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WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

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In the Matter of Mediation/Arbitration
between

HOWARDS GROVE EDUCATION ASSOCIATION

and

HOWARDS GROVE SCHOOL DISTRICT

* * * * *

Case 6
No. 34936 MED/ARB 3256
Decision No. 23019-A
Date of Award: 5/1/86

Appearances:

- Mr. Jon E. Anderson, Attorney, Mulcahy & Wherry;
for the District.
- Mr. Richard Terry, Executive Director, Kettle Moraine
UniServ Council; for the Association.

Before:

Mr. Neil M. Gundermann, Arbitrator.

ARBITRATION AWARD

The Howards Grove Education Association, hereinafter referred to as the Association, and the Howards Grove School District, hereinafter referred to as the District or Board, reached an impasse in negotiations. The Association petitioned the Wisconsin Employment Relations Commission to initiate mediation/arbitration pursuant to the statutes. The WERC conducted an investigation and certified that an impasse existed and initiated mediation/arbitration. The undersigned was selected as the mediator/arbitrator and a meeting was held on January 28, 1986. When mediation efforts failed to resolve the dispute, a hearing was held at which time the parties were afforded full opportunity to present evidence and make such arguments as were pertinent. Both parties filed post-hearing briefs.

Association's Final Offer:

- 1. Increase BA Base from \$14,900.00 to \$16,316.00.
 - 2. Increase MA Base from \$16,100.00 to \$17,630.00.
 - 3. Increase the following longevity payments.
- | | |
|-------|------------|
| BA+9 | \$548.00 |
| BA+18 | \$1,095.00 |
| MA | \$1,642.00 |
| MA+12 | \$2,190.00 |

District's Final Offer:

- 1. Increase BA Base from \$14,900.00 to \$16,235.00.
- 2. Increase MA Base from \$16,100.00 to \$17,435.00.
- 3. Maintain longevity payments at the 1984-85 levels.

ASSOCIATION'S POSITION:

The Association costs its final offer at \$2,275/FTE or 10.8% total package. The Association costs the District's final offer as \$1,637/FTE, or 8% total package. The District costs its final offer at 8.06% total package, or \$1,637/FTE; and it costs the Association's final offer as 10.92%, or a total package of \$2,275/FTE.

The parties are in relative agreement as to the cost of their respective offers as well as the group of school districts which would serve as primary comparables. Therefore, the arbitrator need only determine which offer should be preferred. The Association argues that its final offer more clearly meets the statutory criteria to be utilized by the arbitrator in making his decision than does the offer of the Board.

According to the Association, the evidence establishes that the District teachers' salary schedule ranks last, or next to last, in almost every year and almost every benchmark from 1981-82 through 1984-85. It is also important to note how far below the average of the athletic conference benchmarks the District salary schedule is. A review of the evidence establishes that from 1981-82 through 1984-85 the District's teachers have suffered severe erosion of their disposable income when compared to that of their colleagues in the conference. The Association's final offer does not correct the problem, but it begins to address it with a remedy. In contrast, the District's final offer allows the gap between the District's teachers and comparable teachers in other districts to widen even further. The Association contends that the salaries of teachers in the District should be increased dramatically; however, the Association's final offer merely slows down the erosion process.

This arbitrator, among others, has previously held that larger than normal increases are sometimes necessary to halt the slippage away from normal salary levels if there can be a showing of catch-up. This arbitrator, in Southern Door (Dec. No. 26585-A), indicated that large increases are sometimes necessary to support the prevailing wage rate. Other arbitrators have coupled their reliance on a local settlement pattern based upon the time at which the settlements were arrived. This arbitrator, in School District of Cudahy (Dec. No. 19653-A), noted that arbitrators looked to the comparables in determining the appropriate increases to be awarded, and that such consideration is more accurately reflected by the level of contract settlements which evolved during the period under consideration.

The Association submits that the comparative data can be given primary weight when the settlements have occurred within the same relative time period and in the same county and, therefore, in the same economic climate as the current proceedings.

There is support for the Association's proposal to halt the erosion of the District's teacher salaries away from their traditional level. Arbitrator Imes in Bruce (Dec. No. 18883-A) stated:

"While cost is an important factor in evaluating the final offers as they relate to the ability of the district to pay increases and the consumer price indices, the importance of these considerations is counter-balanced if there is a showing of catch up . . ."

A review of the pattern among comparable districts reveals just how low the District's final offer is. The Association contends that, of the final offers, its final offer is

more nearly parallel to the pattern of settlements in the comparable districts.

The Association's final offer is \$244 over the average of the three voluntary settlements of Kohler, Elkhart Lake, and Ozaukee. In contrast, the District's final offer is \$394 below the average settlement of the three settled school districts. This is particularly significant where the Association has established that the District's salary schedule is already below those of other schools within the conference.

The Association also submits its final offer is closer to the pattern of voluntary settlements on a state-wide basis than is that of the District.

According to the Association, there are a significant number of arbitration decisions to suggest with authority that the pattern of voluntary settlements is a superior method of measuring the cost of living. It is generally preferred over the "standardized" measures such as CPI or PCE. While the Association's final offer is higher than the pattern of voluntary settlements, it is much closer to the pattern than that of the District.

If the District's final offer were to be adopted, the difference between the voluntary settlement pattern and the District would grow even wider. In fact, the proportions would grow to a level unwarranted in all but the most economically depressed communities. There is no evidence that this District is financially insolvent or that the electorate has somehow suffered unduly.

The Association respectfully requests that the arbitrator select its final offer.

DISTRICT'S POSITION:

It is the District's position that its final offer should be awarded in the instant dispute. Its final offer guarantees that the teachers will receive pay and benefit increases that exceed the increase in the cost of living. If the August inflation rate is utilized, the month in which the contract would have become effective had the parties been able to reach a voluntary agreement, the District's offer would exceed the cost of living by a minimum of 4.66% (CPI-U). The Association's final offer exceeds the rate of inflation by 7.52% (CPI-U). There is no justification, based on inflation, for the Association's final offer in excess of 11% for wages and 10.92% for total package. Historical comparisons with the cost of living demonstrate that the District's wages have consistently exceeded the pace of inflation.

While both offers significantly improve the relative purchasing power of the teachers in the District, vis-a-vis the rate of inflation, the appropriate focus of the arbitrator in this proceeding is one of degree. Monumental salary increases, such as that proposed by the Association, in light of current economic conditions, cannot be justified.

Section 111.70(4)(cm)7d requires the arbitrator to consider the wages of employees involved in the arbitration with wages received by other public sector employees in the same community and in comparable communities. The evidence establishes that employees of the Village of Howards Grove and Sheboygan County employees received an average wage settlement of 4%. The District's final offer provides an 8% salary increase. Under this criterion, the District's final offer is the more appropriate.

The comparable districts to be incorporated for consideration in the instant case are those districts which compose the Central Lakeshore Athletic Conference: Cedar Grove, Elkhart Lake, Fredonia, Kohler, Oostburg, and Random Lake.

Section 111.70(4)(cm)7d, Wisconsin Statutes, provides that the mediator/arbitrator shall analyze the parties' final offers in light of the wages received by similar employes in comparable communities. In preparing its final offer, the District recognized that the arbitrator would compare its wage offer with wages received by teachers in comparable districts.

The District argues that teachers moving through its salary schedule receive substantial benefits under the District's offer. The evidence shows that 34.1 teachers, or 54.3% of the bargaining unit, were located on steps within the salary schedule during the 1984-85 contract year. In 1985-86, these teachers will receive the benefit of the step increment. The majority of teachers in the bargaining unit will receive wage increases equaling \$1,845 which range from 8.3% to a 12.4% increase under the District's final offer. Under the Association's final offer, the majority of the bargaining unit will receive wage increases ranging from \$1,974 to \$2,669, or from 12% to 13.2%. The Board argues there is no justification for these kinds of wage demands in a rural economy that is floundering, and that has had an annual inflation rate of 3.6% to 3.8%. The District submits that the key concern must be whether the District's teachers are receiving a fair increase from 1984-85 to 1985-86. It is apparent that under the Board's proposal they will receive such an increase.

The Association argues that during the period 1981-82 to the present time, the District has consistently ranked at the lower end of the comparable pool. The Association argues that the District's offer in the instant case does not change its ranking, and consequently, the Association's final offer should be implemented as catch-up is due. The District submits the increases provided under its final offer more nearly match the increases provided in the comparable, settled districts than does the Association's final offer. The District also submits that, over the years, its teachers have received wage increases that correspond favorably with the increases received in the comparable school districts, and therefore, catch-up is not due.

The District notes that its offer provides an average benchmark increase of 6.6%, and this offer almost matches the average benchmark increase of 6.7% for Fredonia. It is within .4% of the average benchmark increase in Kohler, and it is within .8% of the average benchmark increase in Elkhart Lake. Another viable method of analysis compares the average increases at each benchmark with the party's offer. The increases generated under the District's offer exceed the average increase at the BA Base, BA Step 7, and MA Base. The increases under the District's offer are within .5% at the BA Maximum and MA Step 10, and range from 1.3% to 1.9% within the average at the MA Maximum and the Schedule Maximum, both with and without longevity.

In contrast, the Association's offer significantly exceeds the increases negotiated in the comparable districts. On average, the Association's final offer exceeds the average benchmark increase in Fredonia by 2.8%; it exceeds the average benchmark increase in Kohler by 2.5%; and exceeds the average benchmark increase in Elkhart Lake by 2.1%. In comparing the average increase at each of the individual benchmarks, the Association's offer exceeds the average increase by a minimum of 2.3% to a maximum of 2.8%. The District submits its offer more nearly approximates the norm in the comparable districts.

A review of the increases received at the benchmarks from 1981-82 through 1985-86 establishes that the District has remained competitive during this period. Under the District's offer, the increases at the BA Base, MA Base and the Schedule Maximum exceed the average increase in the comparably settled districts at those benchmarks. While the increase at the MA Maximum falls somewhat short of the average, it is within \$349 of that average over that time span. In contrast, the Association's offer exceeds the average by \$666. The District's offer is nearer the average on the majority of the benchmarks during the period 1981-82 to 1985-86 than is the Association's final offer.

The District's final offer not only more nearly matches the increases provided the teachers in comparably settled school districts at the benchmark salary schedule, but also enables the teachers to maintain their historic comparability position viv-a-vis the settled districts.

The Association argued its offer was more reasonable because it provided wage increases that matched the average teacher wage increase in the comparable districts. A review of only average dollars per teacher distorts the true cost impact. Moreover, in this proceeding a comparison only of a settlement dollar figure must be given less weight due to special circumstances involving the District. The Board submits that it is more appropriate to compare percentage increases in the comparable districts and under the parties' final offers.

The District is unique in that, unlike other districts in the athletic conference, it has realized some growth in both student population and staff. The District increased its student enrollment by 6.5%. Only one other district has increased enrollment during the same period of time. In contrast, the majority of comparable school districts have undergone serious enrollment declines. Additionally, the age and seniority levels of the District's staff directly affect the average teacher's salary. Thus, a comparison of the average dollar increase received by teachers in comparable districts will be affected by the placement of those teachers on the salary schedule. As a result, the Board submits it is more appropriate to review the average percentage increases in wages and total compensation, rather than the average dollar increase.

There is arbitral support for this method of analysis. Arbitrator Fleischli, in School District of Waukesha-Dec. No. 21125-B 9/84, stated:

"In the view of the undersigned, the average dollar amount generated by the Board's proposal is one consideration which should be given weight in this proceeding under the comparability criterion. However, that figure has less weight than other considerations such as how the parties' offers compare to the average salary at the particular benchmark figure or how the parties' offers compare with other offers in other comparable districts, measured in terms of percentage increase in salary and overall percentage increase for wages and fringe benefits."

The percentage increase of those settled districts for wages only equals 8.4%, and the District's offer is within .4% of this average. The Association's offer for wages only is 11.12% and exceeds this average of the settled districts by 3.1%. When the certified offers in Random Lake are taken into consideration, the District's final offer exceeds the Random Lake Board of Education offer by .7%. In contrast, the Association's offer exceeds the Random Lake Education Association's offer of 8.6% by 2.5%. The same pattern emerges in a

review of the total compensation percentage settlements. The average total package increase equals 8.7%, and the District's offer is within .7% of this average. In contrast, the Association's final offer exceeds the average by 2.2%.

Assuming, arguendo, the arbitrator considers it pertinent to review the dollar wage increases, the evidence still indicates the Association's final offer exceeds the norm. The average dollar increase in settled districts in the Central Lakeshore Conference equals \$2,031. The Association's proposed increase of \$2,275 per teacher exceeds the average by \$244.

It is further asserted by the District that its fringe benefits are competitive with the benefits provided to other teachers. In the area of longevity, three of the seven districts in the conference do not provide any longevity benefits to their teaching staff. Of those districts that have settled for 1985-86, Fredonia provides no longevity benefits; Elkhart Lake, 103% of the top step will generate payments ranging from \$675 to \$723. In Kohler, longevity payments range from \$300 to \$900. The Board provides benefits which range from \$500 to \$2,000 in 1985-86. Under the Association's final offer, these amounts will range from a minimum of \$548 to a maximum of \$2,190. The Association's offer will increase the disparity between the benefits available to the District's teachers and the benefits available to teachers in comparable districts. This is in addition to a very substantial salary schedule increase.

It is noted by the Board that it pays \$49 more for single plan health insurance premiums on an annualized basis than does the average school in the District. The District's contribution toward the family health care premium equals \$2,035 per year and exceeds the average by \$59 per year. The Board further notes that it is contributing an additional one percent to the State Teacher Retirement Fund as of January 1. Additionally, the credit reimbursement plan for attaining additional education credits provided by the District is superior to that of other districts.

The Board argues local economic conditions strongly militate in favor of acceptance of its final offer. Section 111.70(4)(cm)7c, Wisconsin Statutes, requires the arbitrator to give weight to the interest and welfare of the public in evaluating the reasonableness of either party's position. Arbitrators have paid great attention to this criterion. Arbitrator Rothstein, School District of Kewaskum, Dec. No. 18991-A 8/82; Arbitrator Gundermann, School District of Cudahy, Dec. No. 19635-A 10/82.

The District argues that it is located in the midst of Sheboygan County and the conditions of the County have an impact on all school districts. This particular District is unique, as the District includes a relatively low per capita income level, low equalized property values, comparatively high tax levels, and an overwhelming reliance on shrinking State aids.

Not only has the County suffered a substantial loss in industrial jobs, but a substantial portion of the County's economy relies on the agricultural sector of the economy for its livelihood. This is especially true of this District. While the Association argues the District is not experiencing problems any different from other farm communities in the area, the Board submits there are unique factors operating in this District. The average per capita income in the community equals \$6,892. This is below the per capita income in the County (\$7,634), in the comparable districts (\$7,587), and the State per capita income (\$7,333). The lower income families in the District are forced to pay the fourth highest school tax among the

comparable districts. These high tax levels are assessed against low property values, thus making the burden even heavier to bear.

While economic hardships may be widespread in the area, it does not provide any justification for the Association's 11% wage demand. The Board's proposed 8% increase reflects its attempt to provide teachers with a competitive increase and at the same time remain sensitive to the plight of local taxpayers and farmers. No school district in the area has agreed to a double-digit wage or benefit increase in light of the current economic conditions.

For all of the above reasons, the Board respectfully requests that the arbitrator award the Board's final offer as the more reasonable of the offers.

DISCUSSION:

There is no dispute in this case as to the comparables; the comparables are other districts in the athletic conference. Although the Association introduced evidence of settlements in geographic proximity to the District as well as on a State-wide basis, the Association concedes these are only secondary comparables. The parties are also in substantial agreement as to the costs of their respective final offers. What differences exist are insignificant and have no impact on which final offer is selected.

It is conceded by the Association that its final offer of 10.8% total package is somewhat higher than the pattern of settlements so far established in the conference; however, the Association claims that such an increase is justified on the basis of catch-up. The District argues that catch-up is not justified, especially if the increase in salaries received by the teachers over the last number of years is compared to the increase in the cost of living during the corresponding period. According to the District, salary increases have exceeded the cost of living. The District argues in the alternative that even if catch-up is warranted, this is not the year to grant catch-up increases considering the economic conditions affecting the District.

There were only three districts settled at the time the hearing in the instant case was closed. While it may be argued that three districts do not establish a pattern, three settlements at least establish a range within which settlements have been reached. In this case, the settlements are significant to the extent they include districts paying more and less than this District.

A comparison of the District's salaries at five benchmarks with the salaries of the settled districts from 1981-82 to 1985-86 results in the following tables.

COMPARISON AT FIVE BENCHMARKS
BETWEEN 1981-82 AND 1985-86

	<u>1981-82</u>				
	<u>BA</u> <u>Minimum</u>	<u>BA</u> <u>Maximum</u>	<u>MA</u> <u>Minimum</u>	<u>MA</u> <u>Maximum</u>	<u>Schedule</u> <u>Maximum</u>
Howards Grove	12,000	16,900	13,050	19,910	20,750
Elkhart Lake	12,025	18,590	12,775	19,756	20,212
Fredonia	12,320	19,096	14,168	22,792	24,640
Kohler	12,250	19,601	13,843	22,174	24,501

	<u>1985-86</u>				
	Elkhart Lake	15,685	24,252	16,435	25,405
Fredonia	16,420	24,630	19,047	29,720	32,347
Kohler	15,950	25,520	18,024	28,870	31,900
Association	16,316	21,900	17,630	25,448	26,444
District	16,235	21,335	17,435	24,575	25,485

Dollar Increase from 1981-82 to 1985-86

Elkhart Lake	3,660	5,662	3,660	5,649	5,662
Fredonia	4,100	5,534	4,879	6,928	7,707
Kohler	3,700	5,919	4,181	6,696	7,399
Association	4,316	5,000	4,580	5,538	5,694
District	4,235	4,435	4,385	4,665	4,735

Percentage Increase from 1981-82 to 1985-86

Elkhart Lake	28	30	29	29	28
Fredonia	33	29	34	30	31
Kohler	30	30	30	30	30
Association	36	30	35	28	27
District	35	26	34	23	23

A review of the above tables establishes that the District has been competitive at the BA Base and will continue to be competitive under either final offer. At the BA Maximum, the District has been less competitive and will remain so under either final offer. At the MA Minimum, the District will retain its relative position under either final offer.

The divergence in the final offers becomes most apparent at the MA Maximum and Schedule Maximum benchmarks. Under the Association's final offer, the MA Maximum will be \$25,448 and the Schedule Maximum will be \$26,444. Under the District's final offer the MA Maximum will be \$24,575 and the Schedule Maximum will be \$25,485. The average increase of the three settled districts at the MA Maximum from 1981-82 to 1985-86 has been \$6,424. Under the Association's final offer the increase for the District during that corresponding period would be \$5,538, and under the District's final offer the increase would be \$4,665. The Association's final offer represents 86% of the average increase, while the District's final offer represents 73% of the average increase from 1981-82 to 1985-86.

A similar result is found at the Schedule Maximum, where the average increase between 1981-82 and 1985-86 has been \$6,923. The Association's final offer would represent an increase over the corresponding period of \$5,694, and the District's final offer would result in an increase of \$4,735. On a percentage basis, the Association's final offer would be 82% of the average increase, and the District's final offer would be 68% of the average increase over the period 1981-82 to 1985-86.

It is noted by the District that if longevity increases are included at the MA Maximum and Schedule Maximum the District's relative position is

increased substantially. The undersigned has not incorporated longevity increases into the computations for two reasons. First, longevity increases do not become effective until a teacher has been in the system at least sixteen years up to twenty years, depending on the lane the teacher is on, and thus they affect a limited number of teachers. Secondly, due to the fact that longevity increases become effective some years after a teacher reaches the maximum, such increase tend to obscure what is happening to the salary schedule. Certainly a longevity increase is a significant benefit to the limited number of teachers receiving it; however, such increase cannot be considered exclusive of the salary schedule itself.

There may be valid reasons for the District to have fallen further behind Kohler and Fredonia. Both districts had higher salary schedules in 1981-82 than did the District, and if percentage increases were granted it would have resulted in greater dollar increases to those districts with a higher salary schedule.

The issue in this case is not whether this District should grant the same increases over a period of time as have been granted by other districts, but rather, to what extent should the increases granted by this District fall below the average increases granted by the settled comparables.

In the opinion of the undersigned, increases of 86% at the MA Maximum and 82% at the Schedule Maximum of the average increases granted at these benchmarks is more reasonable than 73% and 68%.

The District argues that there is arbitral authority supporting the proposition that percentage increases, not dollar increases, should be the determinant in evaluating the parties' respective final offers. This arbitrator has previously noted that both dollar increases and percentage increases must be considered, as percentage increases standing alone are subject to wide disparities depending upon the salary schedule to which the constant percentage is applied. Such disparities become readily apparent when reviewing dollar increases from 1981-82 to 1985-86, and percentage increases from 1981-82 to 1985-86.


The Association's offer exceeds the pattern of settlements in terms of percentage. However, when the pattern of settlements is viewed over a longer period than year to year, the District's salaries compared to the other comparable teachers have not increased to the same extent. While there may be good and sufficient reasons for such a result, the evidence supports a modest catch-up this year to slow the widening disparity in salary increases.

The District argues that given the economic difficulties confronting its citizens the District should not be required to grant an increase of the magnitude sought by the Association. The undersigned is fully cognizant of the difficult times confronting many residents of the State, and especially those either directly involved in agriculture or dependent upon agriculture. The "farm crisis" is well documented. While there is some evidence that this District may be impacted more than other districts in the conference, there is no claim that the District cannot finance the Association's final offer or that as a result of financing it the District will be seriously damaged economically. On balance, it is the opinion of the undersigned that the Association's final offer is the more reasonable of the final offers.

It therefore follows from the above facts and discussion thereon that the undersigned, having duly considered all of the applicable statutory criteria, renders the following

AWARD

1. That the Association's final offer be incorporated into the 1985-86 agreement.
2. That all items previously agreed to by the parties be incorporated into the 1985-86 agreement.



 Neil M. Gundermann, Arbitrator

Dated this 1st day
 of May, 1986 at
 Madison, Wisconsin.