12/14/82

FACTFINDING REPORT AND RECOMMENDATIONS UNDER THE REGULATIONS AND PROCEDURES OF THE MICHIGAN EMPLOYMENT RELATIONS COMMISSION

IN THE MATTER OF NEGOTIATIONS BETWEEN

LESLIE PUBLIC SCHOOLS
LESLIE, MICHIGAN

- and -

LESLIE ASSOCIATION OF SCHOOL ADMINISTRATORS

FACTFINDER: William Haber, Ann Arbor, Michigan

MERC Case No.: L82 E-407

Date of Report: December 14, 1982



Leslie Public Schools

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1. Background

The Board of Education of the Leslie Public Schools and the Leslie Association of School Administrators began negotiations, looking to the development of a Master Agreement, on July 1, 1982. Unable to resolve all matters of contention between the parties, a mediator was called in to assist the negotiations. When, after mediation, the parties remained unable to reach agreement, the outstanding issues were presented, under the authority of the Michigan Employment Relations Commission, to Factfinding before William Haber, of Ann Arbor, Michigan.

2. Hearing and Appearances

A Hearing to begin the factfinding process was held in Leslie, Michigan on Monday, November 8, 1982. Both parties were given full opportunity to present evidence and exhibits, to question the materials presented by the other party, and to present to the Factfinder all relevant arguments.

Representing the Board at this Hearing was Maurice Conn, Superintendent of Schools. Also appearing for the Board were

Mary Brown, President of the Board; Florence Toburen, Secretary of the Board; Michael Wade and Ruth Brown, Trustees.

Representing the Leslie Association of School Administrators was Ross Vandercook, Principal of the Leslie Elementary School. Also present for LASA were Don Vickers, Principal of the Middle School; Lee Wheaton, Principal of the High School; and Bruce Van Eyck, Director of Operations for the Leslie Public Schools. These four persons constitute the entire present membership of the LASA.

A substantial quantity of factual, comparative, analytical and argumentative materials were presented to the Factfinder. No useful purpose would be served to review the precise nature of each of the more than 45 exhibits presented to the Factfinder. It is sufficient to indicate their general character:

1. The recent history and present circumstances of the Leslie School Administrators was presented in considerable detail.

2. Comparative data for different groups of employees within the Leslie School System was also provided.

3. Comparative data outlining the circumstances of the Leslie Administrators and those of other school districts of reasonably similar character was also presented in some detail.

4. Data on the performance of the Leslie School District, by rank and like measures, among the set of school districts to which it is comparable, was also provided to the Factfinder.

5. The financial circumstances - past, present, and for the foreseeable future - of the Leslie School District, were provided.

6. The history of the recent bargaining between the Board and LASA was reviewed, with the tentative language of a Master Agreement (some matters not included) agreed upon and submitted for the Factfinder's consideration.

The Board presented 26 individual exhibits, some of these very lengthy and detailed; the LASA exhibits, also lengthy and detailed were some 20 in number, with additional supplementary materials to assist the Factfinder to analyze the data. A number of the exhibits presented by the Board were duplicated by LASA. There was no substantial dispute between the parties about the factual accuracy of each others exhibits.

Post-Hearing Statements, requested by the Factfinder, reached him on November 23 and were exchanged between the parties by his office on November 30, 1982.

In sum, the Factfinder has been presented with a full, indeed a copious, record. This record he has studied carefully, examining each piece of evidence and the claim of each party with meticulous detail. The Report and Recommendations that follow are the product of these extended deliberations.

3. <u>Issues Remaining to Be Resolved</u>

All the issues remaining to be resolved between the parties are purely economic in character; the parties are at odds about money. There are five such issues still open for resolution. Before turning to facts and recommendations, it will be helpful to refer, in summary form, to the issues that divide the parties. In following section of the Report, the positions of the parties on each of these issues will be described and analyzed.

The five issues may be identified as follows:

I. Salary
II. Longevity Pay
III. Contribution to Tax Sheltered Annuity
IV. A Deferred Compensation Plan
V. Vision Insurance Improvement.

It may be observed at the outset that of these five issues, three (II, III and IV) are of moderate dimensions; one (V) is a relatively minor matter; and one issue (I) is very large. It will also be seen that the final judgment given for the resolution of any one of these issues must be made in the light of the resolution of the others, since, as a whole, they constitute the very greatest part of the total remuneration of the school administrators.

4. The Present Situation

It will be helpful to begin with a clear statement of the present situation concerning the four members of LASA. Each of these administrators is at work during this 1982-83 school year under an agreed upon continuation of their 1981-82 contracts, with the final resolution of the Agreement for 1982-83, and subsequent years, depending upon the outcome of these negotiations. The four positions are: 1) High School Principal; 2) Middle (Upper Elementary) School Principal; 3) Elementary School Principal; 4) Director of Operations.

There is no Deferred Compensation Plan in effect for administrators in the District now.

There is no plan for the payment of Longevity Pay for administrators in the District now.

There is now in effect a plan for contributions, by the Board, to a Tax Sheltered Annuity Plan. For 1981-82 the remuneration (salary plus Tax Sheltered Annuity contribution by Employer) of the Leslie Administrators is as follows:

High School Principal: $31,140 ($30,000 plus $1,140)

| | | |
|---|---|---|
| Middle School Principal: | $31,709 | ($30,569 plus $1,140) |
| Elementary School Principal: | $28,140 | ($27,098 plus $1,042) |
| (includes buy-back of five vacation days @ $589) | | |
| Director of Operations: | $32,940 | ($31,800 plus $1,140) |

These wages are paid for a 47-week year.

Vision Insurance (Vision Plan II) is now in effect for Leslie Administrators.

5. Positions of the Parties

Comparison of the relative positions of the parties is made more difficult by the fact that the Board has presented its last offer in the form of a three year contract (82-83, 83-84, 84-85), while LASA has urged a two year contract (82-83, 83-84). To keep comparisons clear, therefore, the Factfinder will address first only the two years, 1982-83 and 1983-84, returning to the subject of the third year in his recommendations, below.

I. Conflicting Positions on Salary:

The Leslie Association of School Administrators asks for:

a) for 1982-83: an increase of 7.5%, which would amount to $2,251 for each of the four Administrators. Salaries (not including Tax Sheltered Annuity contributions) for the four positions on this basis would be:

| | |
|---|---|
| High School Principal | $32,251 |
| Middle School Principal | $32,820 |
| Elementary School Principal | $29,938 |
| Director of Operations | $34,051 |

b) for 193-84: an increase based on the Consumers Price Index of the U.S. Bureau of Labor Statistics for the months April 1982 through March 1983, with a minimum increase of 0% and a maximum increase of 8%. The resulting computed wages could be rejected by LASA no later than May 15, 1983, in which case salary and fringe benefits become open for renegotiation.

The Board offers:

a) for 1982-83: an increase of 3.7%, which would amount to $1,101 for each of the four Administrators. Salaries (not including Tax Sheltered Annuity contributions) on this basis (including the buy-back of five vacation days for the Elementary School Principal) would be:

| | |
|---|---|
| High School Principal | $31,101 |
| Middle School Principal | $31,670 |
| Elementary School Principal | $28,788 |
| Director of Operations: | $32,901 |

b) for 1983-84: an increase based on the increase in the Consumer Price Increase, calculated in the same way requested by LASA, with two changes: (1) the maximum increase would be 6% rather than 8%; and (2) if the computed wages were to be rejected, only the salary and not fringe benefits would become open for renegotiation.

The differences between the positions of the parties on these matters of salaries, amounting to a) $1,150 per position for 1982-83; b) for 1983-84, 2% in the maximum cost of living adjustment (COLA), and whether salary alone, or salary and fringes become open for renegotiation in the event the computed wages are rejected, are the differences which separate them most widely.

II. Conflicting Positions on Employer's Contribution to the Tax Sheltered Annuity.

The present contribution of the Board to the TSA is $1,140 per position. (In the case of the Elementary School Principal there appears to be a discrepancy in the figures presented to the Factfinder; this present salary, plus vacation buy-back, subtracted from total remuneration, yields a TSA contribution of only $1,042.)

The Leslie Association of School Administrators asks for:

a) for 1982-83: increase of $360 per year, per position;

b) for 1983-84: further increase of $200 per year, per position.

The Board offers:

a) for 1982-83: increase of $160 per years, per position;

b) for 1983-84: no further increase.

III. Conflicting Positions on Deferred Compensation Plan.

At present there is no Deferred Compensation Plan in effect.

The Leslie Association of School Administrators asks for:

a) for 1982-83: initiation of a Deferred Compensation Plan, with a contribution by the Board of $250 per position, per year;

b) for 1983-84: increase of Employers contribution to the Plan of $200 per position, per year, to a total of $450 per position, per year.

The Board offers: No Deferred Compensation Plan.

IV. Conflicting Positions on Longevity Plan.

At present there is no Longevity Plan in effect.

The Leslie Association of School Administrators seeks:

For 1982-83 and 1983-84: Longevity payments based on the number of years of administrative service to the District (payable on anniversary date), on the following schedule:

| | |
|---|---|
| 5 - 7 years | $350 |
| 8 - 10 years | $500 |
| 11 - 15 years | $720 |
| 15 years plus | $900 |

The Board offers: Longevity payment of $150, after fifth year of employment in Leslie Public Schools (payable with computed biweekly payrolls).

V. Conflicting Positions on Vision Insurance

The Leslie Association of School Administrators asks for no change in the present Vision Insurance Plan.

The Board offers to improve Vision Insurance from MASB-SET Plan II to Plan III.

6. Factfinder's Discussion of Conflicting Positions of the Parties

After careful examination of the evidence and arguments submitted by the parties, the Factfinder is prepared to make some concrete recommendations for the resolution of these outstanding issues. Before doing so, however, it will be helpful to clear away two kinds of considerations which loom large in the minds of some, and yet which are not of controlling importance at this time.

The first of these is the question of the ability of the Board to pay. It is often the case that differences between the parties in matters of this sort focus largely upon the ability of the employer to meet the demands of the union. In such cases, the financial condition of the school district becomes a factor of substantial importance in reaching a fair result. But it is not such a factor in this dispute. Evidence submitted by both parties indicates that the Board has the resources needed to meet LASA's demands; there is no dispute about this point. It does not follow, of course, that those demands must be met. If the Board, through sound management and as a consequence of reductions in force over the past few years, has managed to husband resources well, the small surplus garnered may well serve the taxpayers best by being reserved for future needs. It is true that the administrators have done their share and perhaps more than their share (as the Superintendent graciously put it) in helping to effect these tax savings. But tax monies saved do not have to be spent. How much should be spent improving the condition of LASA members is a matter to be determined on grounds independent of ability to pay.

A second point that looms large to some, is the relative economic status of the teachers in the Leslie District. LASA points to the fact that the gap between the salaries of administrators and teachers in the District has been steadily narrowing. Already several Leslie teachers earn more than the lowest paid principal. This is an erosion of a long-standing differential; for some administrators it is a delicate matter. But the Fact-finder cannot weigh this very heavily in making his recommendation for a fair resolution of this dispute. There are two reasons for this. The first is that the relatively advanced economic position of the teachers in the Leslie District is partly explained by special circumstances surrounding the negotiations of the three-year teachers' contract now in force. When the provisions of that contract were negotiated, in 1980, inflation was very high and appeared to become higher. It was with that threat in view that the percentage increases for the years 1980-81, 1981-82 and 1982-83 were agreed upon. Inflation, however, has declined markedly and appears to have stabilized somewhat; the result is relatively advantageous for teachers in ways that had not been expected. But it is no injury to the administrators that this is so. The second reason this factor must not be overemphasized is the fact that the central issues here concern essentially the fairness of the agreement to administrators, to persons who do the work administrators do, and who bear the responsibilities they do. Comparability and equity is a matter of most pressing concern here, but it is comparability and equity with administrators in like districts with like burdens. It is, therefore, to this comparison of administrative salaries and benefits that the Factfinder looks with special attention.

7. Recommendations of the Factfinder

The recommendations of the Factfinder may be divided into two groups, those of minor and those of major importance. In order to focus attention upon the latter group, the minor recommendations will be presented first.

A. Minor Recommendations

Recommendation 1. The Factfinder recommends that the change in the vision insurance plan, offered by the Board, should not be implemented.

> Explanatory comment: The cost of the proposed improvement in vision insurance is $61.20 per administrator per year, or a total of $244.80. Although this is not a huge sum, it is an amount that can contribute somewhat to the improvement of the LASA salary structure. The cost of this program, however, may be considered in weighing salary improvement options.

Recommendation 2. The Factfinder recommends that in the event salary negotiations are reopened as a consequence of the rejection, by LASA, of the salary schedule resulting from this contract for the year 1983-84, only that portion of the Agreement specifically pertaining to salary (and not those portions pertaining to fringe benefits) be open for renegotiation.

Explanatory comment: In the position of both parties appears this agreed upon language: "If rejected, the salary portion of the Master Agreement is automatically reopened for negotiations." That general point is not in dispute. But in LASA's presentation of this language to the Factfinder there appears, after the word Agreement, the following parenthesis: "(This means salary and fringes.)" But in the event such a situation should arise, the reason would have to be the unsatisfactoriness (from LASA's perspective at that time) of the salary figures as calculated in accordance with the Agreement. The Factfinder therefore concludes that it would be fair and proper for that matter, but not for all additional matters pertaining to fringe benefits, to be reopened. This recommendation seeks to bring into harmony the reason for the (possible) reopening of negotiations, and the matters then to be reopened.

Recommendation 3. The Factfinder recommends that, in the event the Master Agreement provides for longevity payments, those payments should be made in full, to the individual concerned, on his anniversary date each year.

Explanatory comment: Whether longevity payments should be made, and if so of what size, will be discussed below. Longevity payments may be appropriately viewed as an earned bonus, paid to employees of the District for their loyal service over an extended period of years, and paid in the light of the number of the years of their service. That number of years is attained on the anniversary date. Therefore, if longevity payments are to be made at all, it is LASA's proposal for the method of their payment, rather than the Board's, that is the more suitable, in view of the nature of the payments themselves.

B. Major Recommendations

The major differences between the parties concern the amounts of money to be paid to the members of LASA. These central economic issues are four in number: Salary, Longevity, Tax Sheltered Annuity, and Deferred Compensation. The conflicting positions on these matters are described above.

In order to make recommendations that will be just to both parties, and can be clearly understood and discussed, the Fact-finder believes that the wisest course is to consolidate these issues, at least for the purposes of comparison and judgment. After comparisons and judgments are made, the several forms of compensation may be distinguished once again, within a frame that is clearly understood and agreed upon.

The Leslie Association of School Administrators requests, expressed as the total amount in new money per administrator (that is, money added to present compensation) for the year 1982-83 only, are as follows:

| | | |
|---|---|---|
| 1. | Salary | $2,251 |
| 2. | Longevity | 350 |
| 3. | Tax Sheltered Annuity | 360 |
| 4. | Deferred Compensation | 250 |

1982-83 new money total per administrator: $3,211.

Explanation: 1. 7.5% of total salaries now paid, divided by four. This is an average, with slightly differing figures for each LASA member.
2. $350 for each LASA member, since each has been in serv-ice between 5 and 7 years.
For the year 1983-84, the fixed increases (on the LASA plan) will rise in category 2, for those administrators with 8 years of service then, by $150; in category 3 by $200 each; in category 4 by $200 each. But the increase in category 1 for 1983-84 (and hence total increase in new money) cannot be known, since it depends upon the actual performance of the Consumer Price Index between April 1982 and March 1983.

The Board offer, expressed as the total amount in new money per administrator (that is, money added to present compensation) for the year 1982-83 only, is as follows:

| | | |
|---|---|---|
| 1. | Salary | $1,248 |
| 2. | Longevity | 150 |
| 3. | Tax Sheltered Annuity | 160 |
| 4. | Deferred Compensation | 0 |

Explanation: 1. 3.7% of total salaries now paid, divided by four. This is an average, with slightly different figures for each LASA member.
For the year 1983-84, there would be no fixed increases on the Board plan; increases in salary (and hence total new money increase) cannot be known, since it would depend upon the actual performance of the Consumer Price Index, as above.

It will thus be seen that, for 1982-83, LASA seeks $3,211 per administrator in new money, while the Board offers $1,558 per administrator in new money. The difference is $1,653.

The present circumstances (that is, for the 1981-82 school year) of administrators in the Leslie District, as compared with administrators in other Michigan districts having student populations of approximately the same size (between 1,400 and 1,800 students) may be summarized as follows:

Total compensation for High School Principals in 29 districts ranges from $27,947 to $45,312, Leslie District ranks 17th.

Total compensation for Middle School Principals in 25 districts ranges from $25,000 to $36,282, Leslie District ranks 8th.

Total compensation for Elementary School Principals in 21 districts ranges from $28,920 to $37,334, Leslie District ranks 4th.

Total compensation for Director of Operations (under differing position names) in 19 districts ranges from $16,000 to $39,712, Leslie Districts ranks 8th.

For purposes of overall comparison, Leslie administrators hold an average rank, among comparable districts in Michigan, of 9th.

If the School Administrators demands were fully met (supposing $3,211 in new money added, on average, to each administrator's total compensation), the Leslie District would rank, for 1982-83, among districts in which contracts have been settled, 14th among 26 districts for High School Principal; 3rd among 23 districts for Middle School Principal; 14th among 37 districts for Elementary School Principal; and 5th among 17 districts for Director of Operations.

In this perspective, the LASA proposal would result in the Leslie Administrators holding, for the 1982-83 school year, the 9th rank among like stricts, maintaining their relative average position in 1981-82.

If the Board offer were fully implemented (supposing $1,558 in new money added, on average, to each administrator's total compensation, the ranks in the same four categories would be (among like districts with sttled contracts), as follows: High School Principal 16th; Middle School Principal 8th; Elementary School Principal 21st; and Director of Operations 6th.

In this same perspective, therefore, the Board offer would result in an average rank for the Leslie Administrators of 12th - a drop of three positions.

After extensive computations in terms of impact of the changes upon the percentile rankings of the Leslie District among comparable districts, the Factfinder is aware of the fact that the Board offer would be sufficient in the case of the Middle School Principal and the Director of Operations. With $1,558 added to the total compensation of each of these administrators, they would reach the 73rd and 75th percentiles, respectively. But the Board offer, when added to the compensation of the Leslie High School Principal and Elementary School Principal, leaves them at 45th and 49th precentiles, respectively. To bring the High School Principal to the 62nd percentile, an additional $1,500 is needed; to bring the Elementary School Principal to the 66th percentile, an additional $1,900 is needed. The addition of these sums to the Board offer can thus protect the present relatively good position of the Middle School Principal and Director of Operations, while bringing the High School and Elementary School Principals to comparable positions within the top 40% of like administrators in like districts.

Recommendation 4. The Factfinder recommends that the total compensation, including Salary, Tax Sheltered Annuity, Longevity, and Deferred Compensation (if any) be increased by $9,900 new money for the year 1982-83.

Explanatory Comment: This is the total of the value of the Board offer, plus the $1,500 (for High School Principal) and $1,900 (for Elementary School Principal) noted above.

Recommendation 5. The Factfinder recommends that of this new money at least $1,500 be added to the compensation of the High School Principal, and at least $1,900 be added to the compensation of the Elementary School Principal for the year 1982-83.

Recommendation 6. The Factfinder recommends that of the remaining new money for the year 1982-83, none be devoted to a Deferred Compensation plan, such plans necessarily compromising the ability of the members of LASA to use incremental monies to keep abreast of the general inflationary tendency.

Recommendation 7. The Factfinder recommends that the parties negotiate, within the framework of the new money limitations here set forth, the amounts to be devoted to longevity payments and to tax sheletered annuities.

Recommendation 8. The Factfinder recommends that for the year 1983-84 the increase in total compensation, including salary, tax sheltered annuity, and longevity payments if any, be calculated in accordance with the language earlier agreed upon (in large part) by the parties. This language, adjusted to apply to total compensation, would then read: "For the year 1983-84, total compensation for all four positions would be calculated by multiplying the total compensation of each by the rise in the Bureau of Labor Statistics Consumer Price Index for the months of April 1982 through March 1983. The threshold increase would be 0 percent; the maximum increase would be eight (8) percent."

Explanatory comment: With the actual level of inflation highly uncertain, it is not fair to the Board to establish fixed increases in annuities, or longevity payments, superadded to the percentage increase reflecting the Consumer Price Index. Hence the calculation is to be made not for salaries alone, but for total compensation, with any fixed increases to be made within this framework. The maximum increase, however, should be 8%, as asked by LASA, rather than the 6% offered by the Board, since it would not be fair to LASA to restrict so sharply its ability to keep abreast of inflation during a period when the CPI is very volatile. As earlier noted (in Recommendation 2) LASA would have the opportunity, in the event the resulting computed salaries were unacceptable, to reopen negotiations regarding salaries, but not regarding other fringe benefits.

Recommendation 9. The Factfinder recommends that LASA's proposal to restrict the length of the Agreement to two years be accepted.

Explanatory comment: It would not be at all unreasonable for the parties to agree to an Agreement of three years, in which the language governing compensation for the third year were analagous to that governing compensation for the second, with the dates changed appropriately. The Factfinder would observe, however, that such an Agreement carries some considerable risk during this period of substantial fluctuation in the rate of inflation. If the inflation rate remains reasonably stable, as appears likely, the language for 1982-83, applied to 1983-84, with an 8% maximum increase, is likely to be safe for both parties. But a sharp change in the rate of inflation may result in unsatisfactory compensation levels for one party or the other.

## 8. Summary of Factfinder's Recommendations

For an overview of the outcome of this Factfinder's Report, the recommendations given above are here summarized. For the precise recommendations given, please refer to the precise language in Section 7, above.

Recommendations in summary form:

A. Minor

1. No change in vision insurance.
2. Reopened negotiations, if any, to deal with salary portion of Agreement only.
3. Longevity payments, if any, to be made on anniversary date.

B. Major

4. New money added, for 1982-83 to be $9,900, including all elements, salary, tax sheltered annuity, and longevity payments, if any.
5. From this new money at least $1,500 goes to High School Principal, and $1,900 to Elementary School Principal.
6. No deferred compensation plan to be instituted.
7. Within this new money framework, parties to negotiate amounts to be devoted to salary, annuity, and longevity, if any.
8. Total compensation for the year 1983-84 to reflect rise in Consumer Price Index, with a maximum of 8%.
9. Contract to run two years; but if the parties agree upon three, the total compensation for the third year shall be calculated in a way strictly analagous to the second, with an 8% maximum.

## 9. Concluding Remark

The Factfinder expresses his appreciation for the care taken by both parties in providing him with a great body of detailed information, thus enabling him to do his task with equal care and attention. The Factfinder also expresses his respect and admiration for the intelligence and civility with which both parties and their spokesmen conducted all matters during this factfinding process. It was a model of civilized discourse from which many could learn a great deal.

Respectfully submitted

William Haber

William Haber