

STATE OF WISCONSIN
BEFORE THE ARBITRATOR

RECEIVED
MAY 15 1990
WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

In the Matter of the Petition of

SHEBOYGAN FALLS SCHOOL DISTRICT

Case 28

To Initiate Arbitration
Between Said Petitioner and

No.42616 INT/ARB-5338

Decision No. 26201-A

SHEBOYGAN FALLS FACULTY ASSOCIATION

APPEARANCES:

Mulcahy & Wherry, S.C. Attorneys, by Paul C. Hemmer,
appeared on behalf of Sheboygan Falls School District.

Kettle Moraine UniServ Council by UniServ Director Ellen M.
Mac Farlane, appeared on behalf of Sheboygan Falls Faculty
Association.

ARBITRATION AWARD

Sheboygan Falls School District, hereinafter referred to as District, Board or Employer and Sheboygan Falls Faculty Association, hereinafter referred to as Faculty, Association or Union, were unable to resolve the remaining issues in their negotiations over the terms to be included in their 1989-1991 collective bargaining agreement. The previous contract covered the period from July 1, 1987 through June 30, 1989. The Wisconsin Employment Relations Commission caused a mediation hearing to be conducted pursuant to Wis. Stat. 11.70(4)(cm) 6a on October 10, 1989. The final offers of the parties were submitted to the investigator on that date. A representative of the Commission, after investigation, declared the parties deadlocked on October 12, 1989.

The undersigned was selected by the parties to arbitrate the dispute. The arbitration hearing was conducted at the school district offices on January 16, 1990. The District arranged for the preparation of a transcript of the oral testimony of its witnesses and both parties submitted a series of exhibits into

evidence in the proceeding. The parties agreed to supplement the record with the filing of Association Exhibits 80, 87-1 and the final offers in Manitowoc's arbitration proceeding. They stipulated that all athletic conference settlements which are completed prior to the filing of rebuttal briefs will be included in the record. The parties agreed to exchange their initial briefs through the Arbitrator by March 9, 1990. The briefs were exchanged. After reviewing post hearing motions by the parties, the Arbitrator ruled that:

1. Board proposed corrections to the transcript of January 16, 1990 testimony were approved.
2. Exhibits relating to Kewaskum's 1989-91 voluntary settlement were received into the record.
3. Exhibits relating to Kohler's settlement were not admissible.
4. The date for filing reply briefs was extended to March 30, 1990.

Reply briefs were filed on March 30, 1990 and the record in this proceeding was closed.

On April 19, 1990, the Arbitrator received the Board's motion to strike a portion of the Association's reply brief together with the Board's brief in support of this motion. The Board argued that an Association assertion was not supported by any evidence. The Union's reply was received on April 20, 1990. The Union argued that the Board was attempting to obfuscate the issues in an untimely manner. The ruling on this motion follows. Parties in adversary proceedings often times take liberties in the course of argument. There is no purpose in restricting arguments by parties in arbitration proceedings after the record has been closed. Arbitrators are trained to base their decisions upon evidence in the record and not upon the arguments of the parties. Granting the motion to strike in this case would serve no useful purpose. Granting the motion might encourage these parties, or other parties in future proceedings, to file formal motions which are unnecessary. The decision in this case must be

supported by evidence in the record. The record will speak for itself. The motion to strike the argument is denied.

ISSUES IN DISPUTE

Both parties have stated there are three unresolved issues relating to the 1989-1991 contract. They are salary, health insurance contribution and the level of increase for extra-curricular activities. Neither party developed the extra-curricular compensation issue. That matter will be resolved as a result of the decision which will be based upon the compensation and health insurance contribution issues.

The employer has offered 4.1% on cell for 1989-90 and 3.9% on each cell for 1990-91. The Union has offered 5% and 4.7% on cell for the respective years of the contract.

The 1987-1989 contract between these parties provides that the Board will pay up to a specified dollar per month for either a single or family health insurance plan. In practice the specified amount has been equal to 100% of the premium cost. The District offer would fix the board contribution at 95% of the applicable premium stated as a dollar amount. The Union offer calls for the Board to make full payment of health insurance premiums, expressed as a dollar amount as figures are available.

DISTRICT'S POSITION

The Board argued that the other school districts in the Eastern Wisconsin Athletic Conference constitutes the group or pool to which Sheboygan Falls should be compared for the purpose of this proceeding. It supported that contention by pointing out that on the three previous occasions these parties have gone to arbitration, the conference was selected as the comparable group. Enrollment data and FTE information supported this comparability grouping. Equalized value in Sheboygan Falls has declined since 1986-87; it remains below the average among the comparables. Its school cost per member is close to the comparable average. Sheboygan Falls mill rate and tax levies are above average and have increased at a faster rate than the averages for comparable districts. For those reasons, the District argued, the Eastern

Wisconsin Athletic Conference remains the proper comparable pool. The Board's exhibits, based upon these comparables, reflect the best data upon which to decide the outcome of this proceeding.

The Employer outlined four reasons why its proposal to provide a contribution toward health insurance is supported on the record:

1. The only other collective bargaining unit, the Non-Certified Employees Association (NCEA) is represented by the same union as the Sheboygan Falls Faculty Association. NCEA's contract for 1989-90 requires the employees to pay 5% toward the cost of health insurance and 10% toward the cost of dental insurance. NCEA employees agreed to a specified dollar contribution to health insurance. In their first contract that contribution was equal to 95% of the premium cost. That 95% continued until the 1987-89 contract. At that time, the Board agreed to fund up to 12% of any increase in the premium. When the premium increased by 14%, the employer paid 91.8% of the total premium. When the District and NCEA bargained for 1989-91, they negotiated a dollar amount stated at 95% of the health insurance premium. NCEA employees have contributed substantially toward the cost of their health insurance. They will pay the same 5% for 1989-90 that the Board has offered to the Faculty Association in the instant arbitration proceedings.

NCEA employees are paid much less than Sheboygan Falls teachers. Equity demands that the more highly compensated teaching faculty recognize the same exigencies and begin to contribute the modest amount of \$13.57 or \$4.92 per month toward the cost of a family or single insurance plan. The Board argued that the internal pattern supported the position that teachers should contribute toward the cost of health insurance. The District cited other arbitration decisions which held internal patterns were a controlling factor in some cases. It argued that the District cannot manage increased health costs with only the cooperation of NCEA. Teachers must also be included in the process.

2. The Employer stated that precipitous increases in its health insurance premiums demand meaningful dialogue between these parties. Health insurance costs have accelerated rapidly in the last three years. The employer had attempted, prior to negotiations, to discuss increased 1989-90 costs. Sheboygan Falls School District belongs to a consortium of districts within CESA-7 which has been formed to benefit from economy of scale in purchasing health insurance. The consortium sponsored an informational meeting in January, 1989 for school board members and union representatives. Two representatives of the Sheboygan Falls Faculty Association bargaining team attended that meeting.

Attendees were provided loss run and actuarial projections from the insurance carrier. Those projections demonstrated that the cause of increased insurance cost is increased utilization of benefits. The consortium had 1,173 members during 1987-88. During this period the carrier, Blue Cross/Blue Shield, paid out \$1.18 for each premium dollar it received from consortium members. The carriers' experience for premiums paid by Sheboygan Falls was even worse. In this district \$1.35 was paid out for each dollar collected. The District paid \$225,510 in premiums for 134 subscribers and the carrier paid out \$305,462 in claims during 1987-88. This represented a 41% increase in claims paid, whereas the sum of \$215,125 was paid out for the same number of subscribers during 1986-87. Because of Sheboygan Falls loss ratios its premiums were increased by 24% for 1989-90 after extensive negotiations. Based upon this data and successive years of negative claims experience, it is unlikely that premium increases will moderate in the future. Both the consortium and the District believe they will be unable to "squeeze the carrier for more favorable rates" in the future.

The only cost containment options which remain are redesign of the health insurance plan or employee copayments. The Union resisted redesign in bargaining. The present deductibles, \$100.00 on the single plan and \$300.00 on major medical, have been in place for 20 years. These issues are subject to

bargaining. The Board cannot, in good conscience, continue to provide the artificial comfort zone that 100% premium payment affords to employees. The Board offer will result in increased payment for the family plan in the amount of \$468 for 1989-90. Health insurance cost increases have had a disproportionate effect on package costs. During 1984-85 health insurance was 4.96% of salary and 4.53% of package cost. During 1989-90 it is 7.64% of salary and 5.7% of package cost. The numbers are projected to increase to 9.05% of salary and 6.67% of package during 1990-91. The District cited data that showed wages in Sheboygan Falls had increased at rates between 6.31% and 7.62% over the past three years. Health insurance premiums have increased from 9.66% to 14% during this period. For 1989-90, the Board is offering 5.85% in salary and premiums increased by 24%. The Board argued that insurance costs will drain available compensation dollars from salary.

The Board argued that its offer does not represent a change in status quo. It said the fact that the Employer's contribution is expressed in terms of dollars supports the Board's position that it was not necessarily the intent of the parties to automatically increase the amount to 100% of cost in perpetuity. It cited a prior arbitration decision which notes "specific bargaining is necessary to achieve an agreement of employer payment of the full amount."

3. The Board alleged that the Union had been intransigent in that it was unwilling to discuss health care cost containment. The existing plan was called a "cadillac plan". The District has, during several rounds of negotiations, attempted to discuss methods to curb increasing health care costs with the Union. It has made proposals which would not increase the flat dollar amount. These proposals would have required the employee to contribute toward premium increases. The board, during the 1987-89 and during current negotiations has suggested that it should not be required to pay increased premium cost during the hiatus in bargaining. The Board does not think that it is fair for the

lower paid NCEA employees to accept cost sharing when the Union employees will not. In 1987-89 negotiations, the Board reluctantly backed off from its insistence to align benefits in the interest of achieving a voluntary agreement for the first time since 1984-85. The Union has not shown any willingness to discuss potential solutions to a 50% increase in insurance premiums since 1986-87. The package cost of the Union's offer is over 8% for 1989-90 and will exceed 7.5% during the second year. This represents the highest offer or settlement within the comparable grouping and other area settlements.

The Board cited the offers of the Two Rivers' Board and Union at 13.13% and 14.1% increase in total compensation during the 1989-91 period. It also referred to the first year settlement in Valders at 6.73% and Brillion's two-year package of 13.7% in arguing that the Sheboygan Falls Faculty Association is wholly unconcerned with the rise in premiums which have buffeted the District. The Union's high wage offer, combined with the 24% health insurance increase, places its offer beyond reason and comparability. The Board cited a prior arbitration award which noted that arbitrators are not precluded from recognizing change where it is necessary. That decision noted that if the arbitrator was unable to recognize the need for change, a union dedicated to the avoidance of change could forever preclude an employer from achieving change. The Employer argued that its six-year effort to retain static dollar caps has been resoundingly rejected by the Union. It argued that, "[T]he parties must mutually determine a means to deal with the substantial rise in health premium contributions which threatens. . . to explode to unmanageable proportions". It outlined four objectives it hoped to achieve in dialogue with the Union if its offer was accepted. The Board said, "[T]he sole reason the Board is in arbitration in this case is that the association bargaining team was never willing to advance even one proposal which dealt in a meaningful manner with the critical insurance issue".

4. The Board then argued that its proposal is congruent with recognized methods of health care cost containment. Its proposal was intended to, "get the Union on the team to participate in solving the problem on an informed basis". It then reviewed the literature which supports the proposition that, "employees have to be made aware of medical plan costs, as well as their responsibility in an effort to contain these costs." A common method to achieve consumer awareness involves cost shifting including copayment and increased deductibles. The solution to the problem must be found at the local level. Following the national trend, where the average medical plan increase is 13% compared to a 6.2% increase in the medical component of the CPI, is no solution. Increased utilization of expensive services is the largest component of rising health costs. Employers bear the greatest burden of higher cost, but the percentage of plans requiring employee contributions increased from 33% in 1980 to 66% in 1988. Sixty percent of the employer plans have raised their deductibles to \$200 or more and one-quarter have maximum copayment limits of \$3000 or more. Overall more than one-half of all employers require employee contributions. Contributions for dependent coverage increased from 54% to 60% between 1983 and 1988. These trends support the Board offer to require a modest employee contribution.

According to a 1987 Bureau of Labor Statistics study, many public sector employees contribute to the cost of insurance coverage. Thirty-two percent of the teaching employees contributed to single plan coverage and 65% to family plan coverage. Overall 66% of public employees contributed to family coverage. Employee contributions ranged from \$16 to \$72 per month for single and family coverage. The Board's offer would require \$4.92 for single coverage and \$13.57 toward family coverage.

The Employer stated that the changes to manage health care costs have not been easily won in unionized environments. It has been a tough issue at the collective bargaining table. Strides

have been made among large private sector employers and their unions as well as with large municipal unions. It cited quotes from AFSCME and consultants which indicated that these groups recognize the need to control health care costs in order to preserve wages and benefits. Unions are prepared to consider health care management as opposed to strict cost containment. It cited health management, continuous review and competitive bidding for HMO contracts in Milwaukee. In Milwaukee, managed health care was seen as an alternative to avoid slashing benefits and shifting costs to employees. The Sheboygan Falls Board's offer is a modest step toward gaining the attention of the Union and developing a positive attitude to examine progressive programs.

The Board noted that health insurance premium costs were a major issue in strikes in New York, New England and Muncie, Indiana in 1989. In one case the Union forfeited a 97¢ COLA to cover health care cost increases. In one large international union, wages increased by 10% between 1987 and 1989 while employee premium contributions increased by 70%. Large numbers of unionized employees are beginning to seek and reach some level of accommodation on the health insurance issue. Since public employees in Wisconsin can't strike, innovation must come through arbitration. The employer's modest proposal is intended to open the dialogue on options for change.

A proposal by the Wisconsin Education Association Council that its staff union contribute toward health insurance premiums, demonstrates the need for a balanced compensation package. Within the comparable pool, the Plymouth Education Association assumed the cost of transplant coverage when that benefit was added. Among area school districts, Brillion employees increased their contribution for family coverage from \$11 to \$14 in 1989-90, Manitowoc employees will contribute \$18 and Mishecot employees pay \$20. Valders was previously a member of the conference. It requires \$17 toward insurance costs. If the Employer's offer is accepted, Sheboygan Falls' teachers will be

joining the ranks of, "thousands of public and private sector workers to do something about the issue".

The Employer prefaced its discussion of the salary issue by summarizing the effect of 1985-86 and 1986-87 arbitration awards in Sheboygan Falls. It quoted extensively from Arbitrator Rice's 1986-87 Arbitration Award. Rice found that the 1985-86 arbitration had halted erosion of the salary schedule at the benchmarks. He stated that the 85-86 award had increased the B.A. base from lowest to third and restored the relationship at a number of benchmarks among comparables. The Board noted that in 1987, Rice selected the Union's offer and retained the relationship established during the 1985-86 proceeding.

The Board said that there had been substantial changes in salary schedules for comparable districts between 1986-87 and 1988-89. Keil froze increments during two years and dropped one step from its schedule in the third year. Chilton froze increments during two years. Plymouth, Kewaskum and New Holstein each froze increments during one contract year since 1986-87. It said that during this period Sheboygan Falls has applied percentage increases to each step on the salary schedule. The Board argued that these, "events since the Rice decision diminish the utility of these benchmark position comparisons in the instant proceeding".

The Employer cited prior arbitration decisions in which a district, which was the subject of an arbitration and/or its comparables, had restructured its salary schedules. In those decisions the arbitrators noted that, because of the facts of the particular case, the standard mode of evaluating benchmark comparisons was inappropriate. In one case cited by the Board the arbitrator found, "that traditional salary benchmark comparisons should not be determinative . . . the general comparability of the parties proposals will be only one of the several statutory criteria which will be considered in determining its outcome". In another case an arbitrator eliminated a school from the comparable pool when it had frozen

the increment for successive years. The arbitrator in the final case cited by the Board, noted that radically altered salary schedules are of limited usefulness. The Board concluded that, since the benchmark settlement data has limited utility, comparative settlements should be the primary indicator of comparability. It argued that Sheboygan Falls settlements have been at or above average for the past five years.

The Board presented a table which compared settlements in Sheboygan Falls with average settlements including wages and longevity between 1984-85 and 1988-89. The cumulative impact of Sheboygan Falls settlements over this five-year period was an increase in salary and package costs above the average for comparables of \$487 (2.74%) and \$448 (2.31%) respectively. It argued that the Sheboygan Falls teachers have gained ground over five years and were on the average for the past two years. It said a catch-up is not necessary or appropriate.

The Board said the salary schedule had been designed by mutual agreement between these parties. The schedule encouraged teachers to move through longevity steps to gain additional compensation. During the first year of this contract 45.6% of the teachers are on longevity steps. That number increases to 54.3% during 1990-91. Union exhibits exclude any consideration of longevity. That fact compromises use of the Union's data. The most appropriate comparisons are those at salary maximum with longevity. The Board reviewed prior arbitration decisions which discussed cases in which the faculty profiles were not well distributed across salary schedules. In Green Bay, where only 24% of the staff appeared on the schedule, the arbitrator altered the benchmarks so that the analysis would be relevant to the faculty mix. In other cases, arbitrators have weighed the offers at benchmarks for the number of employees that were affected; added benchmarks to test the reliability of other benchmarks; and refused to consider some benchmarks where changes had little bearing upon the present faculty.

The Board argued that the proper benchmarks which apply to the profile of the Sheboygan Falls Faculty were B.A.+ 0 Max, MA + 0 Max, MA + 12 Max and Schedule Max all on the longevity schedule. It included a schedule which showed Sheboygan Falls Teachers fared above the average of comparables by 5.05% and .53% at B.A. + 0 and MA + 0, and below the average by .09% at MA + 12, and 1.27% below at Schedule Max. Seventy-three percent of the faculty are on the B.A. lanes of the schedule. The District pays substantially above the average at B.A. + 0 Max. Its schedule reaches its maximum at M.A. + 12 where it is virtually average with the comparables. Only one or two teachers would qualify for a higher placement than M.A. + 12 if that were available. At the four benchmarks with longevity which the District considers critical, it ranks very well despite the fact that other comparables have altered their schedules. The 1988-89 ranks for Sheboygan Falls is B.A. Max - 2, M.A. Max - 3, M.A. + 12 - 3, Schedule Max - 4. Since the salary schedule is competitive where the vast majority of the staff are placed, there is no rational basis for the \$3800 increase proposed by the union. The Board offer of \$3282 in base salary is more than sufficient to satisfy the standards.

The Board reviewed cost of living information. It argued that the CPI, because of recent updates, is reliable and should be used to measure the reasonableness of the offers. Inflation was moderate in 1988 and 1989; therefore, this criteria assumes great relevance in this proceeding. It compared salary increases granted since 1980-81 combined with the respective offers at four benchmarks. That comparison showed that the cumulative increases under both offers were more than double the CPI over ten years. The Union's offer was from 1.71% to 1.75% higher than the Board offer at the benchmarks. It compared the August 1988 to 1989 CPI increase of 4.7% with the Board's 5.86% salary and 6.91% package increase for 1989-90. It then compared the Union's 6.77% salary offer and 8% package cost and concluded the Board's offer was more than adequate.

The District reviewed information relating to private sector settlements for the first three quarters of 1989. The average first year increase was 3.5%, the average annual increase over the life of manufacturing contracts was 3 percent. Other public employees in Sheboygan Falls were receiving 4% increases from 1989 through 1991 except for nonrepresented employees who were not settled for 1990 and 1991 and the police, who had offered 5% for 1991. It compared the offers to county employee settlements, and argued that the Board's across the board wage offer is identical to the area pattern. It concluded that public sector settlements do not support the Union offer. The Board stated, "the record is devoid of any rationale to require the Board to expend \$72,000 in excess of its final offer as required by the Association final offer".

Finally, the Board compared the average Sheboygan Falls teacher salary with a range of average professional salaries in a four-county area. That comparison showed that the other professionals earned from .04% to 31% less than the average teacher in this district. The Board then concluded its argument by reviewing the arguments described above. It stated that its offer is undeniably the more reasonable offer before the Arbitrator.

ASSOCIATION'S POSITION

The association listed the issues in dispute as salary, insurance, and the extra-curricular salary schedule. It stated that the dollar difference between the parties' offers was \$23,416 for 1989-90, and \$23,504 for 1990-91. There is a slight discrepancy in the parties cost figures per returning teacher. The Union calculated cost for each returning teacher by taking the difference between salary schedule costs, including longevity, and dividing by 91.4 FTE's. It alleged that the District had included extra-curricular, extended contracts, extra duty and Driver's Ed to schedule costs before computing the increased salary cost. It argued that this resulted in

artificially high salary figures and rendered those figures useless for comparative purposes.

It described the insurance issue as the Union seeking to maintain the status quo. The contract provides for full payment of health premiums for 1989-1991 expressed in dollar figures. The Board proposes a significant change from the current practice by fixing the Board's contribution at 95% of the premium stated as a dollar amount. It said the extra-curricular salary issue was the difference between the two parties' offers. The Union had proposed to increase extra-curricular pay by the same amounts as on the salary schedule, namely 6.77% and 6.35% over two years. The Board had offered 5.53% and 5.54% as extra-curricular pay increases for those years.

The Union said that other schools in the Eastern Wisconsin Athletic Conference are most comparable to Sheboygan Falls. Normally the offers in this proceeding should be weighed in comparison with settlements among those comparables. This arbitration proceeding is unusual in that at the time of the hearing, there were no voluntary settlements in the conference. The Association presented its position that settlements among its recommended secondary comparables should be compared to the offers in Sheboygan Falls.

It cited prior arbitration decisions which discussed how to evaluate the choice of appropriate comparables. A Brookfield decision found "municipalities could be determined comparable where they are substantially equal in . . . population, geographic proximity, real income of employed persons, overall municipal budget, total complement of relevant department personnel and wages and fringe benefits paid to such personnel". A Mukwonago School District decision spelled out four criteria: geographic proximity, average daily pupil membership and bargaining unit staff, full value taxable property and state aid. In another municipal case the arbitrator said, "both geographic proximity and population should be considered in determining the appropriate comparables."

The Union explained that it had submitted a comparative analysis of other area schools in keeping with the concept of geographic proximity. Union Exhibit 57 contained those districts which are contiguous to Sheboygan Falls. These districts are located within the same county and are proximate. It is reasonable to expect that Sheboygan Falls teachers live and shop in these communities. A Belmont arbitration award which found contiguous settlements were an adequate basis to determine comparability in the absence of conference settlements, is cited in support of the Union's position. Union exhibits compare this district's teacher salaries with those in neighboring districts. At the time of the hearing there were no voluntary settlements in these contiguous districts.

The Union then set out an explanation by arbitrator Kerkman of the effect of changes made in the Municipal Employment Relations Act by the 1985 legislature. Kerkman noted that arbitrators are no longer required to consider comparable communities when comparing the wages, hours and conditions of employment of the employees in arbitration with that of other employees performing similar services. In that proceeding arbitrator Kerkman considered the athletic conference and all of the comparisons advocated by both parties in analyzing patterns of settlement and wage comparisons. He also considered geographic differences and prior salary relationships that may have existed among those districts suggested by the parties.

The Union presented lists of all school districts located within a 50 mile radius of Sheboygan Falls that have settled for 1989-90 and for 1990-91. It also presented summary of settlements at the benchmarks for the districts on the two lists. Additional exhibits narrowed the above listings to settled schools within the radius having membership between 1000 and 2000. There were 16 such districts with 1989-90 settlements and 6 districts with 1990-91 settlements. Similar information was provided for CESA-6 and CESA-7 school districts. This information was presented as indicators of teacher settlement

patterns and trends. Statewide data was also presented. The Union said that it is not uncommon for an arbitrator to look at secondary comparables if the primary group does not provide adequate information. It cited arbitral precedent for its position. The Association emphasized that it had recommended that the Sheboygan Falls offers should be compared to the primary comparables within the conference. Since there are no settlements in the conference, the comparison needs to be expanded in ever widening concentric circles. It has not selected comparables which tend to support the Union's position.

The Association argued that statutory criteria supported its offer. The District has the lawful authority to implement either offer. There is no disagreement relating to the stipulations of the parties. The interest of the public is best met by a high quality public school system. Ability to pay is not an issue; the Board's willingness to pay is. Sheboygan Falls spent \$97 less than the conference average of \$3717 on school costs. The district ranks sixth of seven in equalized value and second in state aid. Low taxes are causing rapid expansion in Sheboygan Falls which ranks last in the conference in levy rate. The higher than average general fund balance indicates the district is in comfortable financial circumstances. The district has no outstanding capital debt.

When Sheboygan Falls salaries at the benchmarks are compared to average conference salaries over periods of two and four years it can be seen that Sheboygan Falls lost significant ground at all seven benchmarks. A table indicated erosion of between .81% and 1.70% at the benchmarks. For 1988-89 salaries in this district ranged from .89% to 5.25% below the conference average. The situation is even more bleak when compared to contiguous districts. A table reflected two year erosion of between .53% and 1.38% and average salaries from 4.80% to 11.07% below the conference average. The union is not asking to catch-up to salaries in the comparative groups. Its offer will more reasonably halt the decline from the average.

The Union offer is most reasonable when compared to the average percent increase granted in comparable districts at seven benchmarks. A table which summarized average salaries for the seven benchmarks in those districts with 1989-90 and 1990-91 settlement was provided. The Union's offer exceeded the average settlement from .09% to .31% in four categories and was below the average from .16% to .64% in four others. The Board's offer was below the average in all eight comparisons from .59% to 1.44 percent. Data relating to statewide settlements for the first year of the contract shows the Board's offer is \$183 below average. Among similar sized schools the Union offer is \$146 above and the Board's offer \$100 below average. For 1990-91, the average statewide increase is \$1944 for teachers. The Union offer is \$45 below average and the Board offer is \$302 low. Among similar sized schools the union offer is \$53 above the average of \$1846 and the Board offer is \$204 below average.

The Union stated that health insurance premiums in Sheboygan Falls are similar to those of the primary comparables. In 1988-89 health insurance rates in Sheboygan Falls were \$10.76/month lower for a family plan and \$5.93/month lower for single coverage than the conference average. In 1989-90 they are \$13.63 and \$7.56 lower than the average. This district has the lowest rates for single coverage and the second lowest rates for family coverage among comparables. In six of seven comparable districts the Boards pay 100% of health insurance premiums. In Plymouth the teachers pay a portion of the premium for major organ transplants after negotiating the current contract.

The Union argued that when comparing wages, hours and conditions of employment for Sheboygan Falls teachers with other public employees, it is not appropriate to make comparisons with nonteaching employees. It cited four previous arbitration decisions to support its position. It also argued that the comparison with private sector employees was inferior to comparisons with other teaching units. It is difficult to analyze private sector jobs which are comparable to teaching.

The Board did not present adequate information to permit comparisons. It cited decisions to support its position.

Arbitrators have recognized that settlement patterns among comparables is a better indicator of inflation than the standardized Consumer Price Index. Anticipating the argument that teaching salaries exceed average private sector salaries, the Union cited Arbitrator Rice's decision in a 1988 Durand case. "The forces of the market place, whatever they may be, have made it unrealistic to limit teacher increases to the rate of increase of the consumer price index or the increases paid to other public sector employees and some private sector employees." The teachers have been without a wage increase for most of 1989-90 and have lost the purchasing power of those dollars. This fact should be considered by the arbitrator in evaluating the criteria.

The Union stated that it had not produced evidence comparing overall compensation because it is difficult to obtain comparable data. It suggested that the Employer's evidence in this area may be unreliable. Average total compensation rates do not account for the profile and experience of the faculty. The arbitrator should not rely upon the Board's exhibits.

The only change in circumstances during the pendency of this proceeding is the fact that Kewaskum, a conference school, has arrived at a voluntary settlement. Information relating to this settlement will be included in the parties' reply briefs.

The Union argued that the Board's offer relating to health insurance was another factor which should be taken into consideration. The Union offer would continue the status quo which has existed for many years. The Board's offer would change the status quo, impose a 5% employee contribution and reduce the take home value of the employer's salary offer. Sheboygan Falls is the only district seeking change among the comparables for 1989-90. The Employer has not offered any quid pro quo for the proposed change. The Union cited three prior cases which held that proposed changes in health insurance provisions were not

justified. It argued that the Employer had failed to demonstrate the need for the proposed change. Arbitrators should avoid giving either party that which they could not have secured at the bargaining table. The Employer has the burden of proof to justify its proposed change in the status quo. It has failed to meet that burden.

The Board's proposal to shift the cost of health insurance will not produce cost containment. It supported this position by quoting a prior arbitration decision, which stated that there was no empirical evidence in that record to support the assumption that employees would restrain utilization to reduce costs. Sheboygan falls teachers are willing to discuss changes in health insurance. Those changes should be negotiated as were changes in the Advantage Plan. Changes in health insurance should not be imposed in arbitration. The Union concluded that its offer was most reasonable and should be accepted.

REPLY BRIEFS

The District filed a 50 page reply brief. In introductory comments, it said the association's initial brief was a total abdication of its responsibilities and nihilistic. "The association's elastic treatment of the statutory criteria must be dismissed as wholly self-serving".

There is agreement that the conference is comparable. Data from any other districts must be disregarded. The Union's proposed secondary comparables do not meet previously established standards for comparability, to-wit:

1. geographic proximity
2. size (Milwaukee, Wauwatosa, Green Bay, etc.)
3. tax base & cost data
4. distance from Sheboygan Falls

It distinguished cases cited by the Union, as authority for including expanded lists of school districts for comparison, by the facts of each specific case. It argued that the Union did not present adequate data to support meaningful conclusions about comparability. The Union presented wages only information but

failed to review total compensation data. The Union engaged in comparability shopping by finding larger districts with greater resources to support their programs. The District cited a list of prior arbitration awards which had upheld the consistent use of comparable groupings. It argued that, with one settlement and one set of certified final offers, there is no need to look outside of the conference.

Many arbitrators have refused to recognize other CESA districts as comparables. Substantial evidence of comparability of other CESA districts must be demonstrated. Similarly, statewide comparability has been resoundingly rejected by arbitrators.

The Board criticized the Association's assessment that the District had the ability to pay the Union's offer. It took issue with the Union's average cost per member, levy rate and available funds arguments. It concluded that the Association had failed to show Sheboygan Falls was better off financially than any of the surrounding districts.

The Board criticized the Union's benchmark analysis for failing to include longevity steps in the schedule. Five comparable districts provide longevity supplements. The union has failed to provide accurate data as to the true earning potential of teachers at the maximum steps of the salary schedule. Association data, "posed as it is", is specious. When the faculty profile is taken into consideration, Sheboygan Falls ranks very high. Seventy-three percent of its teachers are on B.A. salary lanes. In the B.A. lanes Sheboygan Falls surpasses average salaries among comparables.

Weighted averages for statewide teacher salaries are biased in favor of larger districts and are unreliable. Average salary data at the benchmarks compiled by WEAC fails to account for teacher mix, experience and education. Kewaskum settlement data must be recognized in historical context. Because of proximity with Milwaukee, its pattern of settlements is substantially above the conference average. The Board offer is more in keeping with

the pattern where other districts in the conference have settled for less than Kewaskum. The second year schedule restructuring in Kewaskum results in increases similar to the Board's offer in Sheboygan Falls. During the second year of the contract, Kewaskum teachers will assume 3.5% of the cost of health insurance.

The Board argued that the record in Manitowoc's pending arbitration proceedings does not support either party's offer in the instant proceeding. Structural changes in salary schedules, lack of historical data and lack of costing information makes it impossible to evaluate the Manitowoc offers. The Union did not present information about health insurance premiums in Manitowoc. That Board's offer proposes significant changes in health care coverage. The proposed changes in health benefits in Manitowoc support the Sheboygan Falls Board's offer. The tentative agreement in Manitowoc indicates that a multiplicity of issues were bargained. Since complete data and a detailed analysis for those issues are not available, conclusions which may be drawn from incomplete data should be rejected in their entirety.

The Board reiterated its position that the status quo on health insurance does not require the Board to pay 100% of the premium. It argued that the Union's reliance upon 1988-89 insurance premium cost is dated in that a 24% increase became effective on September 1, 1989.

The Board explained that, while one exhibit did include longevity and extra duty pay in settlement comparisons, that exhibit had been costed consistently for other districts. It said other exhibits and analysis were based upon salary and longevity increases alone. The Board restated some of the arguments previously summarized herein. It concluded that, "the Board offer should be awarded on its merits under the statutory criteria".

The Association noted that one conference district, Kewaskum, had reached settlement and the settlement is in the record in this case. It argued that for 1989-90 the Kewaskum

settlement of \$1850 increase per FTE was \$46 less than Sheboygan Falls Union's offer and \$210 greater than the Board's offer. For the second year Kewaskum's \$1975 per FTE settlement is \$76 greater than the Union offer and \$333 more than the Board's offer. This settlement by a comparable favors the Union offer. Anticipating that the Board would point to the agreement by Kewaskum teachers to pay 3.5% of health insurance premiums, the Union argued that that agreement was achieved through bargaining for quid pro quo. It pointed to a number of contract changes in the tentative agreement between those parties as constituting the quid pro quo. Assuming a 20% increase in health insurance and taking other contract changes into account, the Kewaskum settlement favors the Sheboygan Falls Association's offer.

In response to the Board's argument that the restructuring of salary schedules in comparable districts should cause the arbitrator to reject benchmark analysis, the Union cited a prior decision which found, "there is some value in considering the benchmark increases at the minimums and maximums."

The District's internal comparability argument is not sufficient cause to change the status quo in regard to health insurance premiums. The argument is based upon a voluntary contract with a small relatively new bargaining unit. No mention is made of the Board's policy toward its own administrative staff. Quid pro quo may have been given to the other bargaining unit for the concession that employees pay a part of the premium. The Union reviewed a prior arbitration award in the Antigo School District, and argued by analogy that, the Board's position would result in "the tail wagging the dog."

In response to the Board's contention that health and dental insurance rates are soaring out of sight the Union reviewed premium cost data for the entire conference. For 1989-90 the cost for health insurance was \$8.82 less for single coverage and \$15.90 less for family coverage in Sheboygan Falls than the average cost for insurance in other conference districts.

The Board's argument that the Union was intransigent about health insurance premiums is an effort to obfuscate the issue. The Union understands that rising costs need to be discussed at the time of bargaining. Bargaining requires both sides to have complete information and clear proposals. The District asked for concessions without offering quid pro quo. Union suggestions were ignored. The Union learned of the Board's position on salary and insurance for the first time upon receipt of the preliminary final offer. No quid pro quo was ever offered. Under the Board's offer, Sheboygan Falls which has low health and dental costs would reduce its teachers' take home pay. The problem is the health care system and its rising cost, not the contract.

The Union argued that the record in this case, "is devoid of any detailed listing as to what is included in the calculation of 'total compensation' for each district." Without verifiable comparisons, the measure of total compensation is meaningless. It concluded by urging the acceptance of its final offer as the more reasonable.

DISCUSSION

The 165 pages of written agreements summarized above boil down to three issues. The parties' vigorous advocacy of their position on the principal issues, 1) employee contributions to health care premiums and 2) the reasonableness of the respective salary and wage offers, has raised the third issue. The final issue is which data is comparable and reliable? While the issues are clear, this proceeding is complicated by two factors. There were no settlements among "primary comparables" at the time of the hearing. Kewaskum settled after hearing, but only limited information about that settlement is included in this record. The other difficulty results from the fact that neither party presented complete information to support the summary data upon which it based its financial arguments. The arguments of the parties, having been described above, will not be repeated in this discussion.

The School district's proposal that the Board's contribution for insurance premiums be fixed at 95% of the applicable premium stated as a dollar amount will be discussed first. From the text of the District's final offer, it was not clear that this proposal relates to Blue Cross/Blue Shield health insurance premiums but not to dental insurance. That matter has been clarified, verbally, at the hearing and in the exhibits. The issue is, should the employees be required to pay 5% toward health insurance premium costs commencing in contract year 1989-90. The proposed copayment would not become effective for that portion of the year which had passed prior to arriving at a new contract.

The spiraling cost of health insurance is of concern to the district. The district Administrator, Norman Frakes, testified that Sheboygan Falls is a long time member of a consortium of school districts. The consortium was formed in the mid 1960's to permit its members to obtain more favorable health insurance rates through increased purchasing power. Mr. Frakes has been a member of the consortium for seven or eight years and chairman of the group for the past three years.

District Exhibits 53 through 77 consist of a series of Articles about health care costs and cost containment approaches. Those exhibits established for the record that nationwide:

1. Health care costs have increased at more than twice the rate of the CPI since 1987.
2. Health insurance costs increased substantially in 1988 and are likely to increase even more during 1989 and thereafter, as insurance companies attempt to catch up.
3. Increased health care costs and insurance charges are driven, at least in part, by the increased utilization of health care services.
4. Alternate delivery systems have been and are being developed to bring utilization under control.
5. Many employers have adopted alternate delivery systems or shared the cost of health care with employees as a

means of controlling utilization and reducing cost to the employer.

6. Many people cannot afford health insurance as a result of increased cost. More people are going without insurance.
7. Shifting health care costs from the uninsured increases the costs to the insured.
8. Issues relating to employees health care coverage have proven to be contentious in bargaining labor contracts.
9. Many employees understand that there will need to be trade offs between health care benefits and wage increases.

This school district has seen its health insurance costs increase by 90% over the five-year period ending 1989-90 (Er.Ex.42). The cost has increased 225% since 1981. The actual increase in premiums between 1988-89 and 1989-90 is \$42,162 or 24% over the prior contract year. Based upon the insurer's adverse underwriting experience in this district, the Board's estimate that premium rates will increase by 25% in 1990-91 appears to be conservative. That estimated second year increase in health insurance premiums would total \$54,457, a 31% increase over 1989-90 premium cost. The cumulative two-year impact of these increases will raise health insurance premium costs from \$175,666 in 1988-89 to \$272,285 in 1990-91, a 55% increase. These increased insurance costs are equal to approximately 30% of the average of the parties total salary offers over the period of this contract.

The Board has demonstrated that increasing health care premium costs are a substantial concern in this proceeding. Mr. Frakes is not an insurance expert. Because of his involvement with and leadership in the insurance consortium, however, Mr. Frakes' has special knowledge about insurance loss ratios and health insurance marketing practices in the geographic area represented by the consortium. Through his testimony and exhibits, the Board has established the substantive need for the

School District Administration and the Union to mutually address health insurance issues.

It is clear, that regardless of the language of the contract, the established practice in this district was for the Employer to pick up 100% of the premium cost. Though the Employer was able to negotiate a change in this practice with the smaller, newer union, it has been unable to negotiate the concession with the Sheboygan Falls Faculty Association. The teachers have had an excellent health plan with minimum deductibles for many years. The only change in the insurance package in many years was negotiated within the past few years. That change resulted in the implementation of the cost saving Advantage Plan in return for coverage for organ transplant procedures.

The Employer has shown that there is a trend in public and private employment for co-payment of health insurance premiums. It has not shown that internal comparability requires the proposed change. No evidence of the District's policy toward payment of health care costs for its administrative personnel was introduced. The Employer's contract with its other bargaining unit requires those employees to pay 5% of health insurance premiums and 10% of the cost of dental insurance.

From this record it is not possible to determine that there is a trend in comparable districts to require teachers to contribute toward health insurance costs. The fact that Kewaskum teachers will make a contribution of 3.5% toward premium costs in 1990-91 has been noted. That information is not sufficient to establish the existence of a trend. The noticeable trend is that health insurance costs for all of the comparable districts have increased substantially since 1984-85. Health insurance premiums in Sheboygan Falls have remained the second lowest in the conference. Its cost in 1988-89 was 92% of the average cost for single coverage and 95% of the average cost for family coverage in the conference. Those percentages will increase, assuming full payment of the premium in 1989-90, to 95% and 98% of the

conference average. (ER Ex. 47 & 49). If this analysis of the health insurance issue was limited to reviewing the cost of health insurance in Sheboygan Falls compared to its cost to other conference school districts, there would be no justification for the Employer's proposal.

The record in this proceeding makes it clear that the issue is much greater than the comparative cost during the first year of the contract with a large increase during the second year. The Employer has demonstrated its reasons for believing that the cost of this benefit is a significant concern in collective bargaining between these parties. That demonstration has persuaded this arbitrator that good public policy favors the Board's proposal on the health insurance issue. The Board has not proposed to take away a benefit. Under the Board's offer the benefit will continue. The question of whether the employees should be required to contribute to the cost of that benefit, for the purpose of this proceeding, cannot be based upon the arbitrator's opinion of what constitutes good public policy. The Board's offer, that its employees begin to share the cost of health insurance coverage, is but one part of its total compensation offer in this proceeding. The salary and compensation offers are reviewed below.

Arriving at a decision about the reasonableness of the salary offers has been complicated by two factors. There were no settlements in the conference at the time of the hearing. The evidence presented by the parties was very selective and difficult to compare. Those observations are not intended to be critical of the parties, but merely a statement about the available record in this case. Sheboygan Falls' contracts have been arrived at through arbitration during two of the last three contract periods. This decision will make that record three out of four. Both parties in this proceeding are knowledgeable about the process. They have presented evidence which best supports their adversary position. The arbitrator has evaluated all of the evidence and arguments of the parties. I have concluded that

an analysis of Sheboygan Falls' salary schedule at seven benchmarks is the most logical way to commence this review.

The 1986 arbitration award by Arbitrator Kerkman "more nearly restored the historic ranking within the athletic conference". In 1987 Arbitrator Rice selected the offer which retained the relationship established by the Kerkman award. The Association has urged the Arbitrator in this proceeding to review comparative salary data commencing with 1984-85. By reviewing the 1986-87 salary schedule in comparison with the salary schedules for the other six districts in the conference, we have a basis for comparing the limited 1989-91 data that is available. There is no purpose in looking at data for any period before 1986-87.

The Board argued that because other districts have made substantial revisions in their salary schedules, the traditional benchmark analysis is not appropriate in this case. That argument is not well taken. The fact that comparable districts froze increments for one or more years commencing in 1986-87 through 1987-88 and the fact that Keil dropped one step in 1988-89 affects the salary increases received in those districts during those years. Those matters do not compromise the resulting 1988-89 salary structure for comparison purposes in 1989-90. The Board argued that the traditional seven benchmarks are inappropriate because of this faculty's profile. The Board's suggested four benchmarks would ignore B.A. and M.A. starting salaries as well as B.A.-7 and MA-10 in favor of B.A. Max, M.A. Max, M.A. + 12 Max and Schedule Max. That analysis would no doubt show this District's offer in a light most favorable to the Board's position because Sheboygan Falls' M.A.+12 maximum salary is also the schedule maximum. That comparison would, however, ignore all traditional concepts of comparability of salary schedules. It would also ignore the prior determinations of comparability by Arbitrators Kerkman and Rice.

The arguments about what measures of comparability should be employed, salary or total compensation, or which of the

benchmarks are appropriate, is particularly significant in the case of this school district. This results from the fact that Sheboygan Falls has a total of 23 vertical steps, including longevity, on its salary schedule. Most of the districts with which it is compared have fewer steps in their schedules than Sheboygan Falls. Sheboygan Falls teachers in 1988-89 received less compensation than teachers in comparable districts at the top of the schedule. At B.A. Min. this district ranked seventh of seven at \$18,497 compared to the average of the other districts at \$19,471. It was also last at B.A.-7 and M.A.-10. It was sixth of seven at M.A. Min. with \$19,607 compared to the average \$20,799 for other districts. At the lower end of the schedule including longevity, Sheboygan Falls teachers were paid above the average. The B.A. Max. of \$30,612 ranked second in the conference and was above the average of \$28,893. It also ranked second at M.A. Max with \$33,378 compared to an average of \$32,953. Sheboygan Falls ranked fourth at Schedule Max with \$33,972 compared to the average of \$34,161. The average salaries for other districts is understated because the arbitrator was unable to calculate additional longevity compensation which is not included in the exhibits.

Table I sets out the 1986-87 salary schedule for all of the districts in the Eastern Wisconsin Athletic Conference. It also indicates the number of steps required to achieve maximum salaries in those categories. This is the schedule which Arbitrator Rice determined had retained the relationship which had been established by Arbitrator Kerkman's award in 1985-86.

The schedule demonstrates that during 1986-87, Sheboygan Falls salaries were a bit below the average of the other districts except at B.A. and M.A. maximums, where it ranked first, and at Schedule maximum, where it ranked third. The rationale for that result is the fact that in these lanes four other districts do not provide comparable longevity compensation. When compared to New Holstein and Plymouth, who have more comparable longevity schedules, the disparity diminished to plus

TABLE I

1986-87 Salary Schedule at 7 Benchmarks for Conference District

	B.A. Min	B.A.-7	B.A. Max	Steps	M.A. Min	M.A.-10	M.A. Max	Steps	Sch.Max	Step
Chilton	\$17,180	\$21,411	\$24,488	10	\$17,780	\$24,716	\$29,280	19	\$29,620	19
Kewaskum	16,575	21,299	24,448	11	18,896	26,973	29,666	13	32,440	14
Kiel	16,875	20,966	25,056	12	18,390	24,526	28,616	15	28,919	15
N.Holstein	16,125	20,963	27,254	24	16,725	24,251	29,761	27	30,289	27
Plymouth	16,780	21,386	26,820	24	17,780	25,355	29,430	24	29,875	24
Sheboygan										
Falls	16,825	20,932	27,845	23	17,834	24,693	30,361	24	30,901	24
Rank	(4)	(7)	(1)		(4)	(5)	(1)		(3)	
T.Rivers	17,475	21,461	26,111	14	19,306	25,579	29,941	16	31,951	17
Average of 6 others	\$16,835	\$21,248	\$25,696		\$18,146	\$24,938	\$29,449		\$30,516	
Sheb.Falls + or - av	-\$ 10	-\$316	+\$2,149		-\$312	-\$245	+\$912		+\$385	

This table was prepared from information contained in Ec. Ex. 78-a-7855

\$808 above average at B.A. maximum, plus \$765 at M.A. max and \$819 above at schedule maximum. During 1986-87 Two Rivers, with 17 career steps at salary maximum paid \$1050 more at this level than Sheboygan Falls with 24 steps on its schedule.

For the 1989-91 contract period, we have one settled contract in Kewaskum and the certified final offers of the parties in two Rivers. That data is set forth on Table II. After spreading the Kewaskum settlement data, the Two Rivers offers are set out for 1989-90. The average of the Kewaskum settlement and the lower of the Two River offers are set out at each of the seven benchmarks. Those averages are then compared to the offers by the Sheboygan Falls Board and Association. The process is repeated for 1990-91. Not included in the data on table II is information relating to the number of steps in the respective schedules to arrive at the maximum salary levels. Two Rivers has 14 steps to B.A. Max., 16 steps to M.A. Max and 17 steps to schedule maximum. Kewaskum has 11 steps to B.A. Max, 13 steps to M.A. Max and 14 steps to schedule maximum. Sheboygan Falls has 22 steps to B.A. maximum and 23 steps to reach both M.A. and schedule maximums.

When we compare data on Table II with the data on Table I, we can determine how the respective 1989-91 offers would affect the relationship of Sheboygan Falls' salaries at the benchmarks with Kewaskum which is settled for 1989-91. We can also compare the offers to the lower of the Two Rivers' offers. The comparison is being made with 1986-87 salary figures because two previous arbitration decisions held that historic relationship was significant. The comparison shows that in 1986-87 Kewaskum was below average at B.A. Min. by \$300. It was below average by \$162 at B.A.-7. Sheboygan Falls was below the average by \$10 each and \$316 at these Benchmarks. Two Rivers was above the average by \$640 and \$396. The Sheboygan Falls' Board offer for 1990-91 would see its salaries drop \$720 below the average at B.A. Min and \$859 below at B.A.-7. The Union's offer would result in salaries that are \$391 and \$499 below the average of

TABLE II

Comparison of Sheboygan Falls 1989-91 Offers to Kewaskum Settlement

		1989-90					
		B.A.Min	B.A.-7	B.A.Max	M.A.Min	M.A.-10	M.A.
A	Kewaskum	\$20,044	\$25,198	\$28,633	\$22,577	\$31,387	\$30,000
B	Two Riv Bd	20,218	23,830	30,210	22,024	29,594	30,000
C	Two Riv Ass	20,326	24,963	30,371	22,142	29,752	30,000
D	Sheb.F Bd.	19,255	23,955	31,867	20,411	28,260	30,000
E	Sheb.F.Ass	19,422	24,163	32,143	20,587	28,504	30,000
AVE A+B =		20,131	25,014	29,421	22,300	30,490	30,000
Compared to D		- 876	-1,059	+2,446	-1,889	-2,230	+
Compared to E		- 709	- 851	+2,722	-1,713	-1,986	+
		1990-91					
F	Kewaskum	20,331	25,556	29,033	22,893	32,774	30,000
G	Two Riv.Bd	21,122	25,940	31,560	23,009	30,917	30,000
H	Two Riv.Ass	21,322	26,186	31,859	23,227	31,210	30,000
I	Sheb Falls Bd	20,006	24,889	33,110	21,207	29,362	30,000
J	Sheb Falls Ass.	20,335	25,299	33,654	21,555	29,844	30,000
AVE F+G =		20,726	25,748	30,296	22,951	31,845	30,000
Compared to I		- 720	- 859	+2,813	-1,744	-2,483	-
Compared to J		- 391	- 499	+3,358	-1,396	-2,001	+

Kewaskum's settlement and the Two Rivers' Board's offer. There is similar erosion at all of the benchmarks except B.A. Maximum. At that benchmark only, Sheboygan Falls teachers will increase their advantage from \$2,149 in 1986-87 to \$2,813 under the Board offer or \$3,358 under the Union offer in 1990-91. The reason for this phenomenon is that Kewaskum has 11 steps and Two Rivers 14 steps compared to Sheboygan Falls' 22 steps at B.A. Maximum.

The disparity at B.A. Maximum may not be as great as outlined above. Employer's exhibit 22 and the Union's delayed exhibit makes reference to longevity pay at Kewaskum and Two Rivers. The exhibits do not offer any explanation of what those schools' policies are in regard to longevity pay. Neither party to this proceeding mentioned longevity at comparable districts. If it was possible to incorporate that missing information into this analysis, the impact would be seen on salaries beyond the maximums recognized on the schedules. This would reduce the favorable comparison for Sheboygan Falls at B.A. Maximum and increase the disparities at M.A. and Schedule Maximums. Based upon the foregoing, the Union's offer more closely maintains the historic relationship between Sheboygan Falls salaries and salaries at Kewaskum and Two Rivers at the benchmarks.

Both parties introduced a great deal of historic salary and total contract cost information. The Union did not argue for a catch-up pay increase. It did argue that because over the years Sheboygan Falls' salaries had eroded at the benchmarks, its offer was more reasonable than the Board's offer. The Board, on the other hand, argued that Sheboygan Falls' teachers had gained substantial ground over the past five years. That evidence and the parties' arguments have been reviewed. Neither of the foregoing arguments is found to have merit in this proceeding. The 1987-89 contract, negotiated between the parties, maintained the relationship at the benchmarks which had been established in two prior arbitration proceedings. It is that contract and the effect upon its terms to which the offers in this proceeding are being compared.

The Board argument that the salary schedule encourages the teachers to "matriculate to longevity steps which afford considerable additional compensation" just doesn't make sense. Teachers on the B.A. longevity schedules haven't "matriculated," they have taught for many years. It is because there are a large number of teachers with long seniority that the package costs referred to by the Board appear to be high.

Neither does it make sense for the Union to ignore the longevity pay schedules. Almost 42% of the faculty received salaries in excess of those salaries included in portions of the Association's comparative analysis. After reviewing all of the data submitted by the parties, it appears that the Association's salary offer is more comparable to the wages, hours and conditions of employment of other employees performing similar services.

The Board's comparison of salary increases in Sheboygan Falls with increases in the consumer price index over the 10-year period, 1980-81 through 1990-91, demonstrates that salaries in this district have increased more than twice as fast as the CPI. (Er. Ex. 13) The Union's Exhibit No. 119, on the other hand, demonstrates that Sheboygan Falls' teachers have lost substantial ground statewide in average salaries at the benchmarks between 1979-80 and 1988-89. These facts demonstrate the difficulty in applying the criteria of the CPI to teacher salary arbitration proceedings. The most relevant CPI information available for comparison to the offers in this proceeding is contained on Employer exhibit no. 12. The eleven-month average CPI increase annualized for 1989 equals 4.85% compared to the preceding 12-month average of 4.06%. That 4.85% is closer to the Union's 5% salary offer than the Board's 4.1% first year offer. The Board has argued its total compensation package increase of 6.91% and the Union's 8% package cost should be compared to the CPI increase. Such a comparison would favor the Board's offer. The foregoing only serves to illustrate the ambiguity which is attendant in applying this standard to the

offers for settlement in the proceeding. Since both offers will result in a total salary increase over ten years which is more than twice the cumulative CPI increase that standard is of little value in this analysis. It is simplistic to conclude that the lower offer is more comparable to the average CPI increase. Over a ten-year period Sheboygan Falls' teachers' salaries measured on the average of seven benchmarks have increased by more than twice the CPI average but still have eroded when compared to statewide average teacher salaries.

The Board argued that its offer exceeds private salary increases nationally and moderate Sheboygan County wage settlements for the period 1988 through 1991. Its exhibit number 36, however, noted that,

"Continuing a steady climb, the first-year median wage increase during the first nine months in 1989 for all industry sectors rose by a range from 0.5 to 1.5 percentage points over the first nine months in 1988. The all-industries median first-year increase so far in 1989 was 3.5 percent, up from the 2.5 percent increase reported in the first three quarters of 1988."

The evidence supports the conclusion that the board offer more closely approximates private settlements nationally and Sheboygan county municipal contract settlements for the period 1988-1989. This evidence does not support that conclusion for the period 1989-91. There is insufficient evidence of settlements presented for this latter period to permit a conclusion. This is particularly true since CPI and private wage settlements nationally appear to be trending upward.

Evidence that in 1988 teachers' salaries exceeded other professional salaries cited by the Board does not add much to the record for this proceeding. The Board introduced that evidence in support of its argument that a catch up pay increase is unwarranted and to support its contention that its offer is more reasonable. It has been noted above that there is no justification for a catch up pay increase in this case.

After reviewing the offers of the Board and the Union, in comparison to one another and with all of the statutory criteria, the offer of the Union appears to be preferable. This conclusion has not been easily arrived at. The Board's proposal that the teachers should share the cost of continued health insurance increases is preferred. Taken as a whole, however, the Board's offer will cause further salary erosion at six of seven benchmarks on the salary schedule. This erosion would take place under the Board's offer before adding the impact of the employee's contribution toward health insurance. Though there is no basis for a catch up salary increase, there is reason to be concerned that Sheboygan Falls' salaries which were below the conference average at five of seven benchmarks in 1988-89 would deteriorate further under the Board's offer. These conclusions are admittedly based upon very limited 1989-91 data for comparable districts. That data from the Kewaskum 1989-91 settlement and from the Two Rivers offers for that contract period is the most relevant salary evidence presented for the record in this proceeding. Based upon the historic relationship of these two school districts to Sheboygan Falls salaries at seven benchmarks, the arbitrator has been able to evaluate the impact of the Kewaskum settlement and the Two Rivers' Board's offer in comparison to the offers in this proceeding. Those comparisons taken in the context of the historical relationship of these three districts with the rest of the conference compels the conclusion that the Sheboygan Falls Faculty Association's offer is the more reasonable. That offer shall be incorporated into the 1989-91 collective bargaining agreement as required by law.

Dated this 14th day of May, 1990, at Madison, Wisconsin.



John C. Oestreicher, Arbitrator