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Publication Date

2007

Declining Health Coverage in the Southern California Grocery Industry

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January 2007

Summary Findings

In March 2004, after a four-and-a-half month strike and lockout, the United Food and Commercial Workers (UFCW) and three major grocery chains signed a contract that significantly restructured health insurance coverage for grocery workers in Southern California. Over the course of the next year, UFCW locals in Northern and Central California signed contracts with less severe, but still substantial, changes in health care coverage. Under the old contracts, an estimated 94 percent of the estimated 120,000 union grocery workers and their dependents throughout the state received employer sponsored insurance.

Among other provisions, the new contract in Southern California:

- Increased waiting periods from four months to twelve months for individual coverage (18 months for clerks) and 30 months for family coverage.
- Required new employees to contribute 20 percent of the premium cost; under the old contracts employees did not make direct premium contributions.
- Increased co-pays, co-insurance and deductibles under the new plan, while restricting plan options.

In addition to the changes in health benefits, wages rates for new hires were reduced.

In order to understand the impact of the benefits changes on health coverage and utilization in both Southern and Northern California, the UC Berkeley Center for Labor Research and Education:

- Analyzed actuarial data from the UFCW Healthcare Trust Fund for all of Southern California and for Northern California Locals 428 and 101;
- Analyzed UFCW membership data for UFCW Local 770 in Los Angeles and two Northern California Locals (101 and 428); and
- Carried out a survey of 755 UFCW members in Northern and Southern California.

Our central findings were as follows:

- In September 2003, prior to the strike, 94 percent of the union grocery workers in Southern California had health coverage through their employer; by September 2006 that number had fallen to 54 percent. Coverage for workers hired under the new contract was a mere 7 percent.
- As of September 2006, 66 percent of all workers and 29 percent of the workers hired under the new contract were eligible for health benefits in Southern California. The low eligibility rate is a result of longer waiting periods combined with increased worker turnover.
- Prior to the strike, the annual turnover rate for grocery workers in Los Angeles was 19 percent; after the new contract went into effect, annual turnover rose to 32 percent. Turnover of grocery workers in their first year of employment rose from 30 percent to 52 percent.

- In Southern California, one half of the grocery workers have been hired since the new contract went into effect in April 2004.
- Of the workers hired under the new contract who meet the eligibility requirements, 28 percent had elected to take-up the plan and pay for coverage as of September 2006. The combined low rates of eligibility and take-up result in the 7 percent coverage rate for workers hired under the new contract.
- Similar declines were reported in coverage for children and spouses. In September 2003 64,389 children were covered through the trust fund in Southern California; by September 2006, that number had fallen to 43,572—a thirty-two percent decline. Spousal coverage went from 33,269 to 23,162 in the same period.
- Grocery companies in Southern California have also increased the use of part-time workers. In September 2003, the average Southern California grocery worker worked 36 hours a week; three years later that number had fallen to 29 hours a week. The average for workers hired under the new contract is 25 hours a week.
- The proportion of teenager grocery workers in Local 770 (Los Angeles) rose slightly from 18 to 24 percent; the teenage share workers with less than one year on the job rose from 46 to 53 percent.
- Our survey of union members found important impacts on health care utilization due to the reduction in coverage. Of workers with a chronic health condition hired under the new contract, 20 percent fewer of were receiving treatment as compared to their co-workers who were eligible for the higher tier plan. This controls for differences in age, gender and health status between the two groups of workers. All things equal, 20 percent more of the workers hired under the new contract reported to have delayed care when they needed it compared to their coworkers.
- In Northern California where the waiting period for health care is shorter—six months for individual coverage vs. twelve—and where workers do not have a premium share requirement, the effects of the contract changes have been more muted. Our analysis of the two Northern California UFCW locals finds a total health coverage rate of 79 percent in September 2006, compared to 54 percent in the South.

Conclusion

Unionized groceries in Southern California have long been a source of family supporting jobs with full family benefits. The changes in grocery health plans and reduction in starting wages in April 2004 has dramatically reduced health coverage in the grocery industry in the Southern half of the state. Jobs that once provided full time work and full family benefits are now much more likely to be part-time and un-benefited. Although there is an increase in teenage workers, the vast majority of the workers continue to be adults.

The member survey confirms what we would expect from the literature about health care utilization. Workers without health insurance are more likely to delay needed care and less likely to receive treatment for chronic health conditions. Treatment delays may have long term adverse effects on both health and health costs.

Funding for this research was provided by the UC Labor and Employment Research Fund and the California Program on Access to Care