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WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

STATE OF WISCONSIN
BEFORE THE ARBITRATOR

In the Matter of the Petition of: Case 47
LOCAL 1972-B, AFSCME, AFL-CIO No. 43733 INT/ARB-5623
Decision No. 26628-A

To Initiate Arbitration Sherwood Malamud
Between Said Petitioner and Arbitrator

CITY OF PRAIRIE DU CHIEN

APPEARANCES:

Daniel R. Pfeifer, Staff Representative, District Council 40, WCCME, AFSCME, AFL-CIO, Route 1, Box 333, Prairie du Chien, Wisconsin 53821, appearing on behalf of the Union.

Thomas F. Peterson, City Attorney, P.O. Box 335, Prairie du Chien, Wisconsin 53821, appearing on behalf of the Municipal Employer.

ARBITRATION AWARD

JURISDICTION OF ARBITRATOR

On November 1, 1990, the Wisconsin Employment Relations Commission appointed Sherwood Malamud to serve as the Arbitrator to issue a final and binding award pursuant to Sec. 111.70(4)(cm)6.c, Wis. Stats., with regard to an interest dispute between City of Prairie du Chien Employees Local 1972-B, hereinafter the Union, and the City of Prairie du Chien, hereinafter the City or the Employer. An arbitration hearing was conducted on January 31, 1991, at the City Hall in Prairie du Chien, at which time the parties presented documentary evidence and testimony. Per agreement of the parties, an additional exhibit was submitted on February 15, 1991 by the Union, and with the Union's approval, a costing analysis of the final offers of the parties was submitted with the City's brief. The parties exchanged briefs between themselves. The Arbitrator received the parties briefs by March 15, 1991, at which time the record of the matter was closed. Based upon a review of the evidence, testimony and arguments submitted and upon the application of the criteria set forth in Sec. 111.70(4)(cm)7.a-j., Wis. Stats., to the issues in dispute herein, the Arbitrator renders the following Award.

SUMMARY OF THE ISSUES IN DISPUTE

Both the City and the Union propose a successor two year agreement for calendar years 1990 and 1991.

I. WAGES

Union Offer

The Union proposes increases over the term of the two year agreement, as follows:

January 1, 1990 - 2%; with an additional 2% July 1, 1990.

January 1, 1991 - 3%; with an additional 2% July 1, 1991.

City Offer

The City proposes a 3.5% wage increase effective January 1, 1990 and an additional wage increase of 3.5% effective January 1, 1991.

II. HEALTH INSURANCE

The Union Offer

The Union proposes to retain the status quo on the matter of employee contribution towards premium which is governed by Article 21.01 of the expired Agreement, as follows:

21.01 The Employer shall continue to provide hospital and medical insurance as per the W.P.S. Health Maintenance Program, with the Employer paying one hundred percent (100%) of the total premium cost.

The City Offer

The City proposes that any increase in premium levels above those in effect in 1989 for single and family coverage be picked up on the basis of 80 percent of the increase paid by the Employer and 20 percent paid by the employee, effective July 1, 1990. Under the City proposal employees would make the following contributions under the City offer:

1990 - \$2.96 monthly for single coverage
\$7.76 monthly for family coverage

1991 - \$4.52 monthly for single coverage

\$11.85 monthly for family coverage

Employees who participate in the HMO plan would not pay any amount towards premium under the City's proposal.

III. DISABILITY INSURANCE

The Union Offer

Article 21.02 of the expired Agreement provides for an accident insurance program with an 80/20 per cent split of premium between Employer and employee, respectively. There was a 30 day waiting period which the carrier paid if the injury lasted beyond 30 days. This retroactive feature of the plan was unilaterally eliminated by the insurance carrier without the prior knowledge or consent of either the City or the Union. The Union proposes that a policy with a seven day waiting period be purchased. The premium for such a policy is approximately \$66.00 per year per employee. The premium for the policy under the expired Agreement was \$30.00 per year per employee.

The City Offer

The City proposes the maintenance of the status quo on this issue.

BACKGROUND

The City of Prairie du Chien, which is located on the Mississippi River, is a fourth class city. It is the county seat of Crawford County with a population estimated in 1988 at 5,895.

At issue in this case is a two year successor Agreement for calendar years 1990 and 1991. The Union is the exclusive collective bargaining representative of employees of the City in a unit described at Sec. 1.01 of the expired Agreement as:

...all regular full-time and regular part-time employees employed in the Street, Water, Wastewater and Park Departments, City Hall, and the Police Department of the City of Prairie du Chien, but excluding supervisory, confidential, and professional employees, employees with the power of arrest and crossing guards.

There are 26 employees in this collective bargaining unit.

The expired Agreement is the product of an interest arbitration award.

In that case, the Union Offer of no wage increase in 1989 in exchange for rolling over a pension plan with the Equitable into the Wisconsin Retirement Fund (WRF) was adopted by the Arbitrator.

At the time of the hearing in this matter, the other organized collective bargaining unit of the City, the police unit, was awaiting an arbitration hearing. The City provided increases in salaries to its non-represented Library employees and to its supervisory personnel for calendar years 1990 in the amount of 5% and in calendar year 1991 in the amount of 4%.

The total dollar difference of the final offers of the parties over the two years of the successor Agreement is as follows. For calendar year 1990, the City offer exceeds the Union offer by \$141.00. The Union's wage demand results in a lift of 4%, one half percent above the City offer, but at a cost of 3%; one half percent below the City offer. Under the City offer, the employee picks up 20% of the increase in insurance premium only for the last six months of 1990, i.e., July through December, 1990.

For calendar year 1991, the dollar difference between the parties' offers is more significant. The Union offer exceeds that of the City by \$14,283 in the Agreement's second year. Total salary and benefit costs for this unit in 1989 was \$696,682. The difference between parties' offers over the two year successor Agreement is 2% of the salary and benefit costs in the base year, 1989.

This dispute is to be resolved under the following:

STATUTORY CRITERIA

The criteria to be used to resolve this dispute are contained in Sec. 111.70(4)(cm)7, Wis. Stats. Those criteria are:

7. Factors considered. In making any decision under the arbitration procedures authorized by this paragraph, the arbitrator shall give weight to the following factors:
 - a. The lawful authority of the municipal employer.
 - b. Stipulations of the parties.
 - c. The interests and welfare of the public and the financial ability of the unit of government to meet the costs of any proposed settlement.
 - d. Comparison of wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees performing

similar services.

e. Comparison of the wages, hours and conditions of employment of the municipal employes involved in the arbitration proceedings with the wages, hours and conditions of employment of other employes generally in public employment in the same community and in comparable communities.

f. Comparison of the wages, hours and conditions of employment of the municipal employes involved in the arbitration proceedings with the wages, hours and conditions of employment of other employes in private employment in the same community and in comparable communities.

g. The average consumer prices for goods and services, commonly known as the cost-of-living.

h. The overall compensation presently received by the municipal employes, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

i. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

j. Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

DISCUSSION

Introduction

In the discussion below, the Arbitrator relates the argument of each party on a particular issue, as necessary. The Arbitrator first addresses the dispute as to the communities which are comparable to Prairie du Chien and which should serve as a measure of the wages, hours and conditions of employment both in terms of level of pay and percentage increase for employees in this unit. In their written argument, the parties address only four of the ten statutory criteria: Comparability of wages, hours and conditions of employment to those of employees performing similar services, criterion d.; the cost of living criterion g.; overall compensation, criterion h.; and such other factors, criterion j.

After applying the statutory criteria to the wage and health insurance issues, the Arbitrator discusses the central question in this case which is whether there is sufficient quid pro quo offered by the City in exchange for the change it proposes to the health insurance benefit.

The parties presented little meaningful evidence or argument to distinguish between their final offers on the matter of the accident insurance policy, item III above in the Summary section of the Award. This matter has little economic impact on the cost of the final offers of the parties. In light of the record on this issue, the Arbitrator addresses this issue no further. If the Union offer is selected, this benefit change will be incorporated in the successor Agreement. If the City offer is selected, the benefit will remain with a 30 day waiting - elimination period.

Comparables

The Union proposes ten fourth class cities located within 100 miles of Prairie du Chien as comparables. Those cities are: Baraboo, Dodgeville, Lancaster, Mauston, Mount Horeb, Reedsburg, Richland Center, Sauk City, Sparta and Tomah.

The City proposes the following communities as comparables to Prairie du Chien: Boscobel, Dodgeville, Fennimore, Lancaster, Platteville, Tomah and Viroqua.

The comparables proposed by the City, with the exception of Tomah, are located geographically more proximate to Prairie du Chien and consequently, would appear to share the same labor market. However, employees of Boscobel, Fennimore, Platteville and Viroqua are not organized. The wages, hours and conditions of employment of these employees are unilaterally set by the respective municipal employers. Wages and benefits are not the product of the give and take of collective bargaining. Accordingly, the Arbitrator excludes those non-represented Employers as comparables in this proceeding.

All of the comparables suggested by the Union are organized. However, they are located within 100 miles of Prairie du Chien. The Arbitrator does not believe the labor market for the classifications at issue here are situated in a labor market that is so large. Furthermore, two of the comparables suggested by the Union, Mount Horeb and Sauk City are located in the Madison labor market.

There is little evidence in this record other than population size linking Baraboo and Reedsburg to Prairie du Chien. No additional evidence was presented at the hearing linking Baraboo and Reedsburg, such as, tax base, economic base, the average income per household in each community or assessed valuation. Baraboo and Reedsburg are at the fringe of the 100

mile radius of the labor market proposed by the Union.

The Arbitrator identifies Tomah as a comparable, only because both parties have included it as a comparable.

Neither party placed into evidence the interest arbitration award which resulted in the expired Agreement. The Arbitrator is unaware whether the previous arbitrator established a comparability grouping.

On the basis of the reservations noted above, the Arbitrator finds that the appropriate group of comparables to the City of Prairie du Chien for this bargaining unit are the following communities: Dodgeville, Lancaster, Mauston, Richland Center and Tomah. Sparta is a secondary comparable, because of its proximity to Tomah. Additional evidence of the type alluded to above may demonstrate Sparta as a primary comparable to this Employer. However, that evidence was not submitted into this record.

d. Comparability: Employees Performing Similar Services

There are two dimensions to this criterion. First, this criterion measures the wage level of employees performing similar services. The second dimension to this criterion relates to the percentage change or increase which employees performing similar services will receive during the period in dispute. Occasionally, the second dimension may be analyzed at criterion (g), the cost of living. In this case, for reasons of style, this second dimension of the criterion is discussed here.

The Union identifies the positions of Laborer, Heavy Equipment Operator, Assistant Water and Wastewater Plant Operator and Secretary as benchmark positions for comparing wage levels of comparables to those of the employees of Prairie du Chien. With the exception of the Laborer classification, there is insufficient data (statistics from less than five comparables) identified by the Arbitrator as communities comparable to Prairie du Chien. With regard to the Laborer classification, the average wage paid in 1989 by the comparable communities of Dodgeville, Lancaster, Mauston, Richland Center and Tomah in this base year is \$8.46 as compared to the \$8.28 wage rate paid in Prairie du Chien. In 1989, two of the comparables, Dodgeville and Lancaster, paid their laborers \$7.85 per hour. The other three comparables paid rates in excess of those paid by Prairie du Chien. The 1990 increase provided by Dodgeville and Lancaster would still leave these two communities below the wage rate paid by Prairie du Chien in 1989. With the exception of the increase in salaries paid by Richland Center in calendar year 1990, a 2% increase in January and an additional 2% increase in July, 1990, the remaining four comparables provide increases in excess of those offered by Prairie du Chien, here.

With regard to the level of wages paid by the City, this evidence

indicates that the City is at the median of rates paid by comparable employers. On the other hand, the percentage increases granted by comparable employers for calendar year 1990, are above the increase proposed by the City and more closely approximate the increase proposed by the Union.

The Arbitrator concludes that the evidence with regard to this criterion equally supports the selection of either offer for inclusion in a successor Agreement.

g. The Cost of Living

The Union refers to the United States Index of the Department of Labor's Consumer Price Index as the measure of the cost-of-living for calendar years 1989 and 1990 on which the salary increases for 1990 and 1991 are to be based. The Arbitrator finds that the Non-Metro Index is the more appropriate index for communities of 2,000-8,000 in population which is the range of the comparables to Prairie du Chien. The increase in the index for the year prior to the one at issue is the measure of the salary increase to be afforded in the succeeding year. In 1989, the Non-Metro Index increased by 4.2%, and in 1990 it increased by 5.9%.

The total wage and benefit increase for 1990 is slightly greater in the City offer than in the Union's. The CPI equally supports both offers for the first year of a successor Agreement(1990). In the second year, the total increase in compensation proposed by the Union for calendar year 1991 is 6%. The City's offer increases total compensation, wages and all benefits, for calendar year 1991 by 4%. The Union offer closely approximates the increase in the CPI in the second year of a successor Agreement(1991). Each year taken singularly, both are equally supported by the CPI data for 1990, and the Union's offer is supported by the CPI for 1991. However, if one looks at the increase in the cost-of-living over both 1989 and 1990, it is 10.1%. Under the Union's offer total compensation increases slightly over 12% during the term of the successor Agreement. Under City's offer, total compensation increases by approximately 10.2%. The Arbitrator concludes on this record that the City's offer on wages, standing alone independent of any other matter at issue, is supported by the cost-of-living criterion.

The Union argues in its brief that the Consumer Price Index should be measured against the wage increase to the exclusion of any increases in other benefits. The Union cites the decision of Arbitrator Slavney in the Village of Butler Dec. No. 26501-A (12/90) in which he adopts the rationale of Arbitrator Kerkman in his decision in Brown County issued in May, 1990. Arbitrator Kerkman concludes, as does Arbitrator Slavney, that:

It is the wage increase which insulates employees against the erosion of the dollar caused by inflation,

the cost to the employer does not.

This case provides an excellent example as to why total compensation should be measured by the Consumer Price Index rather than wages only. In this case, a primary issue is the health insurance benefit. It is the health insurance benefit which insulates employees from the increase in the cost of medical services which is one indicator measured by the Consumer Price Index. It is the cost of medical services which fuels the increased cost-of-living in the United States, today. The increase in health insurance premiums consumes an increasingly larger slice of the total compensation pie. It is the large increase in premiums for health insurance which inflates the cost of total compensation.

The Union cites the City of Sparta as a comparable to Prairie du Chien. In Sparta, the City and Union agreed to an additional \$.20 per hour increase in wages in exchange for a health insurance program with increased deductibles put in place to slow the rate of increase of insurance premiums. The Union would have the Arbitrator ignore any increase in insurance premium because it is part of total compensation, but consider any increase in wages when considering the Cost-of-Living criterion. In the opinion of this Arbitrator, to exclude the increase in health insurance premiums as an item to be measured by the CPI, would produce a distorted result. For the above, reasons, the Arbitrator rejects the Union's analysis.

On the basis of the above discussion, the Arbitrator concludes that this criterion supports the adoption of the Employer's offer.

Summary

Two criteria were argued by the parties on the matter of wages, comparability and cost-of-living. The comparability criterion provides equal support to both positions. The Cost-of-Living criterion supports the selection of Employer's final offer for inclusion in a successor Agreement.

HEALTH INSURANCE

The City notes that health insurance premiums for single coverage of the non-HMO plan have increased 75% over the past five years and premiums for family coverage have increased 73% over the same period of time. The premiums for the HMO plan have increased 61% for single and 60% for family coverage over the same period of time.

The City notes that five of the ten comparables suggested by the Union require some employee contribution towards health insurance premiums. The City argues that its offer is limited. Employees pick up but 20% of any increase in premium over the level of premium in effect for calendar year 1989.

d. Comparability

Of the five primary comparables, two, Mauston and Tomah, provide for some employee contribution towards premium. Sparta, a secondary comparable, reduced the size of the employer contribution from 92% in 1989 to 90% in 1990. There is a trend towards cost shifting. On the whole, the comparability criterion tends to support the City's offer.

j. Such Other Factors...

The City recognizes that it must provide a quid pro quo to support its proposal for a change to the status quo. This Arbitrator observed in his interest arbitration award in Antigo Educational Support Personnel Association and the Antigo School District, 25728 (3/89) that the party proposing the change to the status quo must meet the following test:

- (1) The party proposing the change, must demonstrate a need for the change.
- (2) If there has been a demonstration for the need for the change, then the party proposing the change must demonstrate that it has provided a quid pro quo for the proposed change.
- (3) Arbitrators require that tests numbers (1) and (2) be met through the submission of clear and convincing evidence by the party proposing the change.

On the matter of the need for a change to the health insurance provision and the nature of such change, the Union quotes extensively from the award of Arbitrator Stern in School District of Random Lake, 26390-A (10/90) as follows:

Also, it should be kept in mind that this method of "cost shifting" affects all employees rather than just those who incur an illness. As is pointed out in the Board Brief..., the Board believes that the more effective cost shifting procedure would have been to increase the front end deductible and to institute a new front end co-pay plan. However, no Board comparables had opted for such an arrangement so the Board turned to the premium-sharing arrangement, an

arrangement which at least a minority of other districts had instituted and which was sought in arbitration by others.

The arbitrator does not believe that the Board's premium sharing proposal would dampen the increase in health care costs. In the arbitrator's opinion, costly improvements in medical technology, increases in salaries in the health care industry and the general public's demand for good health services will continue to raise health care costs as a percent of total compensation. Cost containing measures such as those already adopted and cost shifting as proposed will have, at best, a marginal impact in the opinion of this arbitrator.

Changes made to the benefit structure of the health insurance program such as the introduction or increase of deductibles, etc. may be preferable to the cost shifting proposal of the City. Nonetheless, the escalating increases in health insurance premiums require attention.

Furthermore, the Union makes no proposal to change the benefit structure of the City's health insurance program in response to the cost shifting proposal of the City. Accordingly, the Arbitrator concludes that the City has demonstrated a need for a change in the manner to the contractual health insurance provision.

The Union argues that acceptance of the City proposal, may cause the number of participants in the Blue Cross/Blue Shield plan to go below the minimum participation level of 25 employees. This plan would then be terminated. Employees who have relatives covered by the plan who are located outside of the immediate area of Prairie du Chien would be unable to have their medical care provided for, except in emergency situations, under the HMO plan in effect in this City. The Arbitrator finds this argument speculative at best. It is given no weight.

The critical question, in this case, is whether the Employer has provided the necessary quid pro quo to fund the change it proposes in employee contribution towards health insurance premiums. The City notes that its wage offer is slightly higher than the Union's, in the first year. For the first six months of 1990, its 3.5% offer exceeds the Union's 2% increase by a percent and a half. Yet, the City's funding of total compensation in calendar year 1990 exceeds the Union's compensation offer by a mere \$141.00 for the entire calendar year over the entire unit. Furthermore, the increase which the City proposes is at best equal to the cost-of-living, as measured by the Consumer Price Index. However, other than the 4%

increase in lift in wages in Richland Center at 3% cost, the City of Prairie du Chien's offer in this case is lower than that proposed by any other employer among the comparables. The Union notes that under the City's wage offer, that increase in salary would be reduced by as much as six cents per hour for an employee with family coverage under the Blue Cross/Blue Shield plan. The City's offer falls far short of a quid pro quo for the change it proposes in contribution towards health insurance premiums.

The Arbitrator concludes that this factor provides strong support for the selection of the Union's offer for inclusion in a successor Agreement.

SELECTION OF THE FINAL OFFER

In the above discussion, the Arbitrator finds that the City's offer is supported by the Cost-of-Living criterion. When viewed in isolation of any other issue in dispute, herein, the City wage offer is to be preferred.

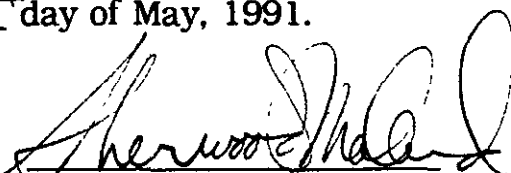
However, both the City and the Union acknowledge in their briefs that the health insurance issue is the primary issue in dispute. With regard to that issue, the criterion, such other factors... strongly supports the selection of the Union final offer. Accordingly, the Arbitrator concludes that the Union offer is to be preferred over that of the City for inclusion in a successor Agreement.

On the basis of the above Discussion, the Arbitrator issues the following:

AWARD

Based upon the statutory criteria found in Sec. 111.70(4)(cm)7.a.-j. of the Wisconsin Statutes, upon the evidence and arguments of the parties and for the reasons discussed above, the Arbitrator selects the final offer of the Prairie du Chien City Employees Local 1972-B, a copy of which is attached hereto, together with the stipulations of agreed upon items, to be included in the successor 1990-91 Agreement between the City and the Union.

Dated at Madison, Wisconsin, this 22nd day of May, 1991.


Sherwood Malamud
Arbitrator

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WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

CITY OF PRAIRIE DU CHIEN EMPLOYEES, LOCAL 1972-B, AFSCME,
AFL-CIO

Union's Final Offer

1) Wages - Increase wage rate as follows:

- Effective 1/1/90 - .17 per hour (2%)
- Effective 7/1/90 - .17 per hour (2%)
- Effective 1/1/91 - .26 per hour (3%)
- Effective 7/1/91 - .18 per hour (2%)

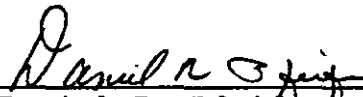
2) Section 21.02 - Disability (Accident) Insurance to have a seven (7) day elimination period.

3) Provisions retroactive to 1/1/90.

4) Provisions not addressed in the Union's Final Offer or the Stipulation to remain as in the previous agreement between the parties.

Dated this 6th day of August, 1990.

On Behalf of Local 1972-B:



Daniel R. Pfeifer
Staff Representative