What We Pay

A survey of co-ops shows patterns and wide variations

BY CAROLEE COLTER AND PEG NOLAN

This article is the second half of a report on compensation practices in retail food co-ops. Part 1, in the May-June 2006 edition of *Cooperative Grocer*, focused on general manager compensation. Here we'll look at pay and benefits for other co-op employees.

Survey results reflect current practices among participating co-ops and do not necessarily represent best practices or industry norms. We have not attempted comparisons with natural or conventional chain food stores. However, knowing existing practices among peers will give co-ops valuable information for improving employee compensation.

Participants and data

Our survey report is based on responses from 99 co-ops, a participation rate of slightly over 50 percent. Many of these co-ops share certain characteristics:

- 75 percent are members of the National Cooperative Grocers Association;
- 86 percent participate in CoCoFiSt data sharing;
- 94 percent have a general manager structure, while 6 percent are managed by co-managers or a collective;
- 90 percent are not unionized;
- 84 percent operate one business unit, 13 percent operate two, 3 percent operate three or more.

CHART 1 **Size of Co-ops**

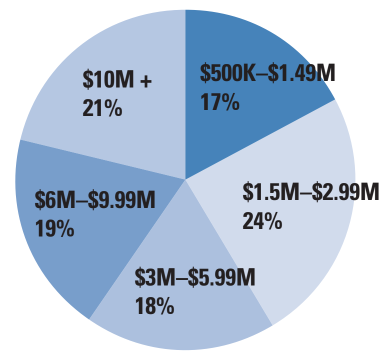


CHART 2 **Total Weekly Payroll Hours by Size of Co-op**

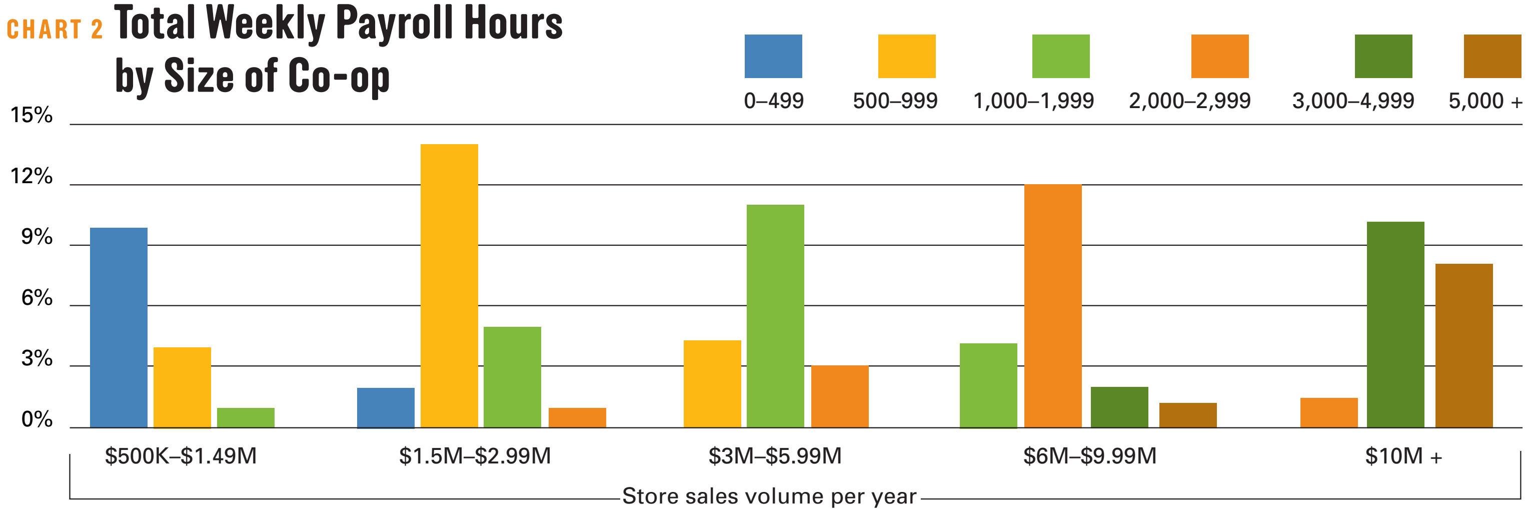


CHART 3 **Average Number of Employees by Size of Co-op**

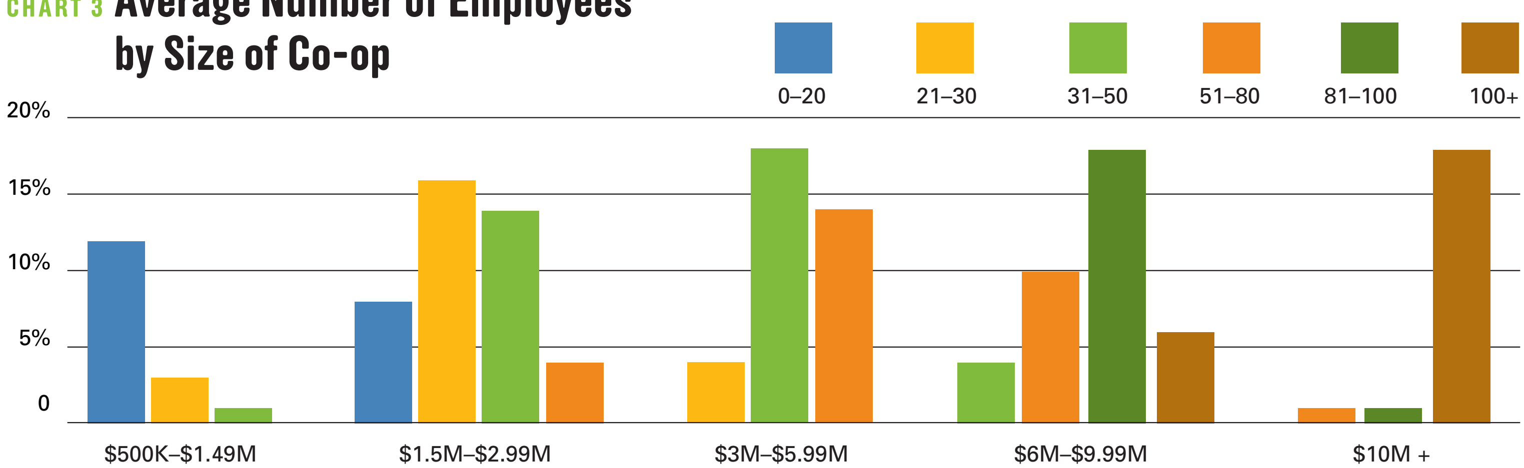
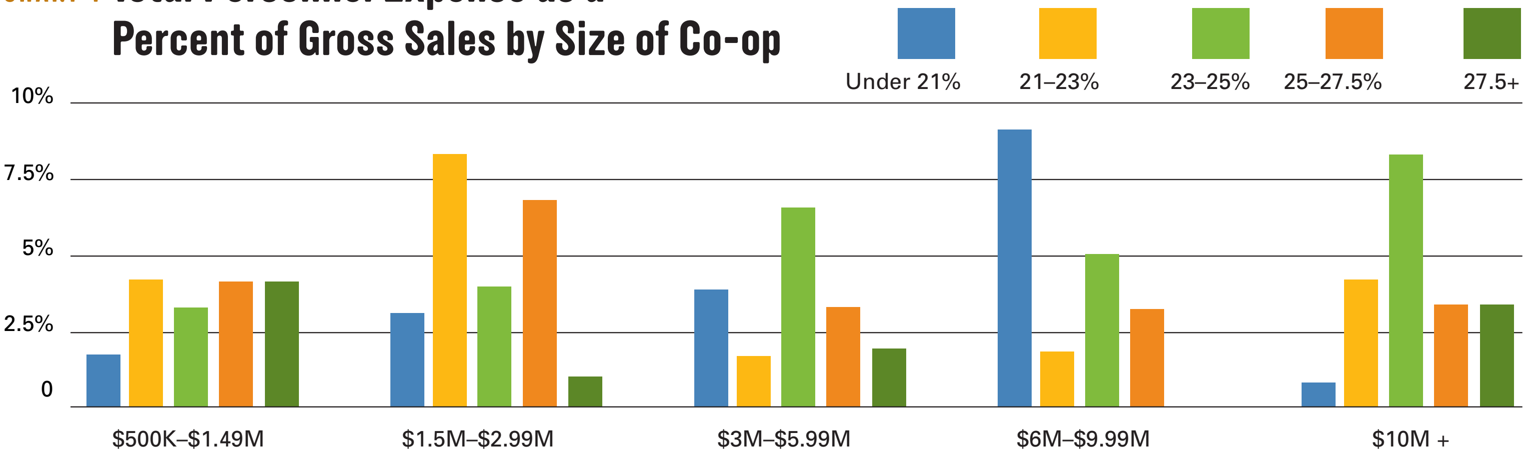


CHART 4 Total Personnel Expense as a Percent of Gross Sales by Size of Co-op



Participants represent a wide variety in store sales volume (see Chart 1: Size of Co-ops); their combined sales are $662,663,296 for the fiscal year ending September 30, 2005. The number of employees on payroll during that year came to 6,747, split almost exactly 50/50 between full-time and part-time. As expected, the number of staff hours is clearly connected to sales volume, as is the number of employees on payroll. (See Chart 2: Total Weekly Payroll Hours by Size of Co-op; and Chart 3: Average Number of Employees by Size of Co-op.) But while total payroll hours increases by store size in a consistent pattern, the average number of employees is much less consistent.

Meanwhile, total personnel expense (wages, benefits and payroll taxes) ranged anywhere from 18.3 percent to 30.5 percent of sales, without any clear correlation between size and cost of labor. (See Chart 4: Total Personnel Expense as a Percent of Gross Sales by Size of Co-op.)

What are co-ops paying?

When looking at the pay rates for entry-level employees and department managers presented here, keep in mind the impact of local labor market conditions. Costs of living vary widely from one town to another and one region to another. (The Cooperative Livable Wage Model—see related article—was created to address these discrepancies in local living costs.) Also consider that some states have a minimum wage set considerably above the $5.15 federal minimum wage—such as Washington's $7.63 or Vermont's $7.25—which effects starting pay. In addition, labor costs from one co-op to another can vary due to state requirements for specific employee benefits, such as workers compensation or disability insurance.

Starting pay rates for entry-level jobs range from $5.95 to $11.00 per hour. Median starting pay tends to increase with store size, from $7.00/hour for smaller co-ops (under $3 million) to $8.55 for co-ops at $10 million and over. (See Chart 5: Entry-Level Hourly Wage for Clerk Employees.)

Larger stores continue to pay more than smaller stores both upon completion of the trial period and at one year. (See Chart 6: Entry-Level Hourly Wage after Trial Period, and Chart 7: Entry-Level Hourly Wage after One Year.)

For all co-ops in the survey, in the course of the first year of employment the median wage goes up by $1.18: from $7.57 to $8.75. However, this is not the typical raise at any given co-op. In each store-size category, the median pay increases by $.50 to $1.00 between the time of hire and the first-year anniversary. It appears that at most co-ops this increase occurs in at least two steps, with a raise upon completion of the trial period, and another at or before one year.

Nationally, the rate of inflation has been picking up steam. Between June 2005 and June 2006, the Consumer Price Index increased 4.3 percent. It appears that co-op employees in their first year are receiving raises that keep them ahead of inflation. Whether that pace of pay increases beyond the first year of employment is not clear to us, since it was outside the scope of this survey.

Because there are only 10 unionized co-ops in this survey, we don't have enough data from which to draw firm conclusions about that factor. Nevertheless, having a union at these co-ops does not seem to lead to higher pay rates than at other co-ops in the same size categories. ■

CHART 5 Entry-Level Hourly Wage for Clerk Employees

	All co-ops	$500K–$1.49M	$1.5M–$2.99M	$3M–$5.99M	$6M–$9.99M	$10M+
Median	$7.57	$7.00	$7.00	$8.00	$8.00	$8.55
Minimum	$5.95	$6.00	$5.95	$6.00	$6.50	$6.50
Maximum	$11.00	$10.00	$9.00	$9.00	$11.00	$9.75

CHART 6 Entry-Level Hourly Wage after Trial Period

	All co-ops	$500K–$1.49M	$1.5M–$2.99M	$3M–$5.99M	$6M–$9.99M	$10M+
Median	$8.00	$7.25	$7.50	$8.00	$8.50	$8.77
Minimum	$6.00	$6.00	$6.50	$6.50	$6.50	$6.50
Maximum	$11.50	$10.00	$9.50	$9.50	$11.50	$10.15

CHART 7 Entry-Level Hourly Wage after One Year

	All co-ops	$500K–$1.49M	$1.5M–$2.99M	$3M–$5.99M	$6M–$9.99M	$10M+
Median	$8.75	$7.50	$8.00	$8.50	$9.00	$9.35
Minimum	$6.25	$6.25	$7.00	$7.00	$7.00	$7.00
Maximum	$12.00	$10.00	$10.00	$10.00	$12.00	$10.81

How We Built a New Cooperative Model for a

THE CONCEPT OF PAYING A LIVABLE WAGE appeals to everyone—employees, managers, boards, co-op members, and the community at large. Although there's no official definition and no agreed-upon methodology for calculating a livable (or living) wage, the Northwest Job Gap Study defines it as "a wage that allows [people] to meet their basic needs without resorting to public assistance and provides them with some ability to deal with emergencies."

In 2002, Cooperative Grocers' Information Network (CGIN) brought together a task force to develop a formula that co-ops across the country could use to determine a wage level that would pay for the basic costs of living for their local area. The original version of the model debuted in the spring of 2003, with funding from GreenStar Co-op in Ithaca, N.Y.; Brattleboro Food Co-op, in Brattleboro, Vt.; Twin Cities Natural Foods Co-ops; and Cooperative Grocers Association–Midwest.

Since then we've been collecting feedback and updating the model in small ways each year. For 2006, we felt it was time for an "upgrade" to the whole model, with a close review of how all components worked in practice.

For this upgrade, Karen Zimbelman, CGIN's executive director, and I as project manager worked with a task force of co-op managers:

- Michele Buchanan, financial and human resources manager—New Leaf Market
- Crystal Halvorson, general manager—Menomonie Market
- Kari Kaminski, human relations manager—Outpost Natural Foods
- Sharret Rose, human resources coordinator—La Montañita Food Co-op

While the task force considered all aspects of the model, we made the greatest changes in transportation, housing, entertainment/recreation, and the start date for paying the livable wage.

The cost of getting around

The item that generated the most user questions and feedback by far over the past three years was the methodology for calculating transportation costs. We'd been using the Bureau of Labor Statistics' consumer expenditures survey, which states expenditures in terms of the "consumer unit," not the individual. To find the cost for a single employee, model users had to follow a highly unintuitive approach that caused much confusion.

Moreover, the Bureau of Labor Statistics' survey runs about two years behind, meaning that the latest data available came from 2004, when the price of a barrel of oil was far below what it is today. Gas prices are volatile, and a co-op can't keep adjusting its pay structure with every spike or drop in the price at the pump. However, with a more transparent formula for calculating transportation costs, users of the Cooperative Livable Wage Model can see how close their wage rate comes to paying for their employees' cost of getting to work and obtaining access to other basic needs. Therefore the 2006 model has switched to an entirely different approach, based on the IRS mileage allowance and the national average commuting distance, plus some extra miles for "necessary trips."

The cost of shelter

As the single largest part of cost of living, housing has also accounted for considerable debate among model users. Many co-ops found the rental data provided by the Department of Housing and Urban Development's fair market rent survey to be too low for their area. To solve that problem we switched to a different set of tables from HUD showing median rents for an area, instead of the lower figures in the fair market rent survey.

The original model based housing costs on the rent for a studio apartment. Some co-ops have questioned whether the livable wage should be expected to subsidize living alone. They pointed out that among entry-level co-op employees, shared housing is much more the norm. In the end, the task force decided to use the rent for a two-bedroom apartment divided in half.

Will your co-op's livable wage go down?

Although the switch in rental data raises the cost of housing, the change to a shared two-bedroom apartment lowers it enough that the net result may be lower housing costs overall—and therefore a lower livable wage than the one yielded by earlier versions of the model.

On the other hand, in the new version we propose that co-ops start paying the livable wage earlier in an employee's career than the one-year anniversary established by those earlier versions. In fact, we found that some co-ops are already paying the livable wage upon date of hire, using it as a recruiting tool, while others start paying it at three months, six months, or some other point. (See the "Employee Compensation Survey.") Now we are recommending implementing the livable wage either upon hire or upon completion of the trial period.

ILLUSTRAITON BY ART GLASER

Livable Wage

What price entertainment?

Most models for determining the cost of living in any given state or city do not include entertainment and recreation, but back in 2002 the first CGIN task force chose to do so, using figures obtained from a private marketing database. We no longer have access to that database. Even in 2002, the figures we used were somewhat arbitrary, based on average expenditures for tickets to entertainment and sports events, recreational equipment, and reading materials in seven different cities. For our upgrade, the new task force decided to take a fresh look.

Our challenge was the classic dilemma of choosing between prescriptive and descriptive methodologies. Prescriptive numbers reflect what expert studies claim people "should" spend, e.g. what they should spend on food in order to get adequate nutrition.

On the other hand, "descriptive" numbers come from an average of what people actually do spend. The average American spends more on entertainment than on health care up to age 45, and spends as much on both until age 54. But that level of expenditure is hardly necessary; it's a choice based on individual priorities.

The task force debated whether an employer owes its employees a high enough wage to afford cable TV, wireless, or an iPod. In the end we decided to include entertainment and recreation in the Miscellaneous category along with clothing, housekeeping supplies, and personal care products. To cover the addition of costs to this category, we upped the allowance for Miscellaneous from 10% to 12.5% of all other expenses.

For more detail on these and other decisions involved in the Cooperative Livable Wage Model, read the background material on the CGIN website, www.cgin.coop. Thanks to the task force members for their hard work and creative efforts to help us improve the model, and thanks to the Howard Bowers Fund for funding help with this project.

—Carolee Colter

Department Manager Hourly Pay Rates

CHART 8 Grocery manager

Co-op sales	All co-ops	\$500K–\$1.49M	\$1.5M–\$2.99M	\$3M–\$5.99M	\$6M–\$9.99M	\$10M+
Median	\$16.79	\$11.18	\$12.50	\$18.19	\$18.72	\$18.17
Minimum	\$7.00	\$7.00	\$9.50	\$11.38	\$13.30	\$15.30
Maximum	\$29.38	\$16.50	\$18.00	\$22.22	\$21.00	\$29.38

CHART 9 Produce manager

Co-op sales	All co-ops	\$500K–\$1.49M	\$1.5M–\$2.99M	\$3M–\$5.99M	\$6M–\$9.99M	\$10M+
Median	\$14.61	\$10.00	\$12.25	\$15.50	\$16.88	\$18.62
Minimum	\$7.00	\$7.00	\$8.50	\$10.00	\$12.00	\$13.94
Maximum	\$26.00	\$14.50	\$17.32	\$20.00	\$26.00	\$24.00

CHART 10 HBC/Vitamin manager

Co-op sales	All co-ops	\$500K–\$1.49M	\$1.5M–\$2.99M	\$3M–\$5.99M	\$6M–\$9.99M	\$10M+
Median	\$14.25	\$9.45	\$12.86	\$14.76	\$15.50	\$17.63
Minimum	\$7.75	\$8.50	\$7.75	\$11.00	\$11.00	\$12.00
Maximum	\$28.00	\$12.97	\$16.06	\$20.01	\$20.01	\$28.00

CHART 11 Front End manager

Co-op sales	All co-ops	\$500K–\$1.49M	\$1.5M–\$2.99M	\$3M–\$5.99M	\$6M–\$9.99M	\$10M+
Median	\$14.75	\$9.70	\$11.99	\$15.38	\$16.42	\$17.81
Minimum	\$8.00	\$8.00	\$9.00	\$12.00	\$10.37	\$13.49
Maximum	\$22.2	\$11.30	\$16.00	\$19.47	\$19.25	\$22.20

CHART 12 Finance manager

Co-op sales	All co-ops	\$500K–\$1.49M	\$1.5M–\$2.99M	\$3M–\$5.99M	\$6M–\$9.99M	\$10M+
Median	\$18.94	\$12.48	\$14.56	\$18.99	\$20.61	\$27.00
Minimum	\$9.88	\$10.00	\$9.88	\$10.50	\$16.66	\$15.04
Maximum	\$51.79	\$14.50	\$20.00	\$23.00	\$24.00	\$51.79

<■

Livable wage rates

Forty-six co-ops have determined a livable wage for their area, and 90 percent of those have a livable wage in place. These include all sizes of co-ops except the very small (below \$1.5 million). Livable wage rates range from less than \$7.00/hour to over \$11.00, with most falling between \$8.00 and \$11.00. Given that the biggest factor in calculating a livable wage is the cost of housing, it's not surprising that the amount of the livable wage corresponds more to location than to the sales volume of a co-op. The starting point for paying the livable wage follows no clear pattern. Some co-ops start new hires at the livable wage, while others wait till completion of the trial period, or six months, or a year or beyond. (See related article.)

Department manager pay rates

We have provided tables for minimum, maximum, and median pay rates for five department manager positions, sorted by store sales volume: Grocery, Produce, HBC/Vitamins, Front End, and Finance. (See Charts #8–12: Department Manager Hourly Pay Rates.) For the sake of consistency, we chose to use hourly pay rates in these charts; but keep in mind that some department managers are paid on a salary basis.

Although we collected data on other manager positions (store, marketing, membership, merchandising, meat and seafood, human resources, and information technology), it was evident to us from the explanatory comments of survey participants that (1) these positions mean vastly different things from one co-op to another, or that (2) there were not enough such managers in the sample to provide reliable data.

We did not ask for prepared foods manager pay rates in this survey because we were concerned that specifics of that particular department vary extremely among co-ops. It might be worth conducting a future survey specifically on prepared foods positions that could take into account department sales volume and types of programs.

Salary surveys are fraught with peril. They provide a useful guideline but should not be taken too literally. Without being able to compare job descriptions, we can't know exactly how comparable any of these manager positions are. Even with the department manager pay rates provided here, there are differ- ■>

ences in level of responsibility among jobs with the same title in different co-ops. For instance, is the front-end manager responsible for the customer service desk? POS system? Physical plant maintenance? Preparation of deposits and entering of daily cash receipts?

In addition, the local labor market and cost of living play a role in compensation for department managers, just as they do with entry-level employees. American Chamber of Commerce Researchers Association maintains a cost-of-living index comparing cities to a national average of 100 (e.g., Atlanta is at 97, Boston is at 137.) ACCRA data is not available free, but online research may lead you to figures for your own area. If you want to calculate the salary differential needed to cover costs of living in your city compared to another particular city, there are numerous free online tools such as Salary Wizard.

CHART 13 Health Benefits Offered

	FULL TIME employees							PART-TIME employees					
Co-op's gross sales volume	Overall %	Health ins.	Dental ins.	Vision ins.	Well care*	Premium-only PTED**	Full plan PTED**	Health ins.	Dental ins.	Vision ins.	Well care	Premium-only PTED	Full plan PTED
$500K–$1.49M	17%	10%	5%	2%	0%	3%	4%	0%	1%	0%	0%	2%	2%
$1.5M–$2.99M	24%	19%	9%	5%	1%	5%	1%	3%	1%	1%	1%	1%	0%
$3M–$5.99M	18%	16%	12%	7%	5%	4%	4%	6%	4%	3%	4%	1%	4%
$6M–$9.99M	19%	19%	17%	10%	4%	10%	3%	7%	6%	5%	4%	4%	2%
$10M+	21%	20%	19%	14%	3%	8%	10%	12%	11%	8%	1%	5%	8%
All co-ops	99%	84%	62%	38%	13%	30%	22%	28%	23%	17%	10%	12%	16%

* Employer funds used to pay for services to keep employees well, such as massage or yoga or gym class.

** Premium-only pre-tax employee deduction (Section 125, Flexible Spending Account) vs. a full plan, which includes medical expense deductions.

Full-time vs. part-time

A key factor determining eligibility for benefits is how full-time and part-time status is defined. More than three quarters of the co-ops in the survey use 30 to 35 hours as the cut-off for full-time, with most of the rest using 36 to 40 hours.

When it comes to part-time status, however, co-op practices are all over the map. This may tie into the inconsistency we noted above in average number of employees (Chart #3). Sixty-four percent of respondents report that employees must work 20 hours or less to be considered part-time, and 40 percent reported part-time to be 15 hours or less. We were surprised at this minimal hours requirement for part-time status, since it seems that this would raise personnel costs—staff discount, payroll administration, evaluations, meetings, training, etc.—without necessarily creating any efficiencies. Looking at these numbers, we wondered whether some co-ops have the appropriate number of employees for their size.

> We wondered whether some co-ops have the appropriate number of employess for their size.

Health insurance

As the number of Americans without health insurance continues to rise, this benefit becomes increasingly valuable in terms of employee recruitment and retention. Out of the 99 co-ops in this survey, 84 offer health insurance in some form to their full-time staff, 62 offer dental insurance, and 38 offer vision benefits. (See Chart #13: Health Benefits Offered.)

Of the 84 co-ops that provide health insurance, almost half require employees to work somewhere between 30 and 35 hours a week to be eligible. Larger co-ops are more likely than smaller ones to provide insurance to employees working less than 30 hours.

Well over half the co-ops that provide health insurance cover 75 percent or more of the premium for a full-time single employee, and only a handful cover less than 50 percent. In addition, 30 offer Flexible Spending Accounts (FSAs) to help employees with their premium payments, and 22 provide FSAs to help with medical expenses not covered by insurance.

If they have access to health insurance, part-time employees pay more for it than their full-time coworkers. Of the co-ops that provide health insurance to part-time employees, two thirds pay less than 25 percent of the premium, and only a handful cover 75 percent or more. And fewer co-ops make FSAs available to part-timers than to full-timers. Even if they have to cover the majority of the premium themselves, part-time employees might still consider this a worthwhile benefit, since they probably could not get as good a deal with an individual health insurance policy.

When it comes to coverage for family members of full-time workers, roughly one-third of the co-ops that provide health insurance pay more than 25 percent of the premium, but very few offer anything for families of part-timers.

At least a third of the co-ops offering health benefits are partially or wholly self-insured. Although they are represented in every size category, the proportion of self-insured

CHART 14 Non-Health Benefits Offered

FULL TIME employees

Co-op's gross sales volume	Overall %	Vacation days	Sick days	Holiday pay	Paid Time Off*	Staff discount	Short-term disability ins.	Long-term disability ins.	Retirement	Profit-sharing cash bonus	Other cash bonus	Employee Asst. Program (EAP)	PTED**
$500K–$1.49M	17%	6%	3%	4%	1%	15%	0%	0%	0%	0%	3%	0%	2%
$1.5M–$2.99M	24%	9%	7%	10%	6%	21%	0%	0%	5%	7%	7%	0%	0%
$3M–$5.99M	18%	11%	10%	9%	7%	17%	4%	4%	5%	5%	3%	2%	2%
$6M–$9.99M	19%	10%	10%	10%	9%	18%	4%	4%	7%	13%	3%	3%	5%
$10M+	21%	10%	9%	10%	7%	18%	2%	2%	12%	9%	2%	12%	7%
All co-ops	99%	46%	39%	43%	30%	89%	10%	10%	29%	34%	18%	17%	16%

PART TIME employees

Co-op's gross sales volume	Overall %	Vacation days	Sick days	Holiday pay	Paid Time Off*	Staff discount	Short-term disability ins.	Long-term disability ins.	Retirement	Profit-sharing cash bonus	Other cash bonus	Employee Asst. Program (EAP)	PTED**
$500K–$1.49M	17%	16%	10%	9%	4%	17%	0%	1%	1%	3%	3%	0%	2%
$1.5M–$2.99M	24%	16%	15%	18%	11%	23%	3%	3%	5%	7%	10%	2%	2%
$3M–$5.99M	18%	13%	12%	11%	9%	17%	5%	6%	8%	9%	3%	5%	5%
$6M–$9.99M	19%	12%	11%	13%	10%	19%	6%	9%	13%	15%	3%	6%	6%
$10M+	21%	11%	11%	11%	8%	18%	8%	5%	17%	12%	5%	16%	12%
All co-ops	99%	68%	59%	62%	42%	94%	22%	24%	44%	46%	24%	29%	27%

* Paid time off or PTO combines sick, holiday, vacation, personal leave.

** Pre-Tax Employee Deduction (Section 125, flexible spending account), full plan (such as day care expense)

<■ co-ops increases with volume of sales. Few co-ops have Health Savings Accounts or Health Reimbursement Accounts (nine and seven respectively), both relatively new developments in the field of health insurance.

Survey participants wrote extensive comments to explain eligibility for their health insurance plans, giving us insight into the variety and complexity of these arrangements. We don't know whether it is their insurance companies' requirement or these co-ops' own choice to set up multiple tiers of hours that must be tracked to earn different levels of employer contribution to the insurance premium. But we were struck by the added labor implied by having several different categories of employees.

We were struck by the added labor implied by having several different categories of employees.

Other benefits

For every type of employee benefit, even the popular discount at the register, fewer co-ops provide it to part-time employees than to full-time staff. While the Non-Health Benefits Offered chart speaks for itself (see Chart #14), we have a few comments on the results.

A significant number of co-ops, 42 percent, merge vacation, sick leave, personal leave, and holidays (or some mix of these) into one benefit called "Paid Time Off."

We are glad to see that half the co-ops in the survey are offering retirement benefits. These include 401(k) plans—by far the most common—plus SEPs (Simplified Employee Pensions), SIMPLE IRAs, union pension plans, profit-sharing plans, and other unspecified arrangements.

Seventy percent of survey participants offer some form of cash bonus, with two-thirds of those bonuses based on profit-sharing. Bonuses potentially reward staff for their contribution to the financial success of the co-op and provide a viable way of increasing compensation without committing the co-op to additional costs that cannot always be sustained.

Employee Assistance Plans provide a cost-effective resource to employees and managers. For as little as $20–25 per employee per year, an EAP offers confidential counseling and referrals for personal problems, such as marital, financial, or substance abuse problems, to all staff, and advice to managers on handling difficult personnel situations. We think the fact that only 29 co-ops—most of them larger stores—have EAPs might be due to lack of common knowledge about the value of these programs.

In addition to the more standard benefits listed in the chart, we heard about benefits unique to a particular co-op, such as birthday pay. Also, we did not collect data on some items that are technically benefits but are seldom viewed that way by employees, such as pay advances and jury duty and bereavement leave.

Compensation is a package

Compensation includes a broad spectrum of benefits in addition to pay. By looking at employee compensation in its totality, co-op management can have a dialogue with employees about the costs and benefits involved. Ultimately, the goal is to develop co-op staff into business partners who can shape their job satisfaction and their own success, as well as the success of their co-ops. ■

Many thanks to all participating co-ops! If your co-op participated in the survey and you would like information that you don't see here, please contact us at caroleecolter@hotmail.com or peg@ncga.coop. We may be able to provide data in more detail for the size of your co-op.