



**INSURANCE ASSURED:** Nancy Bochard, president of Mercon Benefit Services, says a large client like Merit helps employees get the best insurance at the lowest cost.



# Get the Benefits

A streamlined delivery process puts open shop health and benefit plans ahead of the pack

BY JOEL THOMPSON | PHOTOGRAPH BY BUFFY GOODMAN

**M**edical and dental benefit plans for employees have become widespread in commercial and industrial construction.

Merit's biannual wage and benefit survey has tracked the steady growth of benefit coverage in the construction industry over the past 20 years. Percentages of employers offering benefit coverage for their field staff has grown from about 25 percent in the 1980s to 94 per cent in the June 2009 survey.

The residential sector has lagged behind in providing benefit coverage, but the majority of construction workers in the industrial and commercial sector are covered by medical and dental insurance plans and expect that, when they go to a new employer, benefit coverage will be part of their compensation package. Employee surveys by Merit also reveal that employees value benefit coverage and large majorities would choose the benefit coverage over an offer of a cash raise equivalent to the cost of coverage.

For open shop organizations, the widespread expectation in the construction work force that benefit coverage will be provided has locked in an important cost and competitive advantage. While the work force now assumes coverage will be provided, and it is difficult for employers to attract quality personnel without offering benefits, the cost of coverage varies greatly between employers. There is a striking gap between most building trade union plans and those available to open shop employers. This difference is outlined in the table accompanying this article.

Merit Alberta began as a vehicle to provide member companies with cost effective benefit coverage. In the 25 years since, the not-for-profit model of multi-employer, portable benefit coverage has expanded continuously and now covers construction workers across the country. That increased volume, accompanied by constant upgrading of administrative procedures, has resulted in open shop employers paying considerably less for equivalent benefit coverage than their union competitors.

Merit benefits were modeled on traditional union hourbank benefit plans. Open shop benefits were introduced to replace union plans, as much of the work force of the fledgling non-union sector had once been union members. With very similar plan design and levels of coverage, why has the open shop industry been able to provide benefit plan coverage at a reduced cost?

Part of the reason is volume. Nancy Bochard is president of Mercon Benefit Services, the organization which administers benefit plans for open shop associations across Canada. She explains that a large employee group brings advantages. "Underwriting is very competitive and when we take our 50,000 life plan to the market we get excellent rates," she says. "Insurance companies regard us as a very important client. Having a group as large as ours also insulates the plan from sudden premium increases due to a period of bad claims experience."

Multi-employer hourbank-based benefit plans are complicated to administer. They consist of many employers with a

wide range of businesses represented. The employee group, reflecting conditions in the construction industry, often has a disjointed work history with frequent layoffs and changes of employers. It is a daunting administrative task to liaise with employers and communicate with employees and their dependents who are spread across the country.

Coping with this complexity requires the use of the most up-to-date software and electronic communications. This

are now remitted by our employers electronically," Bochard says. "This gives us integrity of data because it goes right from our employers into our system. It frees up our staff from doing data entry and allows them to spend more time on customer service with the employees."

Her staff of 17 administers the benefits for the 50,000 employees who make up the work force of the various open shop associations across the country. She cites a recent expansion of its group as an illus-

## Rapid increases in internet access and usage has provided a tremendous opportunity to increase levels of customer service and satisfaction by using the internet to deliver plan information.

technology entails big investments that are beyond the scope of smaller plans, but provide huge gains in productivity and efficiency. "Ninety per cent of our hours

of system capabilities. Adding a new 7,000 employee group in the past year required only one additional staff person. She says pending system upgrades and

### HOURLY COSTS FOR BENEFIT PLANS IN THE ALBERTA CONSTRUCTION INDUSTRY AS OF SPRING 2010

GROUP	HOURLY BENEFIT PLAN PREMIUM
Boilermakers.....	\$2.25
Bricklayers.....	\$1.10
Carpenters.....	\$1.40
Electricians.....	\$1.87
Elevator constructors .....	\$1.18
Glaziers.....	\$1.25
Insulators.....	\$1.50
Ironworkers (structural).....	\$2.00
Labourers (provincial).....	\$1.60
Plumbers and pipefitters.....	\$1.86
Millwrights.....	\$2.50
Operating engineers.....	\$2.00
Refrigeration mechanics.....	\$1.55
Roofers.....	\$1.40
Sheetmetal workers.....	\$1.40
Teamsters.....	\$2.00
Tilesetters.....	\$1.70
CLAC.....	\$1.25
<b>Merit Contractors Association (Alberta).....</b>	<b>\$0.87</b>

new contact management software will further enhance efficiency and allow some new services to be offered with a retiree benefit plan (to be unveiled soon) and health spending accounts under consideration.

Employee surveys have revealed rapid increases in internet access and usage. This has provided a tremendous opportunity to increase levels of customer service and satisfaction by using the internet to deliver benefit plan information. Enrollees can use the benefit plan website to access basic information, submit enquiries, download claim forms or access information on their own personal accounts. While this internet-based communication requires ongoing investment and maintenance, it offers huge scope for improving service levels without the need to increase benefit plan staff.

While cutting-edge administrative systems are essential to keep premiums low, overall management is also important. A board of trustees oversees Merit benefits, which includes independent outside insurance and construction industry experts, as well as member contractors. This ensures strategic planning that is predicated solely on the financial health of the benefit plan and is not affected by political considerations or reaction to short-term market conditions.

Similarly, the large financial reserves that every benefit plan must maintain are professionally managed by independent financial consultants. The various building trade unions offer similar benefit plans, but for a variety of reasons, these plans cannot match the low premiums of Merit benefits.

One obvious reason is size. The building trade unions are organized on traditional trade divisions, each with their own jurisdictions and collective agreements. With more than 20 different construction unions, separate benefit plans for every union mean that the union sector is unable to take advantage of economies of scale and generate the required funds to finance the technology to maximize administrative efficiency. Some of the smaller unions, with only a few hundred benefit plan enrollees, are in a situa-

**“INSURANCE COMPANIES REGARD US AS A VERY IMPORTANT CLIENT. HAVING A GROUP AS LARGE AS OURS ALSO INSULATES THE PLAN FROM SUDDEN PREMIUM INCREASES DUE TO A PERIOD OF BAD CLAIMS EXPERIENCE.”**

Nancy Bochard, *Mercon Benefits president*

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tion where underwriters' administrative charges and profits can eat up more than 20 per cent of premiums.

Perhaps the biggest barrier preventing union benefit plans from improving their cost effectiveness is that there is no incentive for the unions to do so. Union benefit plan premiums are 100 per cent paid by unionized employers; there is no cost-share with employees.

This, in itself, is inefficient from a taxation standpoint (long-term disability benefits are taxable when premiums are employer paid) and it means the work force has no stake in ensuring its benefit plan is cost effective. In fact, the situation is quite the opposite. Benefit plan premiums are factored into the gross wage figure and higher benefit premiums inflate that number.

For union leadership, who are all elected, it is good politics to be able to point to a high gross wage number in their collective agreement, even though an extra dollar an hour in benefit premiums make it more difficult for its contractors to compete in the marketplace and provide work for the union membership.

With some union benefit plans costing close to three times open shop rates, it would seem obvious that, in a very competitive construction market, there would be pressure to address this disparity. There has been no indication of that as the strong historic attachment to the independence of the individual trade unions negates any possibility for co-operation and amalgamation, which could increase the cost effectiveness of building trade benefit plans. 



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