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IN THE MATTER OF A DISPUTE
Between the
City of Negaunee
and
Negaunee City Employees
AFSCME Local No. 1415

James T. Dunne

University
LABOR AND INDUSTRIAL
RELATIONS LIBRARY

FACT-FINDER'S REPORT
AND
RECOMMENDATIONS

Robert G. Howlett, Chairman, Employment Relations Commission, appointed the undersigned as Fact-Finder in the above titled dispute under the terms of Act 379, Public Employment Relations Act. Notification of appointment was dated March 2, 1970.

Hearing was held in the Council Chambers, City Building, Negaunee, Michigan, March 17, 1970. The parties were present and were given full opportunity to present evidence, to examine and cross examine witnesses and to introduce documents pertinent to the issues in dispute.

ISSUES

The issues in dispute are as follows:

1. A general wage increase to all employees in the bargaining unit.
2. A cost of living escalator clause.
3. Shift differential pay to employees on second and third (midnight) shifts.

James T. Dunne

Negaunee, City of

FACTS

The Union has been the bargaining agent since certification by the State in 1965 for employees in the following described bargaining unit:

"All full-time employees of the Employer, excluding Police, Volunteer Firemen, Administrative Officers, Manager's Secretary, and seasonal or temporary employees."

With respect to the above unit, the parties have since certification had single year agreements effective January 1 and terminating December 31 of each year. The latest agreement was effective January 1, 1969, and expired December 31, 1969.

The parties have negotiated without success in an effort to reach agreement to succeed the expired 1969 agreement. The above stated issues remained in dispute despite efforts of Mediator Walter Quillico until impasse was reached and the matter was referred to Fact Finding upon his recommendation following a meeting on January 15, 1970.

During negotiations the City had offered a 7¢ per hour across the board increase but had made no offers concerning the two other issues in dispute. The Union rejected the City's offer.

The Union's demands on each of the three disputed issues during negotiations were as follows:

1. Thirty cents (30¢) per hour general increase.
2. A cost of living adjustment of one cent (1¢) per hour for each .4% increase in the Consumer Price Index (1957-59 base) published by the Bureau of Labor Statistics of the U.S. Department of Labor. This adjustment was to

be an annual one based upon the increase in the index available for the year just expired. In other words, for the year 1970, the increase which occurred in 1969 would be applicable.

3. The shift differential demanded was 10¢ per hour for the regularly scheduled hours of employees on the second shift and 15¢ per hour for the regularly scheduled hours of employees on the third (midnight) shift.

The parties agreed in writing that whatever economic benefits resulted from negotiation of the above issues should be retro-active to January 1, 1970.

Apparently the Union first understood that the City's offer of a 7¢ per hour general wage increase was contingent upon a two-year agreement. However, the City stated that the agreement could be for one year expiring December 31, 1970, if the Union wished. This still did not satisfy the Union.

Negaunee is a Home Rule city whose population under the 1960 census was 6,126.

The Union invites comparisons on both wage rates and the other disputed items with the following cities in the 4,000 to 9,999 population group: St. Ignace, Kingsford, Ishpeming, Cheboygan, and Norway. The area covered by these cities is the Upper Peninsula and northern lower Michigan.

The following per hour wage chart from the Union's brief is limited to four classifications which, however, are found in

Negaunee as well as in the cities sought to be compared:

	<u>Heavy Equip. Operator</u>	<u>Truck Driver</u>	<u>Mechanic</u>	<u>Laborer</u>
Negaunee	2.895	2.71	2.91	2.535
St. Ignace	3.00	3.00	3.00	3.00
Kingsford	2.81	2.71	2.85	2.68
Ishpeming	2.95	2.67(Garbage)	3.00	2.34
Cheboygan*	2.97-3.25	2.59-2.65	2.90-3.05	2.50-2.65
Norway	2.88	2.78	3.11	2.63

*Cheboygan has a cost of living clause; and the spread rates shown reflect automatic increases at 3 months and 6 months for all except heavy equipment operator for whom top rate is achieved at 12 months.

The Union in presenting this chart makes the following claims:

1. All are currently in negotiations except Ishpeming and the rates shown are currently existing rates. Ishpeming expires December 31, 1970, and will not be open for negotiations until October 1, 1970.
2. All of the above either match or surpass Negaunee in fringe benefits.
3. All except Negaunee have a shift premium for second and third shifts.
4. Other classifications not included in the chart compare on the same basis as those shown.

The Union's brief to the Fact-Finder makes the following statements in its "Summary":

"The City of Negaunee throughout negotiations has maintained its wage rates equal or exceed other cities of comparable size. As you will note, this is not a true

statement. The City has also maintained that it is in the red some \$68,000.00 to date. This, too, leaves some reasonable doubt in the Union's mind. Assuming this statement is true, it appears to the Union to place an unnecessary burden on the City employees to be solely responsible for subsidizing the City's deficit spending. The Union and the employees recognize that the City has a responsibility to its employees to see to it that its employees are able to at least keep pace with other employees in the area. The City's proposal of 7¢ across the Board not only disallows this, but instead moves the employees farther back in their effort to keep pace with the rising cost of living."

The City's response to the Union claims may be summarized as follows:

1. It does not dispute the comparability of the cities chosen by the Union for comparison, nor does it dispute the wage rates shown in the chart above.
2. However, it disputes the Union claim with respect to fringe benefits. (While not specifying Negaunee benefits exceeding those of the cities compared, it claims that a close comparison of the agreements in question will reveal these.) Note: Neither party presented these agreements to the Fact-Finder, although the Union claimed it had such agreements in its files and could present them.
3. If the Negaunee fringe benefits are taken into account, the wage offer made will be revealed to have been competitive considering the cost of the fringe benefits.
4. The only audited report the City could present was that for the year 1968. The C.P.A. has not yet been able to audit the 1969 report.

The City claims, however, that it had a deficit of \$68,000 at the end of 1968 in its General Fund. This is reflected in the 1968 audit showing an actual excess of expenditures over revenues of \$13,730 and a deficit at January 1, 1968, of \$54,500 for a total of \$68,230.

While this deficit may be revealed by the audit to have been reduced somewhat in 1969, such reduction will not be so significant as to justify a better offer than was finally made to the Union after the Fact-Finding hearing in an effort to settle the dispute. That offer was a 12¢ per hour across the board increase provided the Union withdrew its request for shift premium and cost of living adjustment demands.

It is too late this year (1970) to increase the property tax rate to yield a higher revenue for 1970 and, in any case, claims the City, it would not be wise or feasible to attempt to do so. Such increased revenues from property taxes as can be expected for 1970 will come from an increase in the valuation of property over the prior year (1968) from \$9,738,665 to \$9,936,820. The tax rate applied to both years is the same 21.2768 mills for each \$1,000 based upon a 50% valuation assessment. The legal tax rate limit is 22.5 mills or 2 1/4%.

In sum, the City's claim is that it is still in a significant deficit position entering 1970 and that prudent

management dictates no greater outlay for wages and salaries than is reflected in the final offer made as stated in item 6 above.

FACT-FINDER'S OBSERVATIONS

One element in this dispute has undoubtedly affected its resolution. Neither party made a point of it during formal presentation of position, but it came out in discussion. That element is that the Union involved in this case has recently been certified as collective bargaining agent for the police in Negaunee. Negotiations for them have been deferred apparently by mutual agreement pending resolution of this dispute. The Fact-Finder is reasonably certain that this has had a tacit but very real effect upon reaching settlement of this dispute. However, no question concerning the police is before this Fact-Finder and he must confine his findings and recommendations to the dispute covered by his appointment.

WAGES

In reviewing the Union's claims on wages, the Fact-Finder observes that Negaunee is apparently in the lead-off position for 1970 negotiations by the Union among the cities with which it seeks comparison. Thus there is no 1970 pattern established elsewhere to which Negaunee can be compared. This means that the Fact-Finder is restricted to comparisons of wage rates currently in existence at the beginning of 1970.

On this basis, by reference to the listing on page 4 of this report, the classification rate for Heavy Equipment Operator, Negaunee is in rank position #4 of the six cities. It is 10¢ below St. Ignace, 6¢ below Ishpeming, 8¢ below the bottom of the spread rate at Cheboygan; it is 8¢ above Kingsford and 1¢ above Norway.

For the Truck Driver classification, Negaunee is in rank position #3, being 29¢ below St. Ignace, and 7¢ below Norway; however, it is equal to Kingsford, 4¢ above Ishpeming, and 6¢ above the top of the spread rate at Cheboygan.

For the Mechanic, Negaunee is in rank position #6, being 20¢ below Norway, 14¢ below the top of the spread at Cheboygan, 9¢ below St. Ignace and Ishpeming; it is higher only than Kingsford by 6¢ per hour.

For the Laborer, Negaunee is again in rank position #5, being 47¢ lower than St. Ignace, 15¢ lower than Kingsford, 12¢ lower than the top of the spread rate at Cheboygan and 10¢ lower than Norway; it is higher only than Ishpeming by 19¢ per hour.

It should be noted that St. Ignace has a flat \$3.00 per hour rate for all four classifications. This suggests that either the jobs are interchangeable irrespective of classification, or that no effort has been made to evaluate the jobs if they are indeed different. It should also be noted that Cheboygan is on spread rates where comparisons with flat rate classifications are difficult because speculative.

In any event, Negaunee consistently is below only St. Ignace and Cheboygan. It compares favorably with Kingsford, Ishpeming, and Norway. The Fact-Finder was not asked to decide individual job rate differences, but only to find facts relating to general wage increase.

COST OF LIVING

As for the Cost of Living issue, there can be no doubt that erosion of wages through increased prices presents a serious problem. It is a national problem of great magnitude. It sprung from deep economic sources. However, among the cities sought to be compared by the Union with Negaunee, only Cheboygan has such a wage adjustment clause. It would appear that the first problem is to approach wage rates more nearly comparable with industrial counterpart rates before introducing cost of living adjustments. In this connection, the Fact-Finder believes that a one-year agreement will give the opportunity to review the cost of living matter in the light of the experience of 1970. It is a matter also of economic knowledge that private enterprise is in a position to pass on inflationary costs in the form of higher prices while public enterprise must rely upon tax revenues primarily. As is well known, public services are mainly not for sale at prices readily subject to adjustment and there is a lag between tax revenues and increased cost of operation of the public enterprise.

SHIFT PREMIUM

As for Shift Premium, there can be no doubt that in industry this is common practice on jobs where employees are on fixed rather than rotating shift schedules. Where rotation is practiced shift premiums are not so common. Indeed in most such situations, the adjustments for "bad hour" work, shared by all, are made in the wage rates themselves. Very few cities (only 6 in the state) in the 4,000-9,999 population group have any shift premium, whether fixed or rotating. According to the Municipal League 1970 Survey, none of the cities sought for comparison by the Union has a shift differential. The Union did not produce contracts to support its claim respecting shift premiums.

FRINGE BENEFIT CLAIMS

The Union and the City are in flat disagreement on the matter of fringe benefits generally, the Union claiming all of the cities it wants compared to Negaunee either match or surpass it in fringe benefits. The City on the other hand claims that the Negaunee fringe benefits surpass those of the other cities. Unfortunately neither the Union nor the City documented their respective claims. Hence, the Fact-Finder was forced to resort to the Municipal League 1970 Survey for information on this subject. The following chart reflects fringe benefit information from that survey insofar as there was reporting at all.

INFORMATION OF BENEFITS OBTAINED FROM
MICHIGAN MUNICIPAL LEAGUE, 1970 SURVEY

City	Addi- tional Paid Holi- Days	Overtime Pay Policy	Group Health Insurance Pays		Life Insurance Has Plan		Sick Leave		Vacation Policy	
			City Cost %	Dep. Cost %	% of Cost	No. Days Accu- mula- tion	No. Mos. Em- play- ed	Pay Unused Sick Leave	No. Days Accu- mula- tion	No. Mos. Em- plo- ed
egaunee	GYZ	C-PH	B-100	Y-100	Y-100	12-90	6	y-ab	5-15	12
t. Ignace*										
ingsford	G	PH-PH	B-100	N	None	12-100	6	ya	5-10	12
shpeming	WGYZ	PH-PH	B-100	Y-100	Y-100	12-150	1	N	10-10	12
theboygan	GYW	CS-PH	B-100	Y-100	Y-100	12NL	1	y-a	10-20	12
orway*										

Key:

Holidays in addition to New Years Day, Memorial Day,
Independence Day, Labor Day, Thanksgiving Day and
Christmas:

G - Good Friday (usually only several hours off
seldom more than a halfday)
Y - Halfday before Christmas
Z - Halfday before New Years
W - Washington's Birthday

Overtime Pay:

C - Compensatory time off
P - Monetary Payment
H - Time and One-half
S - Straight Time

No available data

Group Health and Life Insurance:

B - Blue Cross
Y - Yes
N - No

Sick Leave:

NL - No Limitation on Accumulation
Y - Yes
N - No
a - Retires
b - Resigns

The preceding chart indicates that Negaunee is competitive with other cities for which information is available but is not significantly different than some. Thus, the flat assertion by the Union that Negaunee is below other cities is not accurate nor is the City's claim that Negaunee's fringe benefits are greater and therefore more costly.

FINANCIAL POSITION OF THE CITY

Although no audit has yet been made of the City's revenues, expenditures, fund balances, or deficits for the year 1969, the City furnished the Fact-Finder the following documents:

1. Audit for the year ended December 31, 1968.
2. Statement of Receipts, Expenditures, Balances, and Deficits for each of its funds for 1969--information which has been turned over to the C.P.A. for auditing but which is as yet not audited.
3. The 1970 City Budget

Note: The City complains that all of the above documents were available for inspection by the Union but that at no time did the Union avail itself of them, nor even request them. Since the City was claiming that its financial position prohibited it from meeting the Union's demands, it would appear to the Fact-Finder that the Union would have been well advised to have requested and examined these documents so as to put this question in rational perspective.

Appended to this Report are five Summaries professionally extracted from the documents furnished by the City Manager at the request of the Fact-Finder:

1. 1969 Revenues Summary
2. 1969 Expenditures Summary
3. Detail of General Fund 1969
4. 1969 Actual Revenues vs. Actual Expenditures
5. Exhibit II of 1970 Annual Budget--1969 Results Restated

Stated briefly, the major conclusions to be drawn from these summary pages are:

- a) For the year 1969, the Revenues exceeded Expenditures by \$30,536. This does not include the highway deficit of \$18,812.
- b) The deficit carryover of \$68,230 from 1968 will be reduced to \$37,694 at the end of 1969 (See page 3 of Summaries).
- c) The main cause of the deficit appears to be the Water Utility. The Revenues are approximately 2/3 of the Expenditures.
- d) The 1970 Budget calls for estimated Revenues and Expenditures of approximately \$1,200,000. Based on the actual results of 1968 and 1969, this figure might be on the high side, but there is no way to prove this.

It would thus appear that the City's position is improving and its reference to a \$68,000 deficit is to a carryover from past years which will be significantly reduced at the end of 1969 (to \$37,694).

The City estimates the cost of a 12¢ per hour general wage increase to be \$17,200. In a final offer to settle, the Union proposed a 15¢ per hour increase plus shift premium of 5¢ per hour for afternoon and 10¢ for midnight shifts and it would withdraw the cost of living demand. The cost of this proposal would be, as calculated by the City, \$25,880 (\$21,500 wage increase + \$4,380 shift premium). The City refused this and had no further offer having moved up from 7¢ per hour to 12¢ per hour. Hence this Report.

RECOMMENDATIONS

1. The Agreement should provide for a 15¢ per hour general wage increase. It is well established in BLS reports that 1969 settlements for non-manufacturing industry excluding construction exceeded 7%. If the 1969 rates for the four classifications submitted by the Union for comparison purposes are averaged, the average rate is \$2.76 per hour. A 15¢ per hour increase added to \$2.76 amounts to approximately 5 1/2%, well under the 1969 wage settlement percentage. This Agreement is for the year 1970. The Fact-Finder cannot believe that the additional \$4,300 wage cost over the 12¢ per hour offer will put the City in difficult circumstances. The City should have agreed to the final 15¢ per

hour general wage increase proposal made by the Union. The Fact-Finder so recommends.

2. There was no proof that in cities the size of Negaunee there are any shift premiums paid, particularly in this general area. There are not over a half dozen such cities (4,000-9,999 population) in the State that pay shift premiums, as far as the Fact-Finder can determine from the Municipal League Survey, which was the only source he could go to since the Union furnished no documentary or other proof to the contrary. The Fact-Finder recommends no shift differential.

3. The Union withdrew its cost of living demand and for reasons heretofore stated, the Fact-Finder believes this to have been a correct thing to do at this time. The Fact-Finder recommends no cost of living adjustment provision in this agreement.

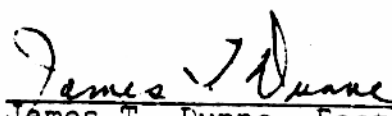
4. As agreed by the parties in writing, the general wage increase should be retroactive to January 1, 1970.

5. The agreement for wage purposes including cost of living should extend to and through December 31, 1970.

6. Finally, the Fact-Finder cannot believe that a 3¢ per hour difference between the City's last offer and these recommendations can justify a continuance of this dispute.

April 6, 1970

Date


James T. Dunne, Fact-Finder

1969 REVENUES SUMMARY

	<u>Actual</u>	<u>Appropriation</u>	<u>Balance</u>
Highway	\$ 106,665	\$ 118,748	\$12,082
Electric Utility . . .	316,888	319,500	2,612
Water Utility	88,575	101,646	13,070
General Fund	613,158	622,589	9,430
 Total	 <u>\$1,125,288</u>	 <u>\$1,162,483</u>	 <u>\$37,194</u>

1969 EXPENDITURES SUMMARY

	<u>Actual</u>	<u>Appropriation</u>	<u>Balance</u>
Highway	\$ 125,477.06	\$ 118,748	(\$ 6,729)
Electric Utility	281,535	325,542	44,007
Water Utility	131,107	101,646	(29,461)
General Fund	575,343	616,546	41,203
 Total	 <u>\$1,113,462</u>	 <u>\$1,162,483</u>	 <u>\$49,020</u>

DETAIL OF GENERAL FUND 1969

Revenue:

Taxes	\$364,169	
Fines	687	
Use of Money and Property	17,258	
State Aids	118,796	
Service Charges	<u>112,105</u>	
Total (to page 4)		\$613,158
Add: Transfer from Electric Utility		<u>35,353</u>
Total (to page 5)		<u><u>\$648,411</u></u>

Expenditures:

Total as detailed in Budget Summary Report, pages ix-xiv.	\$575,343	
Add: Transfer to Water Utility	<u>42,532</u>	
Total (to page 5)		<u><u>\$617,875</u></u>
Excess of Revenues over Expenditures		30,536
Add: Deficit Carryover of 1968		(68,230)
Deficit at 12/31/69		(<u><u>37,694</u></u>)

NOTE: This does not include the Deficit in the Highway Fund for 1969 which amounts to \$18,812.

1969 ACTUAL REVENUES vs. ACTUAL EXPENDITURES

	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance</u>
Highway Fund	\$ 106,665	\$ 125,477	(\$18,812)
Electric Utility	316,888	281,535	35,353
Water Utility	88,575	131,107	(42,532)
General Fund (before transfers)	613,158	575,343	37,815
Total	<u>\$1,125,288</u>	<u>\$1,113,462</u>	<u>\$11,826</u>

EXHIBIT II OF 1970 ANNUAL BUDGET

1969 RESULTS RESTATEDGeneral Fund

Revenues (page 3)	\$ 648,411	
Expenditures (page 3)	(617,875)	
Excess of Revenue		\$30,536

Electric Utility

Revenues	316,888	
Expenditures (includes transfer to General Fund)	316,888	
Excess		-0-

Water Utility

Revenues (includes transfer from General Fund)	131,107	
Expenditures	131,107	
Excess		-0-

Highway Fund

Revenues	106,665	
Expenditures	125,477	
(Deficit)		(\$18,812)