

JUL 19 1983

In the Matter of Interest Arbitration

between

Superior City Employees Union Local
#235, AFSCME, AFL-CIO

and

The City of Superior

MED/ARB 2180

Gordon Haferbecker
Mediator-Arbitrator

July 20, 1983

Decision No. 20426-A

APPEARANCES:

Mr. William R. Sample, Industrial Relations Council of Duluth, for the Employer, City of Superior.

Mr. James Ellingson, AFSCME Representative, for the Union.

BACKGROUND

The Union represents certain employees in the City Hall and related departments. There are about 40 employees in the bargaining unit. The parties are under a 1982-83 agreement which can be reopened for 1983 changes in wage rates and hospital-surgical plan payments.

On August 24, 1982, the parties exchanged initial proposals concerning wages and health insurance. They met again on one additional occasion. On February 10, 1983, the Union filed a petition requesting Mediation-Arbitration. The Wisconsin Employment Relations Commission appointed Duane McCrary, a member of the Commission's staff, to conduct an investigation. The Investigator met with the parties on February 23, and by March 8, 1983, the parties submitted their final offers to the Investigator. The Investigator notified the Commission that the parties remained at impasse.

On March 16, 1983, the Commission initiated Mediation-Arbitration and submitted a panel of arbitrators for consideration by the parties. Gordon Haferbecker of Stevens Point, Wisconsin, was selected by the parties and was appointed as the mediator-arbitrator on April 28, 1983.

Mediation was scheduled at the Superior County/City Building on June 14, 1983. Mediation was not successful and the parties agreed to proceed to arbitration on that same day. Exhibits and witnesses were presented. Briefs were to have been exchanged by June 24 with a possible delay to add corrections and additional information. The parties agreed to extend the deadline and briefs were finally received by the Arbitrator on July 13, 1983.

In this report, Employer exhibits will be referred to as E-1, 2, etc. The Employer labeled his late exhibits as A, B, etc., so these will be referred to as E-A, etc. The Union Exhibits will be U-1, U-2, etc.

FINAL OFFERS

City of Superior.

1. Health insurance
 - A. Increase City contribution for single coverage from up to \$59.64 per month to up to \$69 per month.
 - B. Increase City contribution for family coverage from up to \$135 per month to up to \$159.25 per month.
2. Wages
 - A. \$30 per month increase to all classifications effective January 1, 1983.

Superior City Hall Employees, Local 235

1. A 3% increase in all wage rates on 1/1/83 and a 4% increase on all wage rates on 7/1/83.
2. City to pay 90% of the family health insurance premiums and 100% of the single health insurance premiums.

COSTS OF THE OFFERS

The City estimates that its wage increase proposal would cost \$14,040 for 1983 and that the health cost increase would be \$7,644 for a total of \$21,684. This represents a 3.5% increase. The Union proposal would cost \$28,860 in wages and \$9,360 in health insurance for a total of \$38,220, a 6.18% increase. The City estimates the annual lift in costs of the Union proposal at 7.1% (E-14 and Employer Brief, p. 2).

The Union estimates its package to be 6.5% and the City package at slightly less than 3.5% (Union Brief, p. 1).

The 1983 wage increase is the primary issue, and the health insurance contribution is the secondary issue.

I will review the position of each party on each issue.

EMPLOYER POSITION ON WAGES

Economic Conditions. The Employer contends that Douglas County and especially the City of Superior are currently in the midst of a violent economic decline. The area has led the nation in unemployment on several occasions within the last six months.

Employer Exhibit 4 shows that 2,590 jobs have been lost in Douglas County since 1980 (from 18,480 to 15,890). The Exhibit also shows 663 jobs lost in the City of Superior since 1980. Iron ore and grain shipments have declined substantially as shown in the Exhibit.

Employer Exhibit A shows unemployment from 1980 through 1982 for 8 counties used as comparables. Douglas County unemployment increased 880 since 1980 (from 1,420 to 2,300) and 400 since 1981 (from 1900 to 2300). The other high county was Portage County where unemployment increased 700 from 1980 through 1982 (from 2300 to 3000) and 700 since 1981 (from 2300 to 3000).

Exhibit A also shows that Douglas County lost a total of 1,400 jobs since 1981 while Portage County gained 1,600 jobs. Douglas County then has shown the greatest net increase in unemployment and the greatest net loss in the civilian work force of the eight counties shown.

City Finances. Exhibit B is a newspaper article from the front page of the Superior Evening Telegram, June 29, 1983. This article erroneously states that the surplus available as of May 31, 1983, is \$475,793. Employer Exhibit C is an affidavit of the City Finance Director, Timothy M. Nelson, concerning the City's finances (July 1, 1983 affidavit). The affidavit states that if the unions are successful in their arbitrations, the cost to the City will be \$304,322 which is almost as much as the current available fund balance (\$340,493). Mr. Nelson stated also that a city the size of Superior should have an available fund balance of \$450,000 to \$750,000 based upon its \$15 million budget. If the available fund balance is used to fund a long-term liability such as wages and fringes, the liability must be paid for in future years through increased taxes or fewer services.

While the City could have levied more taxes than it did, if it had taxed to the state maximum, the Superior Common Council did not feel that the tax-paying public could support an increase in city taxes on top of increases resulting from Douglas County and the School Board and in view of the continued economic slump in Douglas County and especially the City of Superior.

Wage Comparables. Employer's Exhibits 8 through 12 show that the average hourly wage and fringe costs for five classifications which comprise 28 of the 40 employees are higher than the comparables given in the exhibits. The comparables are cities and counties chiefly in northwestern Wisconsin. Superior ranks above the average in all cases and usually ranks among the top three in the wage and fringe average for each comparison.

Exhibit E compares 1982 wage and fringe averages in Superior with from two to six other communities for five positions. Again, Superior ranks high and is above the average except for the position of Deputy Assessor.

Exhibit F compares the Employer's 1983 wage proposal with from one to eight other communities for the same 5 positions. Superior again is at or near the top rank and exceeds the average in all cases. While Exhibits E and F both have classifications with few comparables, the City believes that the trend is such that the Arbitrator must conclude employees of Local #235 enjoy higher wages and fringes than their counterparts in northwestern Wisconsin.

Split increases such as the Union is proposing may be used to raise low wages quickly while not generating high cost to the Employer during the contract year in question. However, in view of the high wage rates of Superior employees there is no need to employ such a method to raise wages further. The Union's proposed percentage increase would further widen the gap between Superior employees and those in comparable cities.

Concerning comparisons with Bayfield County, the Employer points out that only one Superior employee is behind and twelve employees are essentially even with or ahead of Bayfield County.

Union comparables show that only the Bayfield County Clerk and Clerk/Steno Typists, the Superior Board of Education Class IV and Class I Secretary are compensated higher than the City of Superior 1982 rates (Employer Brief, pp. 9-10).

Removing the comparables outside of the 100-mile radius preferred by the Union, still results in an average wage and benefit compensation which is less than that of Superior employees.

The Union presented no wage rates for Washburn County where some employees are non-union but the City's exhibits show that both Union and non-union wages in Washburn County are equally below the City of Superior rates.

Percentage versus Dollar Increase. The Union has proposed a percentage increase while the Employer proposes the same dollar amount for each employee. The Employer's proposal does compress the wage rates but the Union has not shown that the pay ranges between the grades needs to be increased nor have they defended the current differentials.

Cost of Living. Employer Exhibit 16 shows that the Consumer Price Index (Wage and Clerical Workers) increased 3.73% from December 1981 to December 1982. The City's wage proposal is much closer to this increase than is the Union's proposal. The Union's proposal is 190% of the 1982 price index increase.

UNION POSITION ON WAGES

Cost of Living. The Union believes that this factor is not relevant to these proceedings. This is because a clear pattern of voluntary settlements has emerged. The only public sector units that have not settled for January, 1983 are Douglas County and the City of Superior. An arbitrator should not order the adoption of a settlement that is either higher or lower than the pattern. Inability to pay would be a possible exception.

Percentage vs Dollar Increase. The Union feels that raises based on a percentage rather than a flat amount are fairer to professional and skilled employees.

Comparable Wage Settlements for 1983. The Union feels that appropriate comparables are Wisconsin cities and counties within a 100-mile radius of Superior. This concept has been developed by Arbitrators Zel Rice and Joseph Kerkman in several cases involving the City of Green Bay.

Following are the area settlements for 1983. The first three were the second year of two-year contracts (from Union Exhibit 4 and Union Brief, p. 2).

Burnett County Courthouse	6% - 2% - 1%	7% package
City of Ashland--3 units	8% - 2%	10% package
Northland College	8% (7-1-83)	
Ashland Water & Sewage	8% - 2%	10½% package
Bayfield County--2 units	3.5% - 2.75%	& Fair Share
Sawyer County--4 units	3% - 4% - 1%	7% package
Washburn County Highway--	3% - 3%	+ \$50/mo. health ins.
Law Enforcement		7.5% package
Ashland County--3 units	3% - 4%	7% package
Multiple Bus Drivers	6%	7½% package
Superior Board of Education	3% - 4%	7% package

The Union proposal for 3% and 4% increases for Superior employees is clearly close to the 1983 settlement pattern. The Employer offer of about 3.5% is clearly far below all of the area settlements.

Comparable Wages. Union Exhibit 6 compares Superior clerical employee wages with those of Ashland, Bayfield, Sawyer, Washburn, and Burnett County and with the Superior Board of Education (clerical) and the Superior Housing Authority. The clerical positions for the City of Superior are tied for third place in the 7 comparables used. The ranking would fall under the Employer proposal but would remain at third place under the Union proposal because both Bayfield County and the School District have settled for 1983 with comparable split increases.

The Union objects to the rather erratic choices of comparables by the City. Why are Wisconsin Rapids, Oshkosh, Fond du Lac, and Portage County used in some exhibits while Green Bay, Manitowoc, and Stevens Point are used in others? Why are Eau Claire, Eau Claire County, Wausau, Marathon County, Janesville and Rock County excluded? Clearly the City has picked and chosen to present the best comparables.

City Finances. The City of Superior is in an extraordinarily strong financial position. The City initially proposed a budget for 1983 which was \$25,000 less than the previous City budget. As various surpluses were found at 4 meetings, the budget was adjusted to a figure which was \$400,000 less than the previous year's budget. The City could have raised \$3.2 million dollars above the previous year without exceeding the State's maximum. The City unilaterally decided that it would only give a \$50 per month increase to each member of the four City unions. The City has not changed that initial position even though a clear pattern of 3-4% split settlements for 1983 has emerged. The Union believes the decision was political in nature. The budget was unrealistic and did not contain adequate provisions for negotiated settlements.

HEALTH INSURANCE

The City proposes to increase its contribution for single coverage from up to \$59.64 per month to up to \$69.00 per month and the family coverage contribution to go from \$135 per month to \$159.25 per month. The Union is asking that the City pay 90% of the family health insurance premiums and 100% of the single health insurance premiums.

Position of the Employer. The Union's proposal to include 90% as the Employer's share of family health and welfare in the 1983 contract is a totally new concept for the City of Superior and its employees. The City has always stated in negotiations that it feels employees should know what is being spent on their behalf by the City. Inclusion of a percentage in the contract may result in confusion as to what the costs of health benefits are. Retention of a dollar amount in the contract could help to reduce health and welfare costs to both the City and its employees, as the employees are continually made aware that rates may go up through utilization of the health insurance.

The Union is asking for 90% but the Employer's proposal amounts to 89.22%.

The Union has stated that the City is responsible for the high health insurance cost. The Union hypothesis is that if the City forced the police and fire into the same plan as Local #235, costs for the health insurance would decrease. But Article 11.02 of the current

labor agreement shows that the Union participates in the selection of the insurance carrier, the type of insurance coverage, and the total cost of said insurance. The Union, therefore, is at least partially responsible for health insurance costs.

The Union is asking for an automatic increase in health insurance payments if and when rates go up. In times like these, when the City is experiencing a drastic reduction in revenues from tax-paying residents and when occupational tax revenues are down, it would be unreasonable for the Arbitrator to grant a radically new benefit. Also, the closest comparable, Douglas County, has a dollar amount for health insurance in all of its contracts.

Position of the Union. Union Exhibit 5 shows that 23 units have health insurance on a percentage basis compared to 6 locals who have health insurance on a dollar amount. Although the increase of approximately \$40 per month on the family plan is on the high side, it is exceeded by the increases in Washburn County and is close to the increases in Sawyer County and the Superior Housing Authority.

The Union also stresses the fragmented health insurance situation for City employees. The City has allowed the Firefighters and Police to have their own separate insurance programs while the Administration has health insurance coverage with the two AFSCME units. The Union is not aware of any other municipality that has such fragmented health insurance coverage. The carrier of insurance is a permissive issue under Wisconsin law so the City could have one large health insurance plan at the higher coverage and save money through a larger group.

DISCUSSION

Wage Comparables. The City has presented comprehensive comparisons of wages and benefits paid for five of the positions in the bargaining unit. As indicated earlier, the exhibits show that Superior ranks above the average in nearly all cases and in most cases is among the top three in wages and benefits. The Union questions the use of some comparables that are more than 100 miles distant but, as the City indicates, if those were omitted, Superior would still rank high and above average.

The Union exhibits on comparables compared wages only. Fewer positions were used because of the difficulty of finding comparables like Inspector/Appraisers, Assessors or Engineer Technicians within a 100-mile radius. For the large number of employees in the clerical classification at least the City of Superior is tied for third place in the 7 comparables given.

Because it has presented more comprehensive data on wage comparables, the Arbitrator accepts the Employer position that Superior pays these employees at a higher rate than most area comparables and that they would still rank relatively high if the City's wage offer were granted.

Wage Comparables--1983 Increases. As indicated earlier, the area settlement pattern for 1983 wages is very close to the Union's proposal here of a 3%-4% split increase. The Superior Board of Education has recently made a settlement with the non-teaching employees at close to 7% (submitted with Union Brief). In fact, almost all of the 1983 area wage settlements call for split increases, a number of them the same 3%-4% that is proposed here. This seems to refute the Employer argument that split increases are used primarily to remedy a low wage situation with minimum current cost impact. It seems more likely that the pattern is an attempt to bring up wage levels without too much impact on 1983 budgets which are affected by the economic recession.

While Douglas County and the other City of Superior units have not settled for 1983, the Union has presented convincing evidence that voluntary settlements in the area have established a pattern similar to the 3-4 split proposed here. There are no area settlements reported by the Union or Employer that are as low as the Employer's 3.5% offer. The City has not refuted the Union data on area settlements but argues that the Douglas County-Superior economic situation justifies a lower wage increase for 1983.

Unemployment Data. Employer Exhibit A shows the numbers of unemployed persons in eight counties, from 1980 through 1982. Douglas County and Portage County had the highest numbers, a 400 to 700 increase since 1981. However, this is not a rate of unemployment. It ignores the very large population differences among the counties compared. Douglas County has a population of 44,913 and Portage County has 59,441. The other 6 counties compared have populations ranging from 12,340 to 16,783. Thus, in view of the fact that Sawyer County has a population of 13,457, compared to Douglas County's 44,913, Sawyer's 1982 unemployment of 840 is over 1/3 of Douglas County's 2300 but Sawyer's population is less than one-third of that of Douglas.

Unemployment rates are determined by dividing the labor force into the number of unemployed. On the basis of the data in Employer Exhibit A, Douglas County had a 1982 unemployment rate of 12.6 (2300 unemployed divided by 18,200 labor force) while Sawyer County had an unemployment rate of 16.8% (5000 divided by 840). So the Sawyer rate was significantly higher than that of Douglas County. The other counties did not have as high a rate as Douglas and Sawyer but three of them were 11% or over (Bayfield, Price, Washburn).

The data in Employer Exhibit A do show that in relation to their total population all of the counties compared had a serious unemployment problem in 1982. The City has not established that the Douglas County-Superior situation was markedly worse than the other comparable counties.

Similarly, as shown in Exhibit A, several other county comparables exhibited declines in their labor force between 1980 or 1981 and 1982. For example, Washburn County's decline of 500 since 1981 is comparable to the Douglas County decline of 1400, considering the fact that Douglas County is more than three times larger than Washburn County.

The Arbitrator concludes that the City has not established that the unemployment situation and the labor force decline in Douglas County is so markedly different from other area counties as to justify a wage offer of about 50% of what other comparables have granted for 1983.

City Finances. I do not feel that the data submitted by the Employer justifies the City's low wage offer (lower than the comparables). There seems to be no question in looking at both the Employer and Union Exhibits that the City's financial situation has improved during 1983. Additional "surplus" funds have been discovered (Union exhibit of Evening Telegram article of June 29, 1983). In an earlier Union Exhibit (U-13 newspaper article), the City Finance Director, Timothy Nelson, is quoted as stating that, "Superior is in better financial condition than 90 per cent of the nation's cities, which are battling rising costs and declining revenues. The reason we're in such good shape is the state's been good to us. We've been on the high end of the aid receipts."

The article also states that only about a fifth of the cost of Superior's city government is paid for with local property taxes.

The City presented a July 1 affidavit from its Finance Director, Timothy Nelson, in which he reviews the City's financial status, and points out that the actual surplus is smaller than the newspaper article suggested, that City wage increases might use up most of it, and that a City the size of Superior should operate with a fund balance of \$450,000 to \$750,000 based upon a \$15 million budget.

I do not feel that Union requests should be granted just because the City has a "surplus" nor do I feel that the City should be criticized for not taxing up to the state levy limit. The City has apparently managed its finances well and it was able to reduce the 1983 budget, compared to 1982.

However, on the basis of the evidence presented by the City and the Union, I find that the City has not proven that it is financially necessary to grant a wage increase substantially less than that of other area public employers nor has the City established that it would be a hardship for the City and its taxpayers if the Union request were granted.

Cost of Living. The City's wage and benefit proposal of about 3.5% is closer to the 1982 CPI increase of 3.73% than that of the Union. On this point, I find the Employer offer more reasonable.

Percent Increase vs Flat Dollar Increase. I find the Union argument more persuasive, that a flat dollar increase is less fair to skilled and professional employees. It may be that flat dollar increases are more common when everyone is hurting from very high inflation but that is not the 1982-83 situation. Percentage increases do preserve the differential between different job categories. Practically all of the 1983 wage increases cited by the Union were percentage increases rather than flat dollar amounts (U-4). Most area employers seem to be maintaining their wage schedule differentials rather than compressing them as the Employer proposes here.

Private Employment Comparables. Neither the City nor the Union provided any data on private employment wages and benefits. Apparently both parties felt that the private employment comparables need not be considered in this case.

Health Insurance. The comparables outside of Superior and Douglas County favor the Union. The City calls the Union proposal a "radically new and different benefit" for the City employees. It is not, however, as radical as 100% of family premium would be. The Union is not proposing this although it is provided by some Ashland County bargaining units and by the Superior School District and the Superior Housing Authority. This arbitration will be decided primarily on the basis of the wage issue. The health insurance is important but secondary. I find the Employer position a little more reasonable. I feel greater weight should be given the Superior and Douglas County comparables on this issue. It is a new approach for the City and County and it would be desirable if it were granted through negotiations rather than arbitration.

The Arbitrator in this case is selecting the Union final offer, primarily on the basis of the major issue, wages. I will make some comments in view of the Employer's concerns on the health insurance issue. The Union will still have a stake in and a concern for health insurance costs. Its members will share a small percentage at least in any cost increase. But, of more significance, any health insurance cost increases are part of the economic package offers of the Union and the Employer. The employees recognize, I am sure, that health insurance cost increases reduce the funds that might otherwise be available for wage increases. Both parties in this arbitration recognized the importance of the health cost increases in their 1983 economic package offers.

CONCLUSION

Both parties made final offers which were not unreasonable. Each side presented pertinent exhibits and arguments. The Arbitrator finds that overall the Union position is more reasonable than that of the Employer. I find that great weight must be given to the pattern of voluntary settlements established in the area for 1983. I do not feel that the City has proven that its 3.5% wage offer is justified on the basis of the Douglas County-Superior economic situation nor on the basis of the City's 1983 budget outlook. The City has not shown that the Douglas County-Superior economic situation is so different from other area public employers as to justify a wage increase about 50% less than the comparables. No comparisons were provided to indicate that the City of Superior is in worse financial condition than neighboring cities

and counties. The City has not shown either inability to pay or great economic hardship if the Union offer is selected.

Taking into account the statutory criteria and the evidence presented by the parties, the Arbitrator finds the Union final offer to be more reasonable than that of the Employer.

AWARD

The Final Offer of Superior City Employees Union, Local #235, shall be incorporated into the 1982-1983 contract between the Union and the City of Superior.

Gordon Haferbecker
Gordon Haferbecker, Arbitrator