's 10,017 members were brought under the coverage of Five Year Package plans.30

28 From an interview with Edward Brown, Chief Negotiator, Teamster's Local 688, on January 14, 1953.

29 Ibid., January 14, 1958.

The key issue underlying Five Year contract is maximum job and union security. The provision of a guaranteed annual wage is more conducive to maximum job security for the worker than any other provision in the Five Year plan. As of December 31, 1953 there were 65 firms employing 4,530 employees covered by the guaranteed annual wage provision.31

Why had the Teamsters included this GAW provision in their contract at this particular time? The motivation behind the Teamsters' GAW drive, according to the Teamster spokesman who negotiated the plan, was "to provide some income security to workers in an insecure industry."32 The strategic geographical position of St. Louis early marked the city as a center of the wholesale distribution industry. By 1950, however, the whole industry was in a state of decline. This decline can be traced to a series of factors. Retail marketing operators were in the process of evolution and the chain store was the principal dynamic factor. These stores facilitated a condition of large-scale buying directly from the manufacturing concern with the consequent decline of neighborhood dry-goods stores. Technological advances also demanded

31Ibid., p. 16 (see Appendix A for a summary of all the GAW plans negotiated by Local 688 of the St. Louis Teamsters).
32Interview with Local 688's Field Director, April 4, 1958.
a change in warehousing techniques, if the industry was to maintain its competitive advantage or, at least, position. For the most part the old-line St. Louis distribution firms were insensible to the signs of the times, and consequently, the union saw lay-offs ahead if renovations were not made. It even feared that some firms might vacate the St. Louis area for less-unionized areas. In at least one case, according to the Teamster union, there was a definite decision to do so.

These factors caused the research men of the Teamster union to devise an offsetting security device in order to protect its rank-and-file. In some instances the GAW plan was designed to deter some firms from moving out of town, and in others as an incentive to stabilize operations. In the latter instance the 60 percent coverage was designed to permit flexibility—"to give them something to live with," as one Teamster official expressed it.

The first St. Louis firm with whom Local 683 negotiated the GAW plan was the Brown Shoe Company on November 15, 1952. Rice-Stix contracted the GAW obligation March 1, 1953 to become the second firm covered by the plan. From 1953 to 1955, 63 more firms contracted the GAW, which was merely one of the six important provisions of the Five-Year Plan.

The provision of the GAW plan in the contracts of all 65 firms was substantially the same. The plan is quite simple
and briefly expressed as was mentioned before when discussing the Bureau of National Affairs comment on the Teamster's GAW. The Rice-Stix Company, with a total work force of 700, had the following representative plan:

It is understood and agreed that the first 420 employees on the seniority list shall be guaranteed employment for at least 2,000 straight time hours each contract year beginning with March 1, 1953. This guarantee shall be absolute and not be excused for any reason excepting the failure or refusal of employees to work or for discharge for cause or for military leave, or for mutually agreed upon leave of absence. Further, this guarantee shall be exclusive of overtime hours worked which shall not be counted against or included in the guarantee.

It is understood that whenever there is a separation of any individual who was covered by the guarantee the next employee on the seniority list shall replace the separated individual on the guaranteed list so that the number (420) is maintained. Furthermore, it is understood that any employee returning from service in the Armed Forces, or anyone returning from a mutually agreed upon leave of absence, will displace on the guaranteed list anyone who was hired to replace him during his absence, and that said displaced individual will be dropped from the guaranteed list. The returning employee will so far as the guarantee is concerned take the hours of employment of the individual whom he displaced and the Company will, therefore, during the balance of that year be required to guarantee the returning employee only the difference between 2,000 hours and the total worked by his replacement prior to his return.

This guarantee shall continue in effect until March 1, 1955 and from year to year thereafter, during the period of this contract, unless the Company gives notice at least sixty (60) days prior to March 1, 1955, or any subsequent March 1, of its desire to modify this guarantee. In the event such notice is given the parties shall confer in an effort to reach agreement but in the event the parties are unable to reach agreement then the Union shall at the expiration of sixty (60) days following the said notice have the right to resort to its economic
strength to support its position.\textsuperscript{33}

What has been said above concerning the general con-
spectus of the St. Louis conditions can be applied, \textit{a fortiori},
to the Rice-Stix operation. Rice-Stix experienced healthy corpo-
rate growth through ninety-three years of its existence, but
stagnancy of technological progress began to take its toll in
1947. The Company fell from a net income of 19.5 percent of
capital invested (including contingency, reserves and earned
surplus, but excluding income tax reserves) in 1946 to a low
of 2.7 percent in 1953.\textsuperscript{34}

At the time of negotiations in March of 1953 there was no
sign of a need for the GAW plan which the Company and Union
had negotiated as a normal contract provision. The 60 percent
seniority coverage seemed to provide a more than adequate
margin for business fluctuations and possible lay-offs. Even
when "changes in methods of warehousing and distribution were
anticipated"\textsuperscript{35} it still seemed that the need for the use of

\begin{flushright}
\textsuperscript{33}Agreement by and between Rice-Stix, Inc. and Warehouse
and Distribution Workers Union Local 638, St. Louis, Missouri. See Appendix A for the minor differences between the GAW plans as contracted by the Teamster represented firms.

\textsuperscript{34}See Appendix B for the net income figures of Rice-Stix
from 1947 to 1954.

\textsuperscript{35}Management Record, "GAW with an SUB Twist," June, 1957,
p. 194.
\end{flushright}
GAW was comfortably improbable.

However, this whole conspectus had changed by late 1954. The Company profit margin was at 2.7 percent and its owners were trying to hold off a stock raid by a New York textile concern. On November 26, 1954 The Wall Street Journal carried a story of the proceedings with this title. TEAMSTERS FOREGO PAY RISE TO HELP RICE-STIX BATTLE RELIANCE'S OFFER. The union had agreed to forego the pay increases called for by the 5 year agreement in order to keep the ownership of the Company in St. Louis.

The Company had approached the union as early as September seeking mitigation from the forthcoming wage increases contracted in the Five Year Plan eighteen months earlier. The Union was unwilling to grant these concessions maintaining "that improvements in efficiency would mean that the Company would be able to handle the forthcoming increases in wages." These "improvements in efficiency" failed to materialize and the profit margin continued to decline. The stock of Rice-Stix had been averaging $30 to $32 per share during the summer on the American Stock Exchange. However, at the same time equity per common share was placed at $69.49.

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36Case Problems in Industrial Relations, Institute of Labor Relations, University of Illinois (referred to hereafter as Case Problems), p. 5.

37Corporation Records, Standard and Poor.
In protestations to the Union, management officials pointed out that low return on Company investment and the consequent reduction in dividends had depressed the price of the stock. In an attempt to rebut this statement the Union maintained that dividends could have been paid due to the Company's strong position in terms of liquid assets and reserves, if the Company had any real desire to hold up the price of its stock on the Exchange. As a result of the Company's financial position, it presented an attractive situation for sharp investors to gain control with the object of liquidating for the quick profits from the salable assets. Reliance Manufacturing Co., a New York textile company, was reported buying large blocks of Rice-Stix stock for reasons of the prospective liquidation profit and in order to use the Rice-Stix brand names on Reliance products.

In light of these dark prospects the Union entered into an effort with management to defeat the advances of Reliance Manufacturing Company. On Thanksgiving Eve 1954, the management and Union carried their problem to the rank-and-file in a meeting at Kiel Auditorium in St. Louis. A management spokesman presented the intentions of Reliance, as he saw it, and the Union leadership asked for a vote of confidence in the negotiating committee. The leadership assured the union members that it would do all that it possibly could to protect
the standing pension and job security agreements and to make the best possible supplemental agreement. There was some opposition to the proposition, but the membership voted 304 to 146 to support the leadership's request. 38

The negotiating committee acted quickly and two days later the newspapers carried this report: "while the rest of St. Louis ate Thanksgiving Dinner, a three-man committee from Local 688 of the Teamsters met with three Rice-Stic officials in a huge, silent warehouse. There they hammered out a memorandum in which the union gave up wage increases and fringe benefits estimated to total $800,000 over the remainder of the contract which runs to February 28, 1958." 39 Eight days later on December 4, 1954 the price of stock had shot up on Rice-Stix stock to $45 per share on the American Stock Exchange, due to the interest created by the raiders and the publicity given the company because of the union concession. With this brighter earnings picture brought about by fixing labor costs and with union cooperation in effecting savings, the Company could concentrate on stream-lining its warehousing operation. 40 However, the Union concessions did not seem to convince Earnest

W. Stix and Fred B. Eiseman, president and vice-president, respectively, even after they had promised "they would not sell their stock to Reliance." On December 19, 1954 these men sold their combined holdings to Reliance at $46 per share, after having decided "that Reliance at present already controlled enough stock to force a proxy fight." The Teamsters had come to the rescue of Rice-Stix in order "to keep the Company in friendly hands of men who wanted to operate, instead of letting someone just interested in liquidation for fast profit take over the business." With the sale of Rice-Stix to Reliance all the Union's fears were to come true. After a protracted proxy fight between Reliance and Safie Bros., a New York textile manufacturer, the Safies came out on top. Thus only eight months after Reliance had gained control of Rice-Stix it was to lose it in a struggle with Safie.

The Safie Bros. coup d'etat was delivered on August 27, 1955 and on September 10, 1955 Business Week dramatically

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41 Ibid., December 25, 1954, p. 60.
42 Ibid.
43 Business Week, December 14, 1954, p. 117.
44 See Appendix C for an interesting description of the power contest between Reliance and Safie Bros. in Fortune magazine, October, 1955, p. 177.
described the power contest: "Rice-Stix, Inc., . . . would now wound up in control of Safie Bros., a New York Textile company. The latest episode in the Rice-Stix serial starred Joseph M. Safie, executive vice-president of Safie Bros."

With Rice-Stix controlled by Safie Bros., it looked as if the Teamsters Union and its members would have a more promising future for security in their jobs. This hope was strengthened on February 21, 1956 when Safie renewed the lease on Rice-Stix's Washington Avenue property in St. Louis for another ten years at the cost of nearly one million dollars.

During June 1956 Safie consolidated its position in the wholesale women's garment industry by acquiring the holdings of two Los Angeles firms ($1,000,000) and two Atlanta firms (price not given).

As the efforts of the Teamsters to assist the original Stix-Eiseman owners had failed, the Union decided on reinstatement of the wage increase of May 1, 1955. Within six months the future of Rice-Stix has been mapped-out by the Safies, and the following report was made public: "Rice-Stix stockholders

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46 Standard and Poor, Corporation Records, April, 1956.
48 Globe-Democrat (St. Louis), July 13, 1956.
approve sale of Company's manufacturing plants and mills so as to concentrate on sales and distribution."

With this major reorganization planned, Safie saw that the Rice-Stix GAW would constitute a heavy liability. In accordance with the original contract, which called for reopening privileges if either party so desired, the Union was called in and after negotiations were completed both labor and management agreed to substitute a supplemental benefit (SUB) program to be known as the Income Security Plan in place of the old GAW plan. This amended agreement enabled the Company to cut their original liability by an amount equal to $26 per week for 26 weeks, which laid-off workers are entitled to by the provisions of the Missouri State Unemployment Program.

Things moved quickly now and on December 14, 1956 a stock journal carried this entry: "Pursuant to Company's plan of reorganization approved by the stockholders on November 26, 1956 common stockholders have been invited to tender shares for sale to the Company at $69 per share." This reorganization reduced the Rice-Stix capital stock and surplus from 20.3 million to 3.1 million dollars. Total employment at the Company was

49 Ibid., November 30, 1956.
50 Moody Industrials, December 14, 1956.
51 Business Week, December 1, 1956.
now 368 persons. Even in the face of a guaranteed annual wage, 52 employees found work elsewhere since a lay-off seemed inevitable. On December 14, 1956 the Rice-Stix warehousing operations laid-off permanently 68 of the total employment of 368.

Even with this significant move there was no official statement concerning the future of the Rice-Stix warehousing operation. It was evident, however, that the St. Louis operation was to be curtailed as layoffs continued during January 1957. By January 31, 1957 Rice-Stix has laid-off 130 employees with eligibility under the amended agreement of November 30, 1956. Another 40 employees were laid-off in February and 48 in March. Company officials finally made public their plan for Rice-Stix when they give this statement to the papers on March 22, 1957: "This move from St. Louis to New York is part of management's plan to concentrate on the more profitable lines of its business."  

Personnel were dismissed as soon as liquidation would permit in the respective departments of the clerical and operative sections of the warehouse. By May 31 only a handful of key personnel remained, and their duties were mostly concerned with administration of the supplementary unemployment benefit

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52 Rice-Stix Personnel Files.

plan. A final press release was given to the local papers on November 12, 1957: "Liquidation of Rice-Stix, Inc.,... moved nearer to completion today when the stockholders voted to dissolve the corporation, with assets to be sold to Reliance Manufacturing Co., New York City, for book value." This amounted to no more than a book entry for Reliance already owned 99.5 percent of Rice-Stix stock. However, this date does record the final denoument of a 94-year-old St. Louis firm which once has a work force of 900 employees.

The amended agreement of the CAW plan of November 30, 1956 was now one year old. Reliance had laid-off 68 workers under the terms of this plan one year before on December 13, 1956. Consequently, on December 31, 1957 these 68 workers either terminated their eligibility to draw benefits or exhausted their benefits altogether. January 31, 1958 terminated the eligibility of 78 more ex-employees. The final cut-off date of the Plan came on February 28, 1958, since the remaining 222 workers originally covered by the Plan were put on the laid-off roster the preceding February when the Company announced its liquidation plans.

54 Ibid., November 12, 1957.
CHAPTER III

THE PLAN

Following the events described in Chapter One, the Company and the Union agreed to a modification of the original Guaranteed Annual Wage Provision, a modification resulting in a switch to a Supplemental Unemployment Benefits Plan. The complete amending agreement has been incorporated as an appendix.

This SUB, known as the "Income Security Plan," re-defined the obligation under the guaranteed annual wage to mean that for a period of 2,000 hours after layoff an employee would be guaranteed the same take-home pay that he would have received had he continued in Rice-Stix employ. However, the laid-off employee would now have to register for state unemployment compensation and seek other employment in order to receive the payment. In addition, it would be agreed that any income the laid-off employee received from unemployment compensation or other employment could be deducted from the company's obligation. The pertinent provisions and administrative provisions are included as follows:

Financing - The company was to make contributions to a fund set up under a trustee. The initial contribution was to
be no less than 10 percent of payroll, with additional contributions made by the company as required to maintain the fund in a liquid state. Money in the fund was to be invested in government securities, with earnings therefrom credited to the fund. The fund paid all costs of administering the plan.

Amount of Applicant's Weekly Benefit - An eligible applicant was entitled to an amount, which when added to his state unemployment benefit would equal 100 percent of his weekly after tax straight time pay. An applicant's weekly after-tax straight time pay was to be his regular gross weekly wages reduced by the sum of all Federal, State and Municipal taxes which would be required to be withheld by the Company from the applicant's regular weekly gross wages if employed in the bargaining unit. For those weeks in which the applicant is not entitled to unemployment compensation benefits, and such ineligibility is not for reasons listed in Article V, Section 2 (a) of the plan, and provided the applicant had registered for unemployment compensation benefits within five days following date of lay-off, he was eligible for benefits from the Fund at the rate of the wage that he would have received if he were to remain at work. Each week for which an applicant received a weekly wage from an employer other than the Company he was to be paid a weekly benefit equal to the difference between his regular gross weekly wages received from the Company and the
wage received from other employment, provided that such wages are less than the applicant's weekly wage regularly received from the Company at the time of lay-off.

If the employee, after filing an application, is determined to be eligible for benefits under the Income Security Plan (Article V), an authorization is forwarded to the Payroll Department with instructions to pay the employee the difference between the net earnings from Rice-Stix at the time of layoff and the present net earnings from unemployment compensation or wages from another employer. A check is then made out by the Payroll department and mailed to the eligible employee on the Monday following the Friday for which he or she made application for benefits.

Disqualification - An employee is disqualified for benefits under the Plan if he or she does not meet all the requirements as specified throughout the plan. It was agreed that the employee make application for benefits on a weekly basis regardless of whether the employee received wages from another employer semi-monthly or monthly.

Employment - The Personnel Division as part of its function in processing the claims for benefits also referred employees laid off under the plan to prospective employers. The Personnel Division has maintained a close relationship with the Missouri State Employment Service in obtaining positions
for employees under the plan. The Union also was committed to help in any way that it could in the placement of laid-off workers.

Computation of Payments Under the Plan - The SUB program calls for a guarantee of the net pay of the individual employee. Since it is the net pay that is guaranteed, it is necessary to figure the tax upon the net pay, rather than the old gross, as usually is done with payrolls.

In the case of an employee who is drawing unemployment compensation, it is first necessary to figure what his net pay would have been had he continued work at Rice-Stix. After this figure is derived, the amount of unemployment compensation is subtracted from it, leaving the amount that is due to the employee.

In order to reach a new gross pay, since the contract calls for the trusteeship to be liable for any withholding tax that is due on these earnings, it is necessary to take the net pay, subtract the number of dependents that the employee is claiming, multiplied by $13.00 from the net amount due the employee, then continue to multiply this answer by 18 percent until a zero figure is reached. An example: Suppose an employee was making $60.00 per week under Rice-Stix. His Social Security tax on that $60.00 would have been $1.35. His withholding tax if he was claiming one dependent, would have been
$8.46, and City Tax would have been 30¢ (City tax is \( \frac{1}{2} \) of 1 percent of gross wage), which would have meant that his net pay would have been $49.89.

If this employee is drawing unemployment compensation, $25.00 would be subtracted if he were receiving maximum compensation, from the $49.39 leaving a total of $24.39, which the company would owe him under the plan; but in addition to this liability, the Company would also be liable for any taxes which the employee might have to pay on this $24.39. To figure this tax liability, it is necessary to take the $24.89, subtract from that $13.00, which is the value of one exemption for one week, which would leave $11.89 which the employee is receiving on which Rice-Stix incurs a tax liability for that employee. To figure the amount of withholding tax which this employee would have to pay on this net pay of $11.80 to cover any liability he has for such taxes, it is necessary to multiply the $11.89 by 18 percent which is the withholding tax rate. The answer to this multiplication is $2.14 but we also have to figure 18 percent of the $2.14 because $2.14 is the net which the employee received. The answer to this multiplication is 38 percent which is an additional 7¢ of tax liability, and repeating the process of multiplying 7¢ by 13 percent another cent is added. Now adding the $2.14, 38¢ and 7¢ and 1¢ you arrive at a total of $2.60 which is the amount of taxes that
the employee would have to pay on a net of $11.89.

To arrive at the gross amount that is payable to this employee, it is necessary to take the $24.89 that is coming to him in net pay, add to that the $2.60, which is the figure added for withholding tax, a gross payment of $27.49 is paid the employee.

For an employee who has obtained another job, but a job that does not pay as much as the wages he was receiving at Rice-Stix, the following procedure is used: 55 Example:

<table>
<thead>
<tr>
<th>Rice-Stix</th>
<th>Other Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross ---------------</td>
<td>$60.00</td>
</tr>
<tr>
<td>Withholding tax -----</td>
<td>$8.46</td>
</tr>
<tr>
<td>Social Security tax  -</td>
<td>1.35</td>
</tr>
<tr>
<td>City tax -----------</td>
<td>.30 10.11</td>
</tr>
<tr>
<td>Net Pay --------------</td>
<td>$49.89</td>
</tr>
</tbody>
</table>

| Gross ---------------| $50.00                  |
| Withholding tax -----| $6.66                   |
| Social Security tax  -| 1.13                    |
| City tax -----------| .25 8.04                |
| Net Pay --------------| $41.96                  |

Net Pay Rice-Stix ---- $49.89
Less Net Pay Other ---- $41.96
Additional SUB Check - $ 7.93

Withholding Tax Computation

<table>
<thead>
<tr>
<th>Tax at Rice-Stix</th>
<th>$8.46</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax new employer</td>
<td>6.66</td>
</tr>
<tr>
<td>SUB Tax Liability</td>
<td>$1.80</td>
</tr>
<tr>
<td>SUB now due employee</td>
<td>$7.93</td>
</tr>
<tr>
<td>Add withholding tax</td>
<td>1.80</td>
</tr>
<tr>
<td>SUB Gross</td>
<td>$9.73</td>
</tr>
</tbody>
</table>

Eligibility (Article V) - An applicant is eligible for a

55This method of computation was the one actually used. The author recognizes that a simultaneous equation would be less cumbersome to use. E.g., where t = withholding taxes and g = gross income then g - t = $24.39 and .18 (g - $13) = t.
weekly supplemental benefit only if he has been laid off or severed from the company's payroll subsequent to the effective date of the plan for any reason beyond the employee's control and if the applicant:

1. Has registered within five days of the date of lay-off and reported to (on at least a weekly basis) an employment office maintained by the State and the Placement Service maintained by the Union and to accept job referrals to or to accept and continue in employment deemed suitable under the definitions and rulings of the State system.

2. Has received unemployment compensation benefits or was ineligible to receive unemployment compensation benefits only (1) because such week is the first week of the regular "waiting period" required to be served under the State Unemployment Compensation system or (2) the applicant did not have prior to his layoff, a sufficient period of work covered by the State system or (3) because of a limit, under the State system of the period of time for which State unemployment compensation benefits are payable.

3. Has been employed by the Company or any other employer for compensation or remuneration in an amount (gross wages) less than the gross weekly wages which the applicant received when last employed by the Company and further has presented the necessary evidence of this fact to the Trustee of
the Plan. If an employee receives unemployment compensation or wages for a partial week the employee will be paid at a pro-rated benefit for that week. This benefit will also be paid according to whether the employee was able and willing to work and otherwise eligible according to the plan.

Duration of Benefits (Article VI) - Benefits will begin with the third week after layoff and continue for a maximum number of weeks or a maximum number of hours of benefits, not to exceed a total of fifty weeks, or a total of two thousand hours, whichever is the lesser, within the period of fifty-two weeks beginning with the date of layoff and limited to the expiration date of the plan, or the expiration date of the collective bargaining agreement or any extension, whichever occurs earlier.

An employee laid off and subsequently recalled to the Company's payroll in accordance with the covering seniority provisions, who was again laid off at a subsequent date, was entitled to the benefits for the maximum period from date last laid off and no time or benefits received during previous periods of layoffs were charged against the employee.

Employees who are otherwise eligible to receive benefits under the Income Security Plan, but are idled because of a strike or a picket line established at the company at which they are employed, are entitled to the "insurance" period of
the plan extended by the time lost because of such strike or picket line provided that the employee makes written application for such extension.

To remain eligible under the program an applicant must:

1. Visit the Unemployment Office maintained by the State at least on a weekly basis and accept referrals to or employment deemed suitable under the system.

2. Visit the employment office maintained by the Union at least on a weekly basis and accept referrals to or employment deemed suitable by the standard of the State Unemployment system.

3. Visit Rice-Stix and apply for supplemental unemployment benefits on a weekly basis.

4. Accept all referrals made by the company to other firms known to be employing personnel.

5. Accept employment offered by any firms referred to by the Company, Unemployment Service and Union office if deemed suitable under the State system.

6. Be actively seeking employment on his own initiative and furnish proof he is actively seeking employment.

7. Report all income whether it be unemployment compensation or wages from another employer. Any partial earnings must be reported.

8. Be available and able to work.
9. Receive a weekly income less than that earned at Rice-Stix at time of layoff.

10. Report on a weekly basis. No claims may be filed on an accumulated basis.


12. If idled because of a strike or picket line established at the company where presently employed, the employee must make application for extension of the benefit period, in writing, not later than five days following the date of such idleness.

Conditions to Effectiveness of the Plan - Special rulings were needed to allow tax deduction for company contributions to the fund, and allow integration of the benefits with state unemployment benefits. Both of these rulings were obtained by the company.
CHAPTER IV

THE PLAN IN OPERATION

That the author might study the plan in its actual operation, three approaches were opened to him. The plan and its operation could have been studied through the management and its records, through the union and its officials or through the workers and their experience. Each method offered limitations and advantages but because the purpose of the study was to determine the effect of the plan on the workers involved, it was decided to attach the most weight to the workers' actual experience.

Between the period of November 1, 1954 and November 30, 1956, the date on which the Rice-Stix officials negotiated the new Income Security Plan (S.U.B.) with the Teamsters, attrition and voluntary "quits" had reduced the work force to 313 workers. The 102 workers who left the company even when included under the guarantee did so because they were keenly aware of the uncertain position of the Company and therefore were anxious to secure steady employment elsewhere. Attrition played an important role in reducing the number of workers to 313 since each worker remaining constituted a liability to management and each worker who "voluntarily" quit was not, of course,
eligible under the plan.

There were two sources from which individual information concerning these workers was obtained. The first source was willingly supplied by the Company officials from personnel records. These records furnished information concerning the worker's age, job classification, education and duration of layoff. Although there was an occasional omission of one or the other of the above-mentioned categories, demographic information on all 316 workers is complete. The second source of information was obtained by questionnaire, but the coverage was not as universal as that obtained from the personnel records.

Response to the questionnaire was received from 180 of the covered workers. This amounted to 56.6 percent of the 318 total covered workers. The response to this questionnaire was divided by mail response and response to personal interview. Mail response yielded 49 returns while personal interview yielded the remaining 131 returns. The main purpose of the questionnaire was to obtain the opinion of the workers regarding the operation of the plan, though information such as duration of layoff and method of job-placement was also sought. The need for the latter information arose because this type of information was somewhat incomplete on the personnel cards.
I. Personnel Demography

A. Age

The average age of the 318 eligible employees was 47.4 years. This is relatively high when compared with the national average age of wholesale warehousing personnel which the Bureau of Census places at 40.1 years for male personnel and 35.4 years for female personnel. The explanation for the high average age at Rice-Stix was due generally to a natural decline in the wholesale warehousing industry and specifically to Rice-Stix's unwillingness to introduce technological improvements. Such a condition offered neither challenge or future prospects of advancement for young workers seeking a career. Older workers, on the other hand, cannot be so independent, for a fair job opportunity varies inversely with age.

TABLE I

NUMBER OF WORKERS BY SEX AND AGE

<table>
<thead>
<tr>
<th>Sex</th>
<th>Age</th>
<th>Under 25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65 and Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
<td>5</td>
<td>18</td>
<td>36</td>
<td>38</td>
<td>39</td>
<td>5</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td>5</td>
<td>29</td>
<td>53</td>
<td>66</td>
<td>23</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Rice-Stix Personnel Records

56 U. S. Bureau of Census, U. S. Census of Population: 1950,
The male workers at Rice-Stix had an average age of 49.6 years. This age represents a 9.5 year increase above the average age for male personnel in the industry on a national scale. Only 18 of the 141 male employees were classified as clerical personnel, the other 123 were semi-skilled operatives.

**TABLE Ia**

**JOB CLASSIFICATION BY SEX AND AGE GROUPS**

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Under 25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65 and Over</th>
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<tbody>
<tr>
<td>Sex</td>
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<td>Opr Clr</td>
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<td>Opr Clr</td>
<td>Opr Clr</td>
<td>Opr Clr</td>
</tr>
<tr>
<td>Male</td>
<td>5</td>
<td>0</td>
<td>12</td>
<td>6</td>
<td>30</td>
<td>6 37 2 5 0</td>
</tr>
<tr>
<td>Female</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>25</td>
<td>13</td>
<td>40 15 51 0 23 0 1</td>
</tr>
</tbody>
</table>

Source: Rice-Stix Personnel Records.

The age of female workers did not offer as serious an obstacle to finding new jobs as it did to male workers. Clerical workers composed 81.3 percent of the total female labor force at Rice-Stix, while the average age of all female personnel was 46.5 years--2.1 years below that of male personnel. In

addition to the advantage of age, the demand for clerical personnel in St. Louis was good according to the Company and State employment offices. Also, 37.5 percent of all female personnel were concentrated in the 45-54 age group and some decided, for various personal reasons, to leave the labor force entirely when laid off.

TABLE II

PERCENTAGE DISTRIBUTION OF WORKERS BY AGE GROUPS

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>3.5</td>
<td>2.3</td>
<td>3.2</td>
</tr>
<tr>
<td>25-34</td>
<td>12.8</td>
<td>16.4</td>
<td>14.8</td>
</tr>
<tr>
<td>35-44</td>
<td>25.4</td>
<td>29.9</td>
<td>28.0</td>
</tr>
<tr>
<td>45-54</td>
<td>27.0</td>
<td>37.3</td>
<td>32.7</td>
</tr>
<tr>
<td>55-64</td>
<td>27.7</td>
<td>13.0</td>
<td>19.4</td>
</tr>
<tr>
<td>65 and over</td>
<td>3.5</td>
<td>.6</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Rice-Stix Personnel Records.

B. Length of Service

The average length of service at Rice-Stix reached 12.4 years for all workers. The male workers averaged a longer job
tenure with a service of 13.5 years as compared with 11.2 for female employees.

**TABLE III**
YEARS OF SENIORITY BY SEX AND AGE

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-5 6-10 11-15 16-</td>
<td>0-5 6-10 11-15 16-</td>
</tr>
<tr>
<td>Under 25</td>
<td>2 3 0 0 4 1 0 0</td>
<td></td>
</tr>
<tr>
<td>25-34</td>
<td>3 9 5 1 9 12 3 0</td>
<td></td>
</tr>
<tr>
<td>35-44</td>
<td>4 3 11 13 11 14 24 4</td>
<td></td>
</tr>
<tr>
<td>45-54</td>
<td>4 5 10 17 7 7 32 20</td>
<td></td>
</tr>
<tr>
<td>55-64</td>
<td>4 5 13 17 3 2 9 9</td>
<td></td>
</tr>
<tr>
<td>65 and over</td>
<td>0 0 2 3 0 0 1 0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Rice-Stix Personnel Records.

Table IV illustrates the percentage distribution of service among male as compared to female workers. In a study on the characteristics of older workers by the Bureau of Employment Security, it was found that older workers were more stable and held jobs longer than younger workers. More than

---

TABLE IV
PERCENTAGE DISTRIBUTION OF WORKERS
BY YEARS OF SENIORITY

<table>
<thead>
<tr>
<th>Years of Seniority</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>12.1</td>
<td>19.2</td>
<td>16.0</td>
</tr>
<tr>
<td>6-10</td>
<td>21.3</td>
<td>20.3</td>
<td>20.3</td>
</tr>
<tr>
<td>11-15</td>
<td>29.1</td>
<td>41.8</td>
<td>36.2</td>
</tr>
<tr>
<td>16 and over</td>
<td>37.5</td>
<td>18.7</td>
<td>27.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Rice-Stix Personnel Records.

one-half of the older job-seekers had held only one job for the past 3 years, compared with one-third of those under 45 years of age. Thus the average age of 47.5 years and the average length of service of 12.4 years does not represent an unusual correlation.

C. Education

The amount of formal education received by the Rice-Stix personnel is indicated in Table V.

Only one in five of the older workers interviewed in the sample had completed high school, compared with one in three of the younger workers employed. At Rice-Stix only one in 9
of the older male workers had completed high school, compared with one in eight of the female personnel.

**TABLE V**

**EDUCATION OF WORKERS BY SEX AND AGE**

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Male</th>
<th></th>
<th>Female</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>25-34</td>
<td>2</td>
<td>11</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>35-44</td>
<td>9</td>
<td>15</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>45-54</td>
<td>18</td>
<td>10</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>55-64</td>
<td>29</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>65 and over</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Rice-Stix Personnel Records.

The majority of the male personnel were limited to a grade school education while the largest proportion of the female personnel were limited to a partial high school education. The placement of the laid-off worker at Rice-Stix was a formidable task then due to the average age (47.5 years) and the educational background of its personnel.
TABLE VI
PERCENTAGE DISTRIBUTION OF WORKERS
PER EDUCATION CATEGORY

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.S.</td>
<td>47.4</td>
<td>25.3</td>
<td>34.5</td>
</tr>
<tr>
<td>Part H.S.</td>
<td>31.6</td>
<td>40.3</td>
<td>36.1</td>
</tr>
<tr>
<td>H.S.</td>
<td>16.5</td>
<td>26.4</td>
<td>22.9</td>
</tr>
<tr>
<td>Part Col.</td>
<td>4.5</td>
<td>8.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Rice-Stix Personnel Records.

D. Duration of Unemployment

Information concerning the duration of unemployment for all Rice-Stix personnel covered by the plan was not available. Of the 141 male personnel information could be obtained for only 92, and of the 177 female personnel information was forthcoming on only 138. Table VII represents the numerical distribution of male and female personnel upon whom duration-of-unemployment information was available through Company records and questionnaire returns. Rice-Stix personnel cards offered 68.6 percent of the information on the 92 male employees while the remaining 34.4 percent was processed from the
questionnaire used in the study. The Company records afforded 61.3 percent of the information on the 138 female employees while the remaining 38.2 percent was obtained from the questionnaire.

**TABLE VII**

**DURATION OF LAYOFF BY AGE AND SEX**

<table>
<thead>
<tr>
<th>Duration of Layoff</th>
<th>Male 0-34 yrs.</th>
<th>35-</th>
<th>Female 0-34 yrs.</th>
<th>35-</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 under 1 mo.</td>
<td>7</td>
<td>9</td>
<td>13</td>
<td>41</td>
</tr>
<tr>
<td>1 under 3 mos.</td>
<td>5</td>
<td>23</td>
<td>3</td>
<td>27</td>
</tr>
<tr>
<td>3 mos. and over</td>
<td>4</td>
<td>25</td>
<td>2</td>
<td>23</td>
</tr>
<tr>
<td>(Disqualified)</td>
<td>6</td>
<td>9</td>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>(Pension) n.a.</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Questionnaire.

Only 210 of the 318 eligible employees utilized either the benefits or the placement service administered by Rice-Stix during the life of the program. Many employees either found jobs immediately on their own initiative or would not be bothered with the requirements which were set up to establish worker eligibility under the SUB program. There would be no records available on these employees once they had terminated their employment with the company. The "n.a." heading was
included in Table VII to account for disqualified and pensioned personnel, to show the reason for their unavailability.

The thorough studies on older workers by the Bureau of Labor Statistics over the past few years have pointed up some dangerous trends in hiring policy. With the dynamic population trends taking place in the United States today, there will have to be a serious reappraisal of hiring policies of older workers or these workers will become wards of the state.

In 1900, persons between 45 and 64 numbered nearly 10½ million, or about 1½ percent of the total population. By 1955, this age group had increased to nearly 33½ million, about one-fifth of the total population. The repercussions of these profound changes in population trends must necessarily have their effects on employment trends in the U. S. With the steadily increasing life span must come a steadily increasing utilization of older workers.

However, many problems both real and imaginary have retarded the effective utilization of these older workers. Such imaginary problems as gross exaggeration of older worker's inability to adapt to new jobs, excessive sickness, absenteeism, and lack of dexterity and aggressiveness have been alleged.

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59 Ibid., p. 31. The average length of life in the U. S. reached 69.6 years by 1954, an increase of over 22 years since 1900. The average life expectancy is now 73.6 years for women and more than 67 years for men.
Some real problems do exist such as lack of formal education, geographical immobility and social inadaptability.

Male workers over 45 years of age at Rice-Stix had a difficult time securing employment in the first month after layoff due to the fact that St. Louis was a "labor surplus" area early in 1957. The St. Louis Labor Market, a publication of the Missouri Division of Employment Security reported that 4.7 percent of the total labor force in St. Louis as unemployed in January 1957 and by February 1958 the percentage rose to 8.8 percent. However, Table VIII shows that a high percentage of the workers at Rice-Stix obtained jobs during the first two months of lay-off. This is due in part undoubtedly to the

| TABLE VIII |
| PERCENTAGE DISTRIBUTION OF DURATION OF LAYOFF |

<table>
<thead>
<tr>
<th>Month</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 under 1</td>
<td>17.6</td>
<td>39.1</td>
<td>30.6</td>
</tr>
<tr>
<td>1 under 3</td>
<td>30.8</td>
<td>21.7</td>
<td>25.3</td>
</tr>
<tr>
<td>3 and over</td>
<td>31.9</td>
<td>21.7</td>
<td>25.8</td>
</tr>
<tr>
<td>Disqualified</td>
<td>16.4</td>
<td>15.2</td>
<td>15.7</td>
</tr>
<tr>
<td>Pension</td>
<td>3.3</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire
strong pressure exerted by the Rice-Stix placement service. To cut costs the worker was forced to accept the earliest job offered, even though it may have been most undesirable. Despite these efforts 39.6 percent of the older workers in the male category remained unemployed after three months. With the average age of 49.6 years for Rice-Stix male personnel, their lack of formal education and the poor condition of the St. Louis labor market it is surprising that so many older workers did eventually find jobs, even with the placement pressures of the Company employment service.

Women personnel fared better than men in securing employment rapidly. Of the women workers over 45 years of age, 37.9 percent obtained jobs within one month of layoff, as compared with only 15.9 percent for the men. The reasons for this result are the advantages that the women held in the important categories of age, occupation and education.

Despite the extenuating circumstances lessening the duration of unemployment for specific types of workers at Rice-Stix, once unemployed the older workers experienced greater difficulty finding another job.

II. Method of Job Placement

By the terms of the Amending Agreement of November 30, 1956 employees were assigned to three agencies for job placement. The initial job referral was with the Missouri State
Placement service to which the employee had to report weekly. In addition to the State service, the Rice-Stix dischargee had to report to and accept job referrals deemed suitable by the Union and/or the Rice-Stix placement services.

TABLE IX

PERCENTAGE DISTRIBUTION OF WORKERS BY METHOD OF PLACEMENT

<table>
<thead>
<tr>
<th>Method of Placement</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>10.8</td>
<td>12.2</td>
<td>11.7</td>
</tr>
<tr>
<td>Union</td>
<td>1.5</td>
<td>4.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Company</td>
<td>36.9</td>
<td>22.5</td>
<td>28.2</td>
</tr>
<tr>
<td>Own efforts</td>
<td>50.8</td>
<td>61.2</td>
<td>57.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire.

Information on the method of job placement could only be obtained by means of the questionnaire. The Company personnel records, although having fairly adequate information as to where their employees found jobs, did not distinguish among the three services as to which had supplied the job lead. By means of the questionnaire the method of placement was able to be determined for 163 of the 318 covered employees.
Of the 138 respondents to the job-placement question in the questionnaire, 65 were male and 93 were female respondents. Of the 65 male employees who secured employment, 50.3 percent said it was through their own efforts; 61.3 of the 98 female personnel also used the same personal initiative. The Company placement service secured jobs for 36.9 percent of men, whereas the Missouri State and Union placement services placed only 12.3 of all male respondents. However, the Company service was not as successful in placing female dischargees in new jobs, for it placed only 22.2 percent of the female respondents as compared with 36.9 percent for males.

Most of the laid-off workers found jobs through their own efforts. By doing so they were able to select jobs that were more to their liking than a "suitable" job referral of one of the employment agencies. It also brings out the tenet that most workers prefer not to be dependent upon any kind of economic security program, if of course, they can avoid it.

Of the three employment services, the company, state and union in that order, placed the largest number of workers.

The company placement service was the most successful for various reasons. Their primary motivating force was cost. Each worker that they were able to place saved them money regardless of whether the job was temporary or permanent and whether the job was particularly suitable to the individual or
not. In addition the company required the greatest minimum number of job referrals for employee per week—five. The State service required only three and the union service could not be held to a specific number since the number of job referrals available to it was sporadic and undeterminable. The company also contracted independent employment services throughout the city which helped to find work for the laid off employees. They also added an employee to their staff whose sole duty it was to locate job opportunities in the area. In addition the company had the most efficient method of checking whether or not the applicant actually sought the job in question and the manner in which he sought it.

The state employment service was somewhat limited because of its equal obligation to all laid off workers in the city which for a portion of the time in question was declared to be a labor surplus area. For various reasons the state system was not as efficient as the company in follow-up procedures to determine if, and the manner in which, an individual applicant applied for a specific job. The State did not do as well in placing older workers as might have been expected. Many older workers were quick to state that they had to sit and wait most of the day for job referrals while younger workers passed them.

The union was at a special disadvantage with regard to placement of workers first because its number of referrals was
limited to only those firms who were organized by the Teamsters union and among these only those who sought the union's help in finding workers, and second because the union, like the state service, had an obligation to unemployed workers other than those who had been employed by Rice-Stix.

Even though 25.8 percent of workers were unemployed three months or longer two important points can be witnessed: (1) the duration of unemployment for the workers was certainly reduced because of the plan and (2) the incidence of malingering was negligible. One important classification of unemployment is "frictional unemployment" or the type of unemployment which occurs when jobs are available but the worker and/or the employer are unable to align themselves with the job opportunity at the proper time. It is only reasonable then that with three services, one of which is motivated by a constant cost factor, working together to align workers with jobs and vice-versa, the placement success will be greatly enhanced. By company statement the number of malingerers did not exceed four. The difficulty of malingering is immediately obvious when one recalls that an applicant must have been available for work and accept from ten to fifteen job referrals a week to remain eligible under the plan.

F. Disqualifications

The Disqualification Table includes not only those who
were disqualified for some alleged abuse of the SUB regulations, but also those who were individually sought-out for jobs, and on refusal to accept, were termed "unavailable" for work. This inclusion partially explains the high number of disqualifications in the female 45-54 age group. Some of the female workers decided, you will recall from an early discussion, to leave the labor force entirely when laid-off. Others did not make this decision known until a job had been offered to them and thus drew benefits until that time.

**TABLE X**

**DISQUALIFICATION BY AGE AND SEX**

<table>
<thead>
<tr>
<th>Sex</th>
<th>Age</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under 25</td>
<td>25-34</td>
<td>35-44</td>
<td>45-54</td>
<td>55-64</td>
<td>65 and over</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>10</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Questionnaire.

There was a total of 36 disqualification from the Rice-Stix SUB plan--21 for women and 15 for men. Sixty-six and seven-tenths percent of the disqualified male personnel was concentrated in the 25-34 and 35-44 age groups. On the other hand, 76.2 percent of the disqualified female personnel belonged in the 35-44 and 45-54 age group. Of this concentra-
tion 47.6 percent of the female workers disqualified were in the 45-54 age group itself.

TABLE XI

PERCENTAGE DISTRIBUTION OF DISQUALIFIED BY AGE

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>6.7</td>
<td>4.8</td>
<td>5.6</td>
</tr>
<tr>
<td>25-34</td>
<td>33.3</td>
<td>9.5</td>
<td>19.4</td>
</tr>
<tr>
<td>35-44</td>
<td>33.3</td>
<td>28.6</td>
<td>30.6</td>
</tr>
<tr>
<td>45-54</td>
<td>13.3</td>
<td>47.6</td>
<td>33.3</td>
</tr>
<tr>
<td>55-64</td>
<td>6.7</td>
<td>9.5</td>
<td>8.4</td>
</tr>
<tr>
<td>65 and over</td>
<td>6.7</td>
<td>0</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Total 100.0 100.0 100.0

Source: Questionnaire.

Of the persons disqualified under the Plan, the vast majority were either not "available" for work or refused to accept "suitable" work. Both of these terms are subject to administrative fiat, and even state employment services with all their experience have had a difficult time in setting objective standards. The difficult nature of this decision is attested to by an expert analyst of unemployment compensation
abuses.

Hard as it is to make that distinction among working violators, is doubly hard in the case of non-working violators. The state of being "not enough of a worker" is extremely complex. The agency finds it hard to state clearly even for itself what it means by such requirements as that the claimant should have "good cause" for leaving a job, or that he should be "available" for work. The agency finds it still harder to convey the meaning to the claimant.60

The same author judges a state employment service to be practicing a "severe disqualification policy" in the following example:

Claimant, a woman, referred to a job on night shift in plant with inadequate night public transportation and in unsafe neighborhood. Was disqualified for refusal to work for which reasonably fitted. Claimant testified and examiner agreed that company would not hire her because of lack of safe transportation for night shift workers. Subsequent to job referral, employer amended order to eliminate referral of women workers to shift at night unless private transportation available. The situation was well known to examiner and therefore presumably to ES (employment service).61

By this same standard in an illustration amazingly similar to the one above, Rice-Stix could be judged "severe" in its disqualification criterion. A certain woman in the mean age group of 45-54 years, who had no personal means of transportation, was disqualified for not accepting a position with a firm

61 Ibid., p. 345
located approximately 17 miles from her home. Rice-Stix having disqualified her, called upon the state service to do the same. The state disqualified her but she applied to the State arbitration board for a hearing and was consequently reinstated with back checks. It is worth noting here that arbitration was provided by the state and not the arbitration procedure of the Plan. She applied for the state arbitration first because under the plan the state was to set the standard as to the term "availability." Had the state rejected her plea for reinstatement she could have then invoked the arbitration proceedings under Art. VIII, Sec. 4 of the Plan.

Such things as length of service, duration of unemployment, distance of the job from home, local job market prospects, etc., enter into the administrative decisions as to "availability" and "suitability." These decisions were anything but liberal to the unemployment worker under the guarantee since unemployment in the city was high and job opportunities were very limited.

However, beneath these poor area conditions the primary cause for exercising severe "suitability" and "availability" criteria finds its origin ultimately in cost factors. Rice-Stix officials were annoyed by the hard line pursued by the Teamsters in demanding unmitigated compliance with the supplemental pay plan when the permanent layoff situation clearly
called for severance pay.

The number of disqualifications was actually quite low, and this was due in major part to the policy of attrition and voluntary "quits" followed by the administrators of the Plan. Waiting periods for benefits were excessively long, job referrals were unreasonably numerous, and courtesy was designedly lacking.

Although the Plan called for a three-man Board of Arbitration represented by the union, management and public in the case of disagreement over disqualifications, this Board was never convened. Considering the "severe" disqualification criteria it is doubly strange that this Board was never petitioned. Some workers did voice their disapproval to the Teamsters, but there is no evidence that the Board was ever petitioned to arbitrate. This point will be discussed more fully in a later section.

III. Opinions of Workers toward Different Aspects of the Plan

A. Toward type of dismissal pay

By way of the questionnaire 162 workers expressed a preference for either supplementary unemployment benefits or severance pay. This choice was split evenly 31 for supplemental pay and 31 for severance pay.

The company had offered a standard severance pay plan in
lieu of the SUB; one week's pay for every year of service up to five years, then a graduated scale of so many days' pay for each following year of service. The question of SUB and severance pay did not come to an actual membership vote, but was decided in union committee at the time of negotiations. The workers de facto fared better by the SUB than they would have by a severance pay plan but the latter, according to the company officials, would have distributed the monies more equitably since it was based on length of service rather than duration of layoff. Male employees preferred SUB to severance

TABLE XII

WORKERS' PREFERENCE TOWARD TYPE OF DISMISSAL PAY BY SEX AND LENGTH OF SERVICE

<table>
<thead>
<tr>
<th>Type of Dismissal Pay</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-5</td>
<td>6-10</td>
</tr>
<tr>
<td>S.J.B.</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Severance</td>
<td>3</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Questionnaire.

pay--39 for the former and 25 for the latter. Female employees were more inclined toward severance pay, with 56 choosing severance pay and 42 supplemental pay.

For every seniority group the male respondents preferred
supplemental pay to severance pay. A progressively greater percentage of all male respondents preferred the supplemental pay as their length of service and, consequently, their age increased. Not only was the percentage of supplemental over severance pay greater in every length-of-service category for male employees, but also the percentage variation increased as the worker's length of service increased.

This preference for SUB over severance pay by male workers is perfectly aligned with the security aspect of guaranteed pay plans. Male workers by natural status have stronger job attachments than women. As they grow older the demand for their services varies inversely, while their need for wage security continues. Consequently, they have a stronger predilection for that economic security device which most closely approximates their weekly or bi-weekly income.

This tendency of male workers was brought out distinctly during the interviews. Many workers did not know what severance pay meant, but when the distinction had been made for them between SUB and severance pay the older worker, especially the males, invariably chose SUB. They were habituated to receiving a stipulated wage periodically and knew enough about economic conditions and anxieties during periods of unemployment to realize that SUB would better serve their position once they were laid-off. Many expressed the fear of
squandering a lump-sum severance pay before a new job could be secured.

In opposition to male respondents female workers preferred severance pay to SUB. The 6 to 10 year length-of-service category was the only exception to this trend for female employees. In this group 10.2 percent manifested a preference for severance pay. The female respondents, although having a definite preference for severance pay over supplemental pay--57.0 percent for severance pay and 43.0 percent for supplemental pay, did not assert their preference as strongly as did the male respondents--60.9 percent for supplemental pay and 39.1 percent for severance pay.

The predilection of female workers in the Rice-Stix situation for severance pay is also a normal pattern. The men, because of marital obligation, age (mean age 49.6 years), and education (only 16.4 percent had completed high school), needed the "social" security of the SUB, whereas the women could afford to be more independent. The female personnel, who were more free of familial economic obligations, had a mean age of 46.5 years and 28.4 percent had completed high school. Also, 81.1 percent of all female workers possessed clerical skills, for which there was an increasing demand as compared with male warehousing operatives, who were less in demand due to the decline of the industry.
Numerically the work force was almost perfectly split on the question. Those quickly placed of course preferred severance pay and also those who felt that the pressure of job referrals was too severe. Those who were unable to locate work preferred SUB. These are, however, decisions made in retrospect and as such do not lend themselves to generalization. Given a slightly different set of circumstances, the individual worker's preference may have changed radically.

On the basis of the study and the conflicting attitude brought out by the question, the work force at Rice-Stix probably would have preferred a plan similar to the SUB plan of the Pittsburgh Glass Company. The Glass plan is really not an unemployment insurance plan as was the Income Security plan at Rice-Stix. The Glass plan is rather a deferred savings plan with vested rights. The plan provided for a minimum security account of $600 per employee, but once this amount is reached, in-payments do not stop; rather they are earmarked for distribution as vacation pay extras. Up to $600 of the individual fund may be used to pay benefits due to lay-off or prolonged illness. Each employee retains a vested right to his security fund, which he will receive in a lump-sum if he quits, is dismissed or retires.

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62Turnbull et al., Economic and Social Security, p. 231.
Such a plan would have placated most of the major complaints of the Rice-Stix employees. It would retain some relationship of benefits to length-of-service yet afford a degree of protection for the individual employee from the economic insecurity due to either temporary or permanent lay-off.

IV. Workers' Opinion of Administration of the Plan

In reply to the opinion-toward-administration question, 165 Rice-Stix workers expressed a response. Of this number 99 were female and 66 were males.

TABLE XIII
PERCENTAGE DISTRIBUTION OF WORKERS' OPINION OF ADMINISTRATION OF S.U.B.

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favorable</td>
<td>59.1</td>
<td>53.6</td>
<td>53.3</td>
</tr>
<tr>
<td>Favorable with reservations</td>
<td>22.7</td>
<td>25.3</td>
<td>24.2</td>
</tr>
<tr>
<td>Unfavorable</td>
<td>9.1</td>
<td>9.1</td>
<td>9.1</td>
</tr>
<tr>
<td>No answer</td>
<td>9.1</td>
<td>7.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire.
The wide variety of expression which this question precipitated made it difficult to process the responses under general categories without losing objectivity. After careful study of the responses to the questionnaire the four categories listed in Table XIII were thought to be the best for expressing the worker's true opinion toward the administration of the SUB plan. The category "favorable with reservations," was adopted to cover an opinion in which the employee was generally favorable to the plan but explicitly mentioned a complaint which particularly impressed him or her. The category "no answer" was deemed necessary to cover those employees who explicitly refused to make a judgment concerning the plan or its administration. The category, "unfavorable" included those respondents who expressed with varying degrees of emphasis both their general and particular dislike of the plan.

The "favorable" category included 53.8 percent of all respondents. While the SUB plan was still in effect, prior to February 28, 1958, no questionnaire was given to the eligible Rice-Stix personnel for fear that their response would be biased. If the respondent thought that his answer expressing an unfavorable opinion toward the Plan and its administration would have jeopardized his eligibility, he would have answered under duress. To avoid this possibility the questionnaire was run-off only after an employee had exhausted his benefits or,
where this was impossible to be certain of, after the expiration date of the plan in February, 1953.

The 66 male respondents expressed a 59.1 percent "favorable" opinion response towards the administration of the SUB plan. The female respondents, however, were slightly below the males in their "favorable" opinion with 58.6 percent. This is typical when Table XIII is compared with Table XII, because the male respondents expressed 60.9 percent preference for SUB over severance pay, while female respondents on the other hand expressed 57.2 percent for severance pay over SUB.

In the "favorable with reservation" category the female respondents had more complaints with the administration than did the male respondents. Twenty-five and two-tenths percent of the female respondents explicitly mentioned a complaint while 22.7 percent of the males were explicit.

The largest single group of workers expressed a favorable opinion toward the administration of the plan yet some of these found a job in a very short period of time and thus did not have much experience under the plan. The second largest group were those expressing a "favorable with reservation" opinion. The most reiterated complaint was delivered against the personnel man brought in for the express purpose of placing the dischargees expeditiously and cheaply. This individual was referred to as a "hatchet man," which, abstracting from
his personality and concentrating on his duties, he was in many ways. Many and varied reasons for disliking the administration follow upon this principal complaint. Some felt that they should not have to report in person each week for benefits but that their checks should have been mailed to them each week. Others felt that they had to wait too long at inconvenient reporting times; that 10 to 15 job referrals a week was excessive since many of these were unreasonable leads; that applicants were treated like "charity cases"; and that it was unfair to require those with jobs to report in person each week.

One individual observed that a company could pay a former Rice-Stix employee a lower wage knowing that Rice-Stix would supplement it. Others contended that continued membership in the Teamster's Union made it difficult to obtain work with some prospective employers.

In general, the "favorable with reservations" and "unfavorable" categories were the result of two opposing views meeting head-on. The worker desired benefits and interpreted the plan in such a way as to best accomplish this goal. The Company desired to cut the cost of the plan and thus administered it in such a way as to do just that whenever possible. The Company, making it difficult to collect benefits, sought to reduce cost via attrition.
There was a general lack of mutual trust between the workers and the administrators of the SUB plan at Rice-Stix. The administration failed to realize that the vast majority of workers were earnestly seeking a good job and not merely living off the 100 percent guarantee provided by the contract. Some workers, on the other hand, failed to realize that the plan was a device for insuring a steady income during job-seeking and not a one-year vacation plan.

Considering the adaptation which was necessary to administer a severance situation by means of a SUB administrative procedure, the best placement results were probably obtained by the Rice-Stix placement agency.

V. Cost of the SUB

The total possible cost of the original GAW was certainly known to the Company. It was simply the average hourly wage times 2,080 hours times the number of covered employees. The actual cost of a G.A.W. plan is always an unknown in actual monetary figures at the time of negotiations. The key to future proliferation of the guaranteed annual wage plan—whether in the form of SUB or GAW—depends on setting specific limitations to an employer's liability. The Latimer Report is quick to realize this fact in its summary remarks.

The experience with guaranteed wage plans has not afforded any substantial evidence as to what a plan
with specified provisions might cost over a period of time. An employer who guarantees wages undertakes an obligation to pay the amount guaranteed regardless of whether he has enough work to cover the guarantee. A guarantee is self-defeating if it involves an employer in additional costs to the point where his ability to pay becomes unduly limited.\(^\text{63}\)

Any form of guaranteed wage plan will, to the extent toward which an employer commits himself, have compensating benefits. First, it should reduce labor turnover and therefore the cost of hiring and training new workers. Secondly, higher productivity would probably result from the mere buoyancy effects of a greater degree of individual economic security. Thirdly, the cost of stabilizing labor requirements could possibly be reduced. The Report concludes that these factors will surely decrease the absolute cost of wage guarantees assumed by employers.

This cost consideration of GAW obligations was certainly thought of when the Rice-Stix management assumed the responsibility in 1953. It must be remembered that the Teamsters included the GAW in their five-year contracts for the purpose of giving their members a minimum of security in an unstable industry. However, the salutary effects of employment security and increased productivity were relegated to the background once the Rice-Stix operation became the bait for the proxy

\(^{63}\text{Latimer, op. cit., p. 13.}\)
fight. The new owners were not interested in stable working conditions, but merely in utilizing the lucrative facets of Rice-Stix and discontinuing the rest of the operation. The decision to liquidate the warehousing operation presented only one cost problem pertinent to the GAW—how can the contractual obligation be discharged at the least expense to the owners?

Due to the Teamster's refusal to accept severance pay, the owners were forced to discharge their obligation over a 61-week period. Actual benefits to workers amounted to $238,092.15 over this period with $77,391.38 added for pension and health plan benefits. (See Appendix D.) This cost was a considerable liability, but there was no record of management reluctance to accept the obligation in 1953. Once the provision of the contract was in force, concession to or mitigation of the Company's liability was entirely at the Union's discretion. Almost certainly the Union's choice of SUB over a lump-sum severance plan increased the actual labor cost of the new owners in their liquidation of the St. Louis warehousing operation of Rice-Stix.
CHAPTER V

CONCLUSION

Since Walter Ruether and the United Automobile Workers negotiated their Supplemental Unemployment Benefits Plan in 1955, a torrent of argumentation and discussion has appeared from management and union sources as well as from "neutrals." It has been charged that these plans create a duplicate unemployment system, that they reduce worker incentive, reduce labor mobility and create unbearable financial burdens especially for the average and small sized firm. Unions also have had their problems with the SUB. Primary among their problems have been the senior union member who would prefer to have the extra money in his pay envelope rather than in an SUB fund which he feels is set-up primarily to aid employees with less seniority.

This Rice-Stix study alone does not lend itself to conclusive answers to any of the above problems even though it is more applicable to some than to others. The study was designed to determine the effect of this particular SUB plan on a specific group of workers in a certain situation of permanent lay-off. As such the observations and conclusions reflect a specific study with a specific set of circumstances and thus
will be validly applied to future plans only if the future circumstances are comparable.

The important conclusions may be brought out by examining the pivotal parts of the plan in the light of the expressed view of the worker and the statistical data compiled.

Tri-Partite Placement of Workers - This feature of the plan did not represent a wasteful duplication of administration and resources as has been charged but rather a much needed supplementation. Rice-Stix's workers found jobs that would not have been listed with the State Employment Service and they found jobs relatively fast when it is recalled that the area was declared a "labor surplus" area.

The important classification of frictional unemployment was lessened through the efforts of the three agencies working together aligning workers with employers and vice-versa more quickly than would have been the case had the State service been working alone.

Malingering - Critics of the SUB early declared that such plans would destroy the workers' incentive: "If I can collect 100 percent benefits while idle why should I seek work at all during the period of the guarantee?"

It is here that we think this study has a definite contribution to make. Up to this point the question has been mostly academic since there has been no real evidence to substantiate
one view or the other.

In the Rice-Stix situation the incidence of malingering was negligible. As was pointed out earlier, Company administrators of the plan declared that not more than four cases of malingering could be found. Another important point was also brought out earlier, namely, that the majority of the workers found jobs through their own efforts.

The reasons for this record are many--the methods of the Company and State services to thwart abuses and the fact expressed by the workers that they were better satisfied with jobs that they personally selected. But whatever the reasons the fact remains that of all the workers included in the guarantee, only four were classified by the employer as malingers.

Cost of the SUB - When Rice-Stix negotiated the GAW in 1953 covering 420 of their employees there was little evidence to lead them to believe that the guarantee would ever be used. Later it was invoked and eventually the company did go out of business. On the basis of this study however, it can honestly be said that the two events did not represent a cause-effect relationship. As was shown in Appendix B, the Company had the ability to pay and the firm was liquidated by Safie Bros., in spite of the cost of the SUB and liquidated at a sizeable profit.
Preference of SUB over Severance Pay - Probably because of the lack of job-security in the industry and company with which they were associated and the general conditions of the St. Louis labor market, the majority of the workers, with an average length of service of 12.4 years, preferred SUB to the severance pay plan offered by the Company.

The situation in which this preference was aired can hardly be called typical however, and as such, the preference does not lend itself to generalization.

Summary - The increasing fear of job-insecurity which grips the 20th century industrial worker is bound to increase the importance of private plans to supplement unemployment benefits. Sweeping industry-wide decisions can arbitrarily jeopardize the jobs of thousands of workers, causing untold misery to many more thousands of persons who directly dependent upon the worker's weekly pay check.

If the private approach to economic security does not keep pace with modern industrial concentration, the governmental approach of unemployment compensation will have to be vastly extended. With the inherent fear of "Socialism" so strong in the United States, the most natural solution to economic insecurity seems to rest in the private union-management approach. The fundamental importance of private unemployment insurance to our free society demands that all private institutions
concerned work diligently to extend its application as widely as possible.
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IV. REPORTS AND PUBLIC DOCUMENTS


## APPENDIX I

### SUMMARY OF GUARANTEED ANNUAL WAGE PLANS

**IN TEAMSTERS LOCAL 688 CONTRACTS**

<table>
<thead>
<tr>
<th>Company or Industry Group</th>
<th>Total Gtd. Emplys.</th>
<th>Total Hours in Unit</th>
<th>Area of Guaranteed Annual Wage Coverage</th>
<th>No. of Emplys. Covered by Plan</th>
<th>Effective Date of Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crown Cork Specialty</td>
<td>2,000</td>
<td>233</td>
<td>1st 160 employees on seniority roster</td>
<td>160</td>
<td>3/1/53</td>
</tr>
<tr>
<td>Brown Shoe Co.</td>
<td>2,000</td>
<td>400</td>
<td>All employees on payroll as of 11/1/52</td>
<td>385</td>
<td>11/15/52</td>
</tr>
<tr>
<td>Rice-Stix Dry Goods</td>
<td>2,000</td>
<td>660</td>
<td>1st 420 employees on seniority roster</td>
<td>420</td>
<td>3/1/53</td>
</tr>
<tr>
<td>Wohl Shoe Co.</td>
<td>2,000</td>
<td>114</td>
<td>1st 50% of employees on seniority roster</td>
<td>100</td>
<td>5/1/53</td>
</tr>
<tr>
<td>Cabinet Industry (6)</td>
<td>2,000</td>
<td>36</td>
<td>1st 50% of employees on seniority roster</td>
<td>17</td>
<td>5/1/53</td>
</tr>
<tr>
<td>So-Good Potato Chip</td>
<td>2,000</td>
<td>14</td>
<td>1st 8 employees on seniority roster</td>
<td>8</td>
<td>4/25/53</td>
</tr>
<tr>
<td>Puro Co.</td>
<td>2,000</td>
<td>100</td>
<td>35 employees Jan. thru May</td>
<td>35</td>
<td>5/6/53</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>25 employees June thru Aug.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15 employees Sept. thru Dec.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company or Industry Group</td>
<td>Total Gtd. Emplys.</td>
<td>Total Hours in Unit</td>
<td>Area of Guaranteed Emplys.</td>
<td>No. of Emplys. Covered by Plan</td>
<td>Effective Date of Plan</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------</td>
<td>---------------------</td>
<td>-----------------------------</td>
<td>-------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Northwestern Cooperage</td>
<td>2,000</td>
<td>60</td>
<td>1st 35 employees on seniority roster</td>
<td>35</td>
<td>5/23/53</td>
</tr>
<tr>
<td>Shapleigh Hardware Co.</td>
<td>2,000</td>
<td>869</td>
<td>1st 60% of employees on seniority roster</td>
<td>531</td>
<td>6/1/55</td>
</tr>
<tr>
<td>Handling, Inc.</td>
<td>2,000</td>
<td>208</td>
<td>1st 130 employees on seniority roster</td>
<td>130</td>
<td>6/1/53</td>
</tr>
<tr>
<td>Kearney Electric</td>
<td>2,000</td>
<td>236</td>
<td>1st 140 employees on seniority roster</td>
<td>140</td>
<td>4/11/53</td>
</tr>
<tr>
<td>A. S. Aloe Co.</td>
<td>2,000</td>
<td>80</td>
<td>1st 60% of employees on seniority roster</td>
<td>54</td>
<td>10/1/53</td>
</tr>
<tr>
<td>Brooks Paper Co.</td>
<td>2,000</td>
<td>90</td>
<td>1st 50% of employees on seniority roster</td>
<td>40</td>
<td>11/16/53</td>
</tr>
<tr>
<td>Bond Clothing Co.</td>
<td>2,000</td>
<td>35</td>
<td>Maintenance of basic crew of 25 employees</td>
<td>25</td>
<td>2/27/52</td>
</tr>
<tr>
<td>Breuchman Cooperage</td>
<td>2,000</td>
<td>6</td>
<td>1st 50% of employees on seniority roster</td>
<td>3</td>
<td>11/26/57</td>
</tr>
<tr>
<td>Handland, Inc.</td>
<td>2,000</td>
<td>2</td>
<td></td>
<td>1</td>
<td>5/1/54</td>
</tr>
<tr>
<td>Drug-Master</td>
<td>2,000</td>
<td>34</td>
<td>1st 50% of employees on seniority roster</td>
<td>17</td>
<td>5/1/54</td>
</tr>
<tr>
<td>ACL Haase (Pro.)</td>
<td>1,800</td>
<td>60</td>
<td>1st 40% of employees on seniority roster</td>
<td>24</td>
<td>7/1/55</td>
</tr>
<tr>
<td>Company or Industry Group</td>
<td>Total Gtd. Emplys.</td>
<td>Hours in Unit</td>
<td>Area of Guaranteed Annual Wage Coverage</td>
<td>No. of Emplys. Covered by Plan</td>
<td>Effective Date of Plan</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------</td>
<td>---------------</td>
<td>----------------------------------------</td>
<td>------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Fruit and Produce</td>
<td>2,000</td>
<td>350</td>
<td>1st 25% of employees on seniority roster</td>
<td>87</td>
<td>1/15/55</td>
</tr>
<tr>
<td>Louis Mauill Co.</td>
<td>2,000</td>
<td>19</td>
<td>1st 10 employees on seniority roster</td>
<td>10</td>
<td>4/25/54</td>
</tr>
<tr>
<td>Marthwest Bottle</td>
<td>2,000</td>
<td>14</td>
<td>1st 6 on seniority roster</td>
<td>6</td>
<td>6/27/54</td>
</tr>
<tr>
<td>A &amp; L Cigarette</td>
<td>2,000</td>
<td>5</td>
<td>1st 5 employees on seniority roster</td>
<td>5</td>
<td>5/24/54</td>
</tr>
<tr>
<td>H. J. Heinz Co.</td>
<td>2,000</td>
<td>7</td>
<td>1st 4 employees on seniority roster</td>
<td>4</td>
<td>11/14/53</td>
</tr>
<tr>
<td>Cold Storage Whses.</td>
<td>2,000</td>
<td>126</td>
<td>1st 50% of employees on seniority roster</td>
<td>63</td>
<td>9/15/54</td>
</tr>
<tr>
<td>Aaron Ferer &amp; Sons</td>
<td>2,000</td>
<td>17</td>
<td>1st 10 employees on seniority roster</td>
<td>10</td>
<td>8/22/54</td>
</tr>
<tr>
<td>Hutting Sash &amp; Door</td>
<td>2,000</td>
<td>26</td>
<td>1st 14 employees on seniority roster</td>
<td>14</td>
<td>12/31/54</td>
</tr>
<tr>
<td>Buxton-Skinner Co.</td>
<td>2,000</td>
<td>8</td>
<td>1st 60% of employees on seniority roster</td>
<td>5</td>
<td>2/13/54</td>
</tr>
<tr>
<td>Professional Spec.</td>
<td>2,000</td>
<td>32</td>
<td>1st 17 employees on seniority roster</td>
<td>17</td>
<td>7/4/53</td>
</tr>
<tr>
<td>Public Warehouses (9)</td>
<td>2,000</td>
<td>170</td>
<td>1st 90 employees on roster of 9 firms</td>
<td>200</td>
<td>9/1/53</td>
</tr>
<tr>
<td>American Metal Bar.</td>
<td>2,000</td>
<td>11</td>
<td>1st 4 employees on seniority roster</td>
<td>4</td>
<td>8/16/53</td>
</tr>
<tr>
<td>Company or Industry Group</td>
<td>Total Gtd. Emplys.</td>
<td>Total Hours in Unit</td>
<td>Area of Guaranteed Annual Wage Coverage</td>
<td>No. of Emplys. Effective Covered by Plan</td>
<td>Date of Plan</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------</td>
<td>--------------------</td>
<td>----------------------------------------</td>
<td>----------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Butler Bros.</td>
<td>2,000</td>
<td>100</td>
<td>1st 60% of employees on seniority roster</td>
<td>60</td>
<td>6/1/55</td>
</tr>
<tr>
<td>American Sheet &amp; Strip</td>
<td>2,000</td>
<td>17</td>
<td>1st 10 employees on seniority roster</td>
<td>10</td>
<td>9/15/53</td>
</tr>
<tr>
<td>Sears-Roebuck Co.</td>
<td>2,000</td>
<td>52</td>
<td>1st 60% of employees on roster (verbal)</td>
<td>31</td>
<td>5/31/53</td>
</tr>
<tr>
<td>Witte Hdw. Co.</td>
<td>2,000</td>
<td>90</td>
<td>1st 60% of employees on seniority roster</td>
<td>54</td>
<td>6/1/55</td>
</tr>
<tr>
<td>Hampton Elec.</td>
<td>2,000</td>
<td>5</td>
<td>1st 3 employees on seniority roster</td>
<td>3</td>
<td>9/20/53</td>
</tr>
<tr>
<td>A. J. Childs</td>
<td>2,000</td>
<td>17</td>
<td>1st 11 employees on seniority roster</td>
<td>11</td>
<td>4/1/53</td>
</tr>
<tr>
<td>Adam Hat Co.</td>
<td>2,000</td>
<td>7</td>
<td>All current employees on Nat'l. agreement</td>
<td>7</td>
<td>12/31/52</td>
</tr>
<tr>
<td>Grocer Industry (non-ass'n. firms)</td>
<td>2,000</td>
<td>25</td>
<td>1st 60% of employees on seniority roster</td>
<td>15</td>
<td>10/14/53</td>
</tr>
<tr>
<td>ACL Haase (whse.)</td>
<td>2,000</td>
<td>20</td>
<td>1st 60% of employees on seniority roster</td>
<td>12</td>
<td>10/14/53</td>
</tr>
<tr>
<td>Heifetz Pickle Co.</td>
<td>2,000</td>
<td>30</td>
<td>1st 15 employees on seniority roster</td>
<td>15</td>
<td>11/1/54</td>
</tr>
<tr>
<td>Grocery Industry Assn. (14)</td>
<td>2,000</td>
<td>390</td>
<td>1st 193 employees on roster of 14 firms</td>
<td>193</td>
<td>10/14/53</td>
</tr>
<tr>
<td>Company or Industry Group</td>
<td>Total Gtd. Emplys.</td>
<td>Total Hours in Unit</td>
<td>Area of Guaranteed Annual Wage Coverage</td>
<td>No. of Emplys. Covered by Plan</td>
<td>Effective Date of Plan</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------</td>
<td>---------------------</td>
<td>----------------------------------------</td>
<td>-----------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Grocery Industry Office</td>
<td>2,000</td>
<td>140</td>
<td>1st 50% of employees on seniority roster</td>
<td>70</td>
<td>10/14/53</td>
</tr>
</tbody>
</table>
# APPENDIX II

**BALANCE SHEET* - RICE-STIX, INC.**

**NOVEMBER 30, 1953**

**Current Assets**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$2,030,872</td>
</tr>
<tr>
<td>Accounts Receivable (net)</td>
<td>$9,105,966</td>
</tr>
<tr>
<td>Inventories</td>
<td>$10,792,073</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>$21,928,911</strong></td>
</tr>
</tbody>
</table>

**Current Liabilities**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes payable, banks</td>
<td>$4,500,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$933,939</td>
</tr>
<tr>
<td>Accruals</td>
<td>$1,097,052</td>
</tr>
<tr>
<td>Income tax reserve</td>
<td>$393,028</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>$6,624,019</strong></td>
</tr>
</tbody>
</table>

**Other Assets**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments and advances to subsidiaries, cost</td>
<td>$1,874,845</td>
</tr>
<tr>
<td>Other investments</td>
<td>$444,691</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td><strong>$2,319,536</strong></td>
</tr>
</tbody>
</table>

**Property, Plant and Equipment**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net property</td>
<td>$2,015,800</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$26,264,247</strong></td>
</tr>
</tbody>
</table>

**Shareholders' Equity**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7% 1st preferred</td>
<td>$1,622,600</td>
</tr>
<tr>
<td>7% 2nd preferred</td>
<td>$1,918,600</td>
</tr>
<tr>
<td>Common stock no par</td>
<td>$3,401,430</td>
</tr>
<tr>
<td>Reserve general contingencies</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Earned surplus</td>
<td>$9,397,598</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$26,264,247</strong></td>
</tr>
</tbody>
</table>

Net Income as a percentage of Capital Investment (including contingency reserves and earned surplus, but excluding income tax reserves), of Rice-Stix, Inc. computed from Company's records.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>12.5</td>
</tr>
<tr>
<td>1945</td>
<td>8.7</td>
</tr>
<tr>
<td>1946</td>
<td>19.5</td>
</tr>
<tr>
<td>1947</td>
<td>16.5</td>
</tr>
<tr>
<td>1948</td>
<td>12.5</td>
</tr>
<tr>
<td>1949</td>
<td>5.8</td>
</tr>
<tr>
<td>1950</td>
<td>8.8</td>
</tr>
<tr>
<td>1951</td>
<td>5.1</td>
</tr>
<tr>
<td>1952</td>
<td>3.5</td>
</tr>
<tr>
<td>1953</td>
<td>2.7</td>
</tr>
<tr>
<td>1954</td>
<td>3.4</td>
</tr>
</tbody>
</table>

* *Standard and Poor, Corporation Records.*

**Rice-Stix financial records.*
APPENDIX III

A RAIDER GETS ROUTED

(Fortune, October, 1955, p. 177.)

One of the most colorful and complicated of recent raiding operations reached a startling denouement on August 26. The raid was on Rice-Stix, Inc., of St. Louis, a big wholesaler and manufacturer of dresses, shirts, and other apparel, and it really began back in 1953. At that time textile operator M. M. Clairmont, with his two associates in Brandon Trading Corp., Adolph Marcus and Avram Goldstein, obtained control of Reliance Manufacturing with an investment of some $3 million. Using Reliance Funds, Clairmont began quietly buying up Rice-Stix common stock at $25 to $30 a share (vs. Rice-Stix net quick assets of $51 a share).

When Clairmont had bought up about 50,000 of Rice-Stix’s 227,000 shares of common, he made a tender offer of $42 a share for 75,000 shares. At this point in November, 1954, Safie of Safie Bros., New York textile manufacturer, also started buying Rice-Stix shares. Safie had been eyeing Rice-Stix for along time but had been told the controlling stockholders would not sell. By mid-December, 1954, Safie had
offered $50 a share and thought he had sewed up a 26,000-share block owned by E. W. Stix, Sr., F. B. Eiseman (sons of two original partners), and their immediate families. But Clairmont was ahead of him and got the block for $46 a share. The same day Safie did pick up 30,000 shares for $50 a share. In the last ditch try, on New Year's Eve, Safie telegraphed to the Rice-Stix Board a $65-a-share offer for 72,000 treasury shares. The Board, not needing capital and apparently fearing legal entanglements, turned down the offer.

By February, 1955, Clairmont owned 52 percent of the Rice-Stix voting shares (the Rice-Stix 7 percent non-callable preferred stock also had voting rights, and Safie and Clairmont bid its price up from $105 to $150). Clairmont acquired his common at an average price of $48 a share. Safie, who owned 40 percent of the voting shares, acquired his common at an average price of $52 a share. Each man had put up about $7 million, but Clairmont had control. There seemed no doubt that Clairmont had won.

But Joe Safie never gave up trying. He'd wanted Rice-Stix for a long time; the company had a wonderful name in the trade; he needed it as a domestic market for the textiles he had his three brothers turned out in their North Carolina mill (they also own mills in El Salvador and Trinidad). He had tried raiding and since that had failed he turned to negotia-
tion. The simplest way was to offer to buy out Clairmont's majority interest in Rice-Stix, which he did, repeatedly. Clairmont not only refused to sell but talked of trying to buy out Safie's minority interest.

Safie turned back to the beginning of the whole complicated deal, back through Reliance to Brandon Trading, the holding company that controlled Reliance and therefore, in turn, Rice-Stix. He persuaded Clairmont's two chief associates in Brandon Trading, Marcus and Goldstein, to work on Clairmont to sell them his interest in Brandon. Since his partners refused to back him in buying Safie's minority interest, Clairmont finally agreed to sell out to them. It didn't take Marcus and Goldstein long to turn around and sell Brandon Trading to Safie for $8 million, which was more than double their original investment. This of course, also gave the Safies control of Reliance and Rice-Stix. So the Safies now have the textile outlets they wanted. Mr. Clairmont is out of the textile business, at least for the moment, but still in the chips.
APPENDIX IV

AMENDING AGREEMENT

THIS AGREEMENT made and entered into this 30th day of November, 1956, by and between RICE-STIX, INC. (hereinafter referred to as the Company) and the WAREHOUSE AND DISTRIBUTION WORKERS' UNION, Local No. 688, affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, A.F. of L., - C.I.O. (hereinafter referred to as the Union).

WITNESSETH:

Whereas, the above parties have heretofore entered into a collective bargaining agreement on March 20, 1953, and an amending agreement dated June 27, 1956, covering the Company's warehouse, maintenance and office employees in St. Louis, Missouri, as defined in Article I of said agreement of March 20, 1953, as amended, and

Whereas, the above parties deem it necessary to make certain changes in the said collective bargaining agreement of March 20, 1953, as amended,

NOW THEREFORE, in consideration of the premises and mutual promises herein contained, the parties agree as follows:
I.

Effective as of the date all details prerequisite to the effectiveness of the following plan have been accomplished, the said collective bargaining agreement of March 20, 1953, as amended, shall be amended by striking therefrom Section 2 of Article III (titled "Guaranteed Annual Wage") and substituting therefor the following form of supplemental unemployment benefit program to be known as the Income Security Plan.

ARTICLE I. Establishment of Plan

The company shall establish, subject to the favorable ruling of the Missouri Division of Employment security, an Income Security Plan for all of the hourly paid employees in the bargaining unit as of the effective date of this Plan and shall pay all expenses incident to the operation and management of the Plan for the duration of said collective bargaining agreement of March 20, 1953, as amended, except as otherwise provided in, and subject to the terms of this Plan. The Purpose of the Plan shall be to provide an Income Security Fund from which

1. An employee who is laid off or severed from the Company's payroll for any reason beyond the employee's control, except for failure or refusal of the employee to work or for discharge for cause or for military leave, or for mutually agreed upon leave of absence,
or for reason of retirement, may draw from the fund for a specified period, stipulated weekly amounts to supplement State Unemployment Compensation benefits or to supplement earnings from other employment which are less than the employee's earnings received at time of layoff.

**ARTICLE II. Eligibility to Participate**

Each employee of the bargaining unit on the Company's payroll and on the seniority list as of the effective date of this Plan shall be eligible to participate in the Plan.

**ARTICLE III. Income Security Fund**

The Company shall establish an Income Security Fund in accordance with this Income Security Plan and shall appoint a trustee who shall be the Treasurer of the Company, to carry out the provisions of this Plan.

Section 1.

All contributions by the Company for the eligible employees, as set forth in Sections 3 and 4, the securities purchased there with, and the earnings derived therefrom, shall be credited to the Income Security Fund.

Section 2.

In the event that the Plan shall be terminated in accordance with its terms prior to the expiration of the above agreement or terminate with the said agreement, the Company's obligation to contribute to the Fund
shall cease entirely. The moneys remaining in the Fund upon termination of the Plan or the agreement, shall be paid to the Unity Welfare Association Pension Trust Fund as defined in Article XIV of said collective bargaining agreement of March 20, 1953, as amended, and the Company's regular contribution to said Unity Welfare Association Pension Trust Fund credited for the amount so deposited.

For the purpose of this Section, failure to obtain the favorable rulings re: the deductibility of the contributions to the income Security Fund as a deductible expense under the Internal Revenue Code as now in effect, or as may be hereafter in effect or under any other applicable federal income tax law, and a failure to obtain the favorable ruling of the Missouri Division of Employment Security, shall be deemed to be a termination of the Plan.

The Company shall contribute to the Income Security Fund effective with the dates shown below, a sum equal to the percentages as listed of the annual wages of those hourly rated employees of the bargaining unit employed as of the effective date of this Plan.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Dates of Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Effective date of plan</td>
</tr>
</tbody>
</table>

The contribution to said fund as of January 1, 1957 shall not be less than a total of 10% of the annual wages of those hourly
rated employees of the bargaining unit employed as of the effective date of this plan. Subsequent contributions shall be determined by actuarial valuation. Said fund shall be deposited in a qualified bank. Benefits shall be payable only from such funds.

Investment of Income Security Fund. (a) The moneys in the Income Security Fund shall be invested in United States Government Bonds or other equivalent securities which are approved from the investment of trust funds; (b) Earnings from the Income Security Fund shall be credited to the fund.

ARTICLE IV. Weekly Payments from Income Security Fund

An employee who is eligible under the plan shall be paid for each week (as defined in the plan) during which the employee is unemployed, beginning with the third week subsequent to the date of layoff and ending with the 52nd week following date of lay-off, or the date of termination of this plan, or the date of termination of the collective bargaining agreement or any extension thereof, whichever occurs earlier.

Amount of Applicant's Weekly Benefit: (A) With respect to each week for which an applicant receives or is entitled to receive any unemployment compensation benefits, the applicant shall be paid a weekly benefit in
an amount which when added to the applicant's State benefit for such week, will be equal to 100% of the applicant's weekly after-tax straight time pay, except as hereinafter adjusted. For purposes of this subsection (a), an applicant's weekly after-tax straight time pay shall be his regular gross weekly wages reduced by the sum of all Federal, State and Municipal taxes which would be required to be collected, deducted, or withheld by the Company from the applicant's regular gross weekly wages if regularly employed in the bargaining unit, (b) with respect to those weeks for which the applicant laid is not entitled to unemployment compensation benefits and such ineligibility is not for reasons listed in Article V, Section 2 (a) of this plan, and provided the applicant shall have registered for unemployment compensation benefits within five (5) days following date of layoff, the applicant shall be paid benefits from the Fund at the rate of the wages that he would have received if he were to have remained at work, reduced by the sum of all Federal, State, and Municipal taxes which would be required to be collected, deducted or withheld by the Company from the applicant's regular gross weekly wages if regularly employed in the bargaining unit, (c) with respect to each week for which an applicant receives a weekly wage from an employer other than the Company, the applicant shall be paid a weekly benefit which is equal to the difference between
the applicant's regular gross weekly wages received from the Company, reduced by the sum of all Federal, State and Municipal taxes which would be required to be collected, deducted or withheld by the Company from the applicant's regular gross weekly wages if regularly employed in the bargaining unit, and the applicant's gross weekly wages received from other employment, reduced by the sum of all Federal, State and Municipal taxes which would be required to be collected, deducted or withheld from the regular gross weekly wages received from other employment, provided that such weekly wages are less than the applicant's weekly wage regularly received from the Company at time of layoff; (B) The applicant's weekly benefit, as defined in paragraph (A) above, sub-paragraph (a) through (c), shall be adjusted and increased so as to include an amount equal to the sum of all Federal, State and Municipal taxes or other charges attributable to the applicant's receipt of benefits hereunder; however, the amount thereof shall be retained by the trustee and transmitted (not less than quarterly) for and on the applicant's behalf, to the appropriate governmental agency (whether or not the withholding of same by the trustees be required by law).

Allocation of Weekly Wages and Unemployment Compensation Benefits to Partial Weeks: If an employee received unemployment compensation benefits or gross wages from Section 3.
other employment for a partial calendar week, the unemployment compensation benefits or the gross wages shall be prorated over each day of the period for which such unemployment compensation benefits or gross wages were paid in order to determine what portion thereof applies to the week for which payments under this Plan are to be made.

Withholding by the Trustee: There shall be deducted by the Trustee from the amount of any benefits otherwise payable pursuant to this plan, any amount required to be withheld by reason of authorized union dues deductions and insurance premiums being normally and regularly deducted by the Company immediately prior to layoff, provided that the authority for such deductions has not been withdrawn by the applicant.

ARTICLE V. Eligibility for Benefits

An employee shall be eligible for weekly supplemental benefits from the income security Fund when he shall have made application therefor in accordance with the procedure established hereunder and shall have met the requirements of Section 2 of this Article.

Eligibility: An applicant shall be eligible for a weekly supplemental benefit only if he shall have been laid off or severed from the Company's payroll subsequent to the effective date of this Plan for any
reason beyond the employee's control and

(a) if such layoff or severance

(1) was not for failure or refusal of the employee to work
(2) was not for reason of discharge for cause
(3) was not for military leave or for mutually agreed upon leave of absence or for reason of retirement

(b) if with respect to such week, the applicant

(1) has registered at and reported to (on at least a weekly basis) an employment Office maintained by the State and the Placement Service maintained by the Union and to accept job referrals to or to accept and continue in employment deemed suitable under the definitions and rulings of the State system.

(2) has received unemployment compensation benefits or was ineligible to receive unemployment compensation benefits only (i) because such week is the first week of the regular "waiting period" required to be served under State unemployment compensation system or (ii) the applicant did not have prior to his layoff, a sufficient period of work covered by the State system or (iii) because of a limit, under the State system of the period of time for which
State unemployment compensation benefits are payable.

(3) has been employed by the Company or any other employer for compensation or remuneration in an amount (gross wage) less than the gross weekly wages which the applicant received when last employed by the Company and further has presented the necessary evidence of this fact to the Trustee of this Plan.

ARTICLE VI. Duration of Benefits

(a) An eligible employee (Article V) shall be entitled to receive a maximum number of weeks or a maximum number of hours of benefits, not to exceed a total of fifty (50) weeks, or a total of two thousand (2,000) hours, whichever is the lesser, within the period of fifty-two (52) weeks beginning with the date of layoff and limited to the expiration date of this plan, or the expiration date of said collective bargaining agreement or any extension thereof, whichever occurs earlier.

(b) An employee laid off and subsequently recalled to the Company's payroll in accordance with the covering seniority provisions who shall again be laid off at a subsequent date, shall be entitled to the benefits for the maximum period described in subsection (a) of this section, from the date last laid off and
no time or benefits received during previous periods of lay-off shall be charged against the employee.

ARTICLE VII. Administration of the Plan

General: The determination of the eligibility of any employee who applies for a weekly supplemental benefit and the payment under the Plan of such benefit shall be made in accordance with the provisions of this Plan and administered by the Trustee of the Plan and in accordance with the provisions of this Article.

It shall be the function of the Board of Review, established in accordance with this Article, to make the final decision as to whether or not any applicant is eligible for a weekly supplemental benefit under the terms of the Plan and, if so, the amount of such benefit, provided, however, that the Trustee shall make the initial determination in accordance with the provisions of this Plan.

The Board of Review shall be presumed, conclusively, to have approved any such determination by the Trustee unless the employee who applied for such benefit shall have appealed from the determination in the manner outlined in this Article.

Application for Benefits: The Trustee shall have the right to establish and, from time to time, modify reasonable rules, regulations and procedures, which are not in conflict with the principles prescribed in
the Plan, concerning the times and places at which employees desiring to apply for a weekly supplemental benefit shall report in order to comply with the eligibility requirements as set out in the Plan, and concerning the form, content and substantiation of applications for benefits.

The Trustee shall designate an office where employees laid off may appear for the filing of applications for benefits. The employee laid off under this Plan, and otherwise eligible in accordance with Article V of this Plan, shall be required to register and file his claim for unemployment compensation benefits at his local office of the State Division of Employment Security within five (5) days of the day of layoff or the day following his layoff. The employee's registration card shall be exhibited when applying for benefits due him from the Fund for the "waiting period" week required under the state system. The applicant shall be required to apply for benefits on a weekly basis during the week following the week for which he is claiming benefits, and after he has received his unemployment compensation check, or check from another employer. For any benefits claimed for the weeks laid off, subsequent to the first week, if otherwise eligible under Article V of this Plan, the applicant shall be required to exhibit his State unemployment compensation check. If the applicant was ineligible in any week to receive a State unemployment Compensation check for any
of the reasons stated in Article V, Section 2, b, 2, he shall, in lieu of exhibiting a check, payment receipt or similar document, furnish satisfactory proof that he was ineligible due solely to such reasons.

An applicant shall be required to exhibit his reporting card or any other form of evidence furnished by the State Division of Employment Security as evidence that he has reported to the appropriate office maintained by the State system and that he has complied with the eligibility requirements and is eligible to receive benefits under the State system.

The Trustee may make reasonable requests, from time to time of the applicant for some proof of the fact that the applicant has engaged in a personal search for other employment.

The applicant shall certify in writing to the Trustee for the weeks benefits claimed:

(a) the gross weekly compensation earned from other employment during the weeks claimed

(b) such further and additional evidence and information as may be material or relevant in order to enable a determination to be made as to eligibility for any benefits under this Plan.

Processing Applications: If the Trustee determines that a weekly supplemental benefit is payable to an eligible applicant with respect to the week for which appli-
cation is made, he shall arrange to compute the amount and pay to such eligible applicant the benefit due such person as soon as it is reasonably possible.

If the Trustee determines that an applicant is not entitled to a weekly supplemental benefit with respect to such week for which the application is made, the applicant shall be given prompt written notice thereof.

Procedure for Appeals: It is the purpose of the Company and the Union to establish a procedure by which dispute as to whether benefits are payable to an employee laid off, as to the amount of such benefits, or as to other matters regarding the interpretation of or compliance with the terms of this Plan, may be resolved in an expeditious and uniform manner. In the absence of any mutual agreement to the contrary, all disputes regarding this Plan will be processed through the following procedure:

(a) Any protest of the Trustee's decision as to whether benefits are payable under this Plan, shall be made within ten (10) days in writing to the Trustee. The answer should be made in writing by the Trustee to the applicant and to the Union within ten (10) days.

(b) If no settlement has been effected, the applicant or the Union may appeal in writing to the Board of Review, composed of two selected by the Union and two selected by the
Company, setting forth the reasons for the complaint. The Board of Review will decide such claims within twenty (20) days following the receipt of the written complaint and shall notify the applicant, the Union and the Company in writing of its decision.

(c) If any claim is not settled in accordance with the foregoing, it may be referred within thirty (30) days to the Union's staff representative designated by the Union and the Company's director of Personnel. In the event they fail to agree within a reasonable time, either party may submit the dispute to a Board of Arbitration by notifying the other party in writing of the decision to arbitrate. The Board of Arbitration shall be composed of Harold J. Gibbons, representing the Union, Fred M. Karches, representing the Company and Vincent P. Nangle, representing the public.

(d) The Board of Arbitration, by majority opinion, shall have the authority only to decide questions as to the interpretation, application or compliance with the terms of this Plan and shall not have authority to change the plan in any way. Expense of arbitration shall be borne equally by the Union and the Company. The Board's decision shall be final and binding on all parties concerned.

(e) Any decision that is not appealed to the next step within the specified time limit will be considered settled on
the basis of the last decision given by the Trustee or the Board of Review.

Cost of Administering the Plan: The costs and expenses incurred by the Trustee under the Plan shall be charged to the Fund as herein established.

Section 5.

ARTICLE VIII. Conditions to Effectiveness and Continuation of Plan

Federal Income Tax Ruling: The Plan shall not become effective and no Company contribution shall be made to the Income Security Fund less and until the Company shall have received from the Commissioner of Internal Revenue a currently effective ruling or rulings, satisfactory to the Company, holding that such contributions shall constitute a currently deductible expense under the Internal Revenue Code, as now in effect, or under any other applicable Federal Income Tax Law.

The Plan shall not become effective and no Company contribution shall be made to the Income Security Fund unless and until the Plan shall have received a favorable ruling by the Missouri State Division of Employment Security, i.e., that benefits paid hereunder shall not constitute wages to the exclusion of the payments of unemployment compensation benefits.

The Plan shall not become effective and no Company contri-
bution shall be made to the Income Security Fund less and until
the Company shall have received from the United
Section 3. States Department of Labor a currently effective
ruling or rulings, satisfactory to the Company, holding that no
part of such contribution shall be included in the regular rate
of any employee.

Termination of Plan if Rulings are Revoked: If any rulings
which have been obtained as required under Sections 1, 2 and 3
above are, subsequent to the effective date of
Section 4. this plan, revoked or modified in such a manner
as no longer to be satisfactory to the Company, all contribu-
tions and all obligations of the Company shall cease and the
Plan shall thereupon terminate and be of no further effect, ex-
cept that the Income Security Fund assets shall be distributed
as provided for in Article III, Section 2 of this Plan.

If this Plan shall be terminated, the parties agree that
Section 2, Article III of the collective bargaining agreement
of March 20, 1953, as amended, shall be restored.

ARTICLE IX. Miscellaneous

Liability: (a) The Articles of this Plan constitute the
entire plan. The provisions of this Plan express, and shall be
deemed to express completely, each and every
Section 1. obligation of the Company with respect to financ-
ing the Plan and provisions of benefits and payments thereunder.
Without limiting the foregoing, no benefit shall be payable except as stated in the Plan, and the Company shall not be obligated to provide for any weekly supplemental benefit or payment not provided for in this Plan, or to make any contribution for benefits not specifically provided for in the Plan.

(b) The Trustee, the Union, and the Company, and each of them, shall not be liable because of any act or failure to act on the part of any of the others, and each is authorized to rely upon the correctness of any information furnished to him or it by an authorized representative of the others.

(c) The Trustee shall be directed to hold or to invest the assets of the Income Security only in cash, or in other short term government securities as provided for in Article III which may be readily liquidated, irrespective of the rate of return, or absence of return, and without any limit upon the amount that may be invested.

No vesting interest: Except as provided in this Plan, no employee shall have any right, title or interest in or to any of the assets of the Income Security Fund or in Section 2. or to any accrued or deferred Company contributions.

No benefits shall be subject in any way to alienation, sale, transfer, assignment, pledge, attachment, garnishment, or encumbrance of any kind.
ARTICLE X. Amendment and Termination

Modification of Plan: (a) So long as the labor agreement concerning this Plan shall remain in effect, the Plan shall not be amended, modified, suspended or terminated, except as may be provided or permissible under the terms of the Plan or the collective bargaining agreement of March 20, 1953, as amended.

Except as herein specifically amended, the said collective bargaining agreement of March 20, 1953, as amended by the amending agreement of June 27, 1956, shall be continued in full force and effect for its full term, that is to say, to and including February 28, 1958.

IN WITNESS WHEREOF, the parties have hereunto set their hands this 30th day of November, 1956

WAREHOUSE & DISTRIBUTION WORKERS UNION

Local 688, affiliated with the International Brotherhood of Teamsters Chauffeurs, Warehousemen and Helpers of America, A.F. of L. C.I.O.

RICE-STIX, INC.

/s/ F. M. Karches

/s/ Joseph R. Wolf

/s/ Edward C. Brown
November 29, 1956

Local 688, Warehouse and Distribution Workers' Union
1127 Pine Street
St. Louis 1, Missouri

Gentlemen:

With reference to the amending agreement entered into by the Union and the Company on November 30, 1956, establishing the Income Security Plan, the parties further agree that:

1. Payments required of the Company under Article IX (Labor Health Institute) and Article XIV (Unity Welfare Association) of the collective bargaining agreement of March 20, 1953, shall continue to be made as provided in said articles for those employees eligible for benefits under the Income Security Plan. Such payments to be computed on the basis of the gross pay received at time of layoff.

No payments shall be due such employees if their current employer is covered under the Teamsters' Labor Health Institute and Unity Welfare provisions.

2. No employee, otherwise eligible to receive benefits under the Income Security Plan, shall be disqualified for such benefits if the employee were to be declared ineligible for said unemployment compensation benefits for reason of refusal to accept employment at a company or strike or where a picket line has been established.

3. Employees who are otherwise eligible to receive
benefits under the Income Security Plan, who are idled because of a strike or a picket line established at the company at which they are employed, shall have the "insurance" period, as defined in Article IV, Section 1, of the Income Security Plan, extended by the time lost because of such strike or picket line provided however, that the employee shall make application for such extension, in writing, not later than five (5) days following date of such idleness.

Very truly yours,

RICE-STIX, INC.

/s/ F. M. Karches

Accepted:

WAREHOUSE & DISTRIBUTION WORKERS' UNION

Local 6dd, affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, A.F. of L. - C.I.O.

/s/ Edward C. Brown
APPENDIX V

GENERAL STATEMENT OF COSTS

Following are enumerated the expenditures for the operation of the Rice-Stix SUB program for a sixty-one week period commencing Monday, December 31, 1956 and ending Friday, February 28, 1958.

CASH PAYMENTS FOR ACTUAL WEEKLY BENEFITS, UNITY WELFARE PAYMENTS AND LABOR HEALTH INSTITUTE PAYMENTS

A. Benefits ........................................ $238,092.15

B. Unity Welfare and Labor Health Institute Payments .............. 77,391.38 $315,483.53

(Total 12% of gross weekly wages paid before layoff - January and February 1958 estimated)

ESTIMATED ADMINISTRATIVE COSTS

A. Salaries

Payroll (approximately two days per week; rate $1.99 per hour) .. $ 1,942.24

Personnel .............................. 10,300.00

Clerical (approximately 1½ days per week; rate $1.90 per hour) .. 1,390.80 13,633.04

B. Miscellaneous Operating Costs

1. Employment Agency Fees ....... $ 1,531.72

(Charged Rice-Stix for placement of employees eligible for SUB)
## Brought forward

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<td>$1,531.72</td>
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### 2. Printing (Application Blanks, Payroll Authorization Forms, Form Letters, etc.)

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### 3. Mailing and Postage

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## STATISTICS

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<tr>
<td>Total number of employees eligible for benefits</td>
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<td>Average age of employees eligible</td>
<td>45</td>
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<td>Average number of full benefits paid per week</td>
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<tr>
<td>Total number of benefit claims filed in 61 week period</td>
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<td>Average number of applications for benefits filed per week</td>
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<td>Average cost of benefits paid per week</td>
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<td>Average benefit paid per application per week</td>
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<td>Average total benefit paid per employee</td>
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<td>Average total fringe benefit (UWA &amp; LHI) paid per employee</td>
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<tr>
<td>Average total benefit paid per employee</td>
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<td>Maximum payment to an individual employee</td>
<td>$2,122.98</td>
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APPENDIX VI

QUESTIONNAIRE

Name

1. If employed after lay-off, which of the three employment services gave you the lead?
   a. _______ State Employment Service
   b. _______ Union Employment Service
   c. _______ Company Employment Service
   d. _______ Through your own efforts

2. Do you feel that you were referred to a job for which you were not suited. Why?

3. Were you ever disqualified or held ineligible for benefits under the SUB Plan? If yes, for what reason?

4. Why do you think the Company sold out?

5. How much time elapsed after lay-off before you obtained another permanent job?

6. What is your personal opinion of the Supplemental Unemployment Benefit Plan and how it was administered?

7. Would you prefer a severance pay plan to a Supplemental Unemployment Benefits Plan?

8. Remarks you may wish to add:

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APPROVAL SHEET

The thesis submitted by James C. Koch has been read and approved by three members of the faculty of the Institute of Social and Industrial Relations.

The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the thesis is now given final approval with reference to content, form, and mechanical accuracy.

The thesis is therefore accepted in partial fulfillment of the requirements for the Degree of Master of Social and Industrial Relations.

January 31, 1960

[Signature of Advisor]