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In the Matter of Arbitration between
Saginaw Education Association

-and-

Saginaw Board of Education
Saginaw, Michigan

Preliminary Statement

The Collective Bargaining Agreement between the parties expired on August 16, 1974. Negotiations between the parties for a new agreement commenced in May, 1974. At that time, the Association proposed that all matters which could not be resolved by the beginning of the school year should be submitted to final and binding arbitration. The Board rejected the proposal; however, on August 26, 1974, the Board agreed to submit the remaining unresolved issues to arbitration on the condition that the fact-finder accept, without modification, either the Board's final proposals on all items or the Association's final proposals. This condition was accepted by the Association. The parties also agreed to reinstate the terms of the expired collective bargaining agreement until the arbitration award was received. Further, they agreed to a five percent (5%) increase in the salary schedule for the 1974-1975 school year.

Following these actions, application was made to the Michigan Employment Relations Commission for a Fact Finder. Thereafter, Dallas L. Jones was appointed to serve as the Fact

Finder or Arbitrator.^{1/} Hearings were held on October 29 and 31, 1974; November 19, 1974; December 12, 16, 17 and 18, 1974; and January 28, 1975. After receipt of the post-hearing briefs, the Arbitrator met with representatives of the parties on March 25, 1975 to review and clarify certain financial data. The hearing was then closed.

Opinion

I. Issues and Criteria for Decision

The parties are in dispute on 19 items. These items and their contractual references are:^{2/}

1. Art, Music and Physical Education (Article V, Section E.)
2. Consultants (Article V, Section E.)
3. Lesson Plans (Article V, Section G.2.)
4. Transfers (Article IX, Section A)
5. Union President (Article XVIII, A.2.)*
6. Sick Days - Maternity Leave (Article XVIII, Section E. 1.)
7. Life Insurance (Article XXII, Section B)
8. Dental Insurance (Article XXII, Section D)*
9. Dues Deduction (Article XXVIII)
10. Layoffs (Article XXVII, Section K)
11. Saginaw Education Association Business (Article XXVII, Section O.)

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1. The agreement between the parties states that the unresolved issues will be submitted to a fact finder for binding resolution. The function of the neutral is thus more that of an arbitrator than that of a fact finder; hence, the term arbitrator will be used hereafter.
 2. Those items marked with an asterisk (*) represent new contractual provisions.)

12. Final Exam Schedule (Article XXVII, Section P)*
13. Affirmative Action (Article XXVII, Section Q)*
14. Salary Schedule (Appendix A)
15. Graduate Courses (Appendix A, Section 3a.)
16. Extra Duty Schedule (Appendix A - B, 2-8)^{1/}
17. Coaching Salary (Appendix A - E)
18. Career Opportunities Center Salary (Appendix A - F)
19. Individual Contracts (Appendix B)

The Association's proposals in regard to these items are set forth in Appendix A; those of the Board are set forth in Appendix B.

In submitting these issues to arbitration, the parties did not detail the decisional criteria to be used by the Arbitrator. Their only stipulation was that the Arbitrator must accept one of the two packages (or set of proposals) taken as a whole. Both parties have presented their positions, however, in terms of "reasonableness;" that is, that their position on a particular proposal is the "most reasonable." The Board has suggested that the criteria set forth in Act 312 should be used to determine which proposal is most reasonable, and indeed these criteria were used by the parties in arguing their respective positions on most issues. But even if these criteria are used, and the Arbitrator has done so, it does not provide a satisfactory answer to the problem.

Act 312 provides that each issue shall be decided separately; thus, the arbitrator in these cases can accept the most

1. It should be noted that this issue has seven separate items.

reasonable final offer on each issue in terms of the guidelines established by Act 312. Under the package approach there is some question whether one should proceed on an issue by issue basis. Clearly, a numbers approach should not be used; that is, determining which package is the most reasonable on the basis of which party has advanced the greatest number of reasonable proposals. By no stretch of the imagination would this provide an answer to which package is the most reasonable.

There is in this matter another problem connected with proceeding initially on an issue by issue approach. Under Act 312, the Arbitrator can decide each issue on its merits, although he does have to be concerned with the total cost; thus, the Arbitrator can provide a reasonably equitable and acceptable result to both parties over a range of issues. This is not possible under the package approach. Inevitably, there will be proposals advanced by one party or the other which, even though "most reasonable," will be lost depending upon which party's total package is accepted. Thus, if the Arbitrator were to say to one party that its proposals on certain issues are the most reasonable but its total package is not, would this provide an acceptable answer to the dispute and further the cause of better relations between the parties? It would seem to the Arbitrator that this could become a source of continuing irritation, thereby intensifying tensions between the parties. There is also the possibility that such dissatisfaction would undermine the viability of arbitration as a means of resolving interest disputes insofar as the parties are concerned, even though it has growing acceptance on the part of the public. The Arbitrator does

not believe, therefore, that he should use an issue-by-issue approach.

For his own purposes, the Arbitrator has considered each proposal separately and reached a decision concerning it. In so doing, he found neither package "most reasonable" on all items; that is, in regard to some proposals he found the Board's proposals most reasonable, whereas on others the Association's proposals were clearly more reasonable. Thus, the Arbitrator cannot say as a result of this study that one package is more reasonable than the other because that package has the most reasonable position on all matters.

Another matter of concern is the amount of time which has elapsed (8 months) since the parties agreed to submit this dispute to arbitration. While this delay was unavoidable and due to the time required to select an arbitrator, schedule hearings, present testimony, and study the evidence,^{1/} it nevertheless interposes a new element into the proceeding. The parties' final offers were made in a context of teacher layoffs, curriculum cutbacks, high inflation, and doubt concerning the fate of a proposed increase in millage. While some of these concerns have lessened since August, they have been replaced with others - such as the plight of the economy and especially the Michigan economy.

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1. The parties, as well as the Arbitrator, did not anticipate eight days of hearing. This resulted from the extensive testimony and documentation presented by the parties. There were 3 Joint Exhibits, 75 Association Exhibits and 111 Board Exhibits. In addition, both parties submitted very lengthy post-hearing briefs. In retrospect, this should have been expected given the importance of the matter to both parties.

There is no approach which will satisfactorily deal with these problems - or at least the Arbitrator could not find one even though he has given the matter great consideration. The decisional approach which appears feasible, and which the Arbitrator has adopted, is to examine first the economic proposals - the costs against ability to pay and equity. This does not mean that the non-economic items are unimportant; it means only that the first concern has to be with the continued viability of the school system and the economic welfare of the teachers.

II - Costs of Economic Proposals

The positions of the parties in regard to each of the matters to be discussed below are set forth in full in Appendices A and B. It should be noted that in no instance is the Arbitrator asked to establish a "principle." Thus, the parties agree that there should be a dental program; the question is when it should be established and the scope of the program. The same is true for the cost-of-living provision. The primary concern at this point is an examination of the cost implications of the proposals in order to arrive at expenditure estimates.

Art, Music and Physical Education

The parties agree that art, music and physical education should be reinstated beginning with the 1975-1976 school year. The proposals differ, however, in their costs. Under the Board's proposal, 28 teachers will be required; under the Association's proposal an additional 6 teachers, or a total of 34, will be required. Although the Association stated in its brief that it would accept the Board's proposal of one hour

every other week for each activity rather than 30 minutes each week, this is in effect a modification of its proposal. Under the stipulation agreement, the Arbitrator must accept or reject the final proposals without modification; thus, the Association's proposal must be costed without change.

If beginning teachers are hired, using the Board's proposed salary schedule, the cost will be approximately \$308,000.00 in 1975-1976 and \$338,000.00 in 1976-1977. If average teacher salary is used, the cost is \$493,000.00 and \$542,000.00. The Board suggests that an average of these figures is realistic; that is, \$400,000 and \$500,000. The Association urges that the Board will hire beginning teachers; therefore, using the Association's salary proposal, the cost will be \$375,000 and \$417,000 respectively.

The Arbitrator is convinced that the Board will attempt to hire beginning teachers and will hire experienced teachers only if competent beginning teachers are unavailable; one has to assume, however, that some experienced teachers will be hired. Thus, the \$400,000 cost projected by the Board for 1975-1976 may be on the high side but not unreasonably so. The same analysis indicates that the Association's proposal for 1975-1976 will cost more than \$400,000, but he doubts that it will reach the \$500,000 level estimated by the Board.

The cost for 1976-1977 will be greater. If the Association's package is adopted, the cost will be significantly higher because of the greater change in the salary schedule and the subsequent impact upon the increment cost. The Arbitrator doubts, however, that it will cost an additional \$100,000 as estimated by the Board.

Life Insurance

The cost for this item is dependent upon the proposal adopted and the insurance carrier utilized. The Board's proposal would increase the amount of life insurance to \$15,000 in 1975-1976; the Association's proposal will increase it to \$17,000 in 1975 and \$20,000 in 1976. Although the Association's proposal called for an increase to \$15,000 in 1974, the insurance cannot be made retroactive; at best, it could not become effective until June 1975.

The Board is now paying 33 cents a month per \$1000 coverage. The additional cost to the Board under its proposal will be approximately \$40,000. The Board argues, however, that the benefit will have to be extended to other groups of employees; if so, the cost will be greater. The exact cost is indeterminate and will depend upon when the increased coverage is extended. The Board originally estimated that the Association's proposal would cost an additional \$86,229; however, over the remaining term of the Agreement the cost would be around \$75,000. Again, this amount will be higher if extended to all employees.

The Association produced evidence to show that if the Board were to use MESSA as a carrier, the insurance could be obtained at the rate of 23 cents per month for each \$1000 of coverage. Thus, the additional coverage could be provided at far less cost.

The Board's objection to using MESSA as a carrier is that teachers under the MESSA plan have the option of buying additional insurance which must be paid for through payroll deduction. Thus, the Board urges it would lose flexibility in the

future in seeking competitive bids to meet its contractual commitment because teachers would not wish to give up this option.

The Arbitrator can understand the Board's objection. Clearly, with ever increasing costs, the Board must remain flexible in its efforts to minimize cost. It is not clear, however, that the Board has made a strong effort to obtain the MESSA plan without the option. It may be possible to do so. The possibility also exists that the basic plan may cost more without the option than with it because of the likelihood of additional sales for the carrier.

It is difficult to conclude, therefore, the exact cost that the Association's proposal would entail. It seems possible that it could be less than that projected by the Board if the objections to the MESSA plan could be surmounted.

Dental Insurance

The Association proposal calls for the establishment of the MESSA dental care plan with orthodontic rider in 1975-1976; the Board's proposal calls for the establishment of the MESSA dental care plan without the orthodontic rider in 1976-1977. Two points in regard to costs should be noted: first, there are administrators who will receive the benefit because they are tied into the Association's Agreement; and, second, the figures represent rates in effect during 1974-1975.

As of January 1975, there were approximately 1000 teachers and 109 administrators. The cost under the Association's proposal, utilizing current rates, is approximately \$157,000 for 1975-1976. Under the Board's proposal there would be no additional cost in 1975-1976. In 1976-1977, the Association's

proposal would cost the same and the Board's proposal would cost approximately \$127,000. The difference in cost over the two years is thus \$187,000.

The Board projects an increase in rates for this insurance of 4 percent a year. While the Arbitrator believes this projection is on the high side, inevitably there will be an increase.

Sick Days - Maternity Leave

The Association's proposal would permit a teacher to utilize accumulated sick leave days preceeding a maternity leave of absence. The Board urges that this proposal would open up the sick bank for this purpose and thus greatly increase the cost. On the basis of the testimony and the language of the proposal, the Arbitrator believes this claim is unfounded. The proposal is for sick leave days only.

The evidence indicates that an average of 20 teachers request maternity leave each year. The average age of those teachers requesting such a leave is approximately 28. The number of accumulated sick days for teachers 40 years and under is about 29 days; however, the number of days for teachers 30 years and under is not available. Generally, younger members of the work force are more prone to absences resulting from illness than older members. Upon the basis of this assumption, it would seem that the number of sick days for this age group is in the range of 20 to 25. If an average of 25 days is used, about 500 days per year would be used for this purpose.

There is no evidence as to the average salary of those who request maternity leave. The average daily salary of all

teachers in 1974-1975 is \$79.89; one can assume that this is higher for the average teacher than for one who requests a maternity leave because the latter, at average age 29, will have been in the system only 7 to 8 years. If an arbitrary figure of \$70.00 is used, the cost would be \$35,000 in 1974-1975. The cost will be higher in 1975-1976 and 1976-1977. A conservative estimate over the balance of the Agreement for the cost of this provision is \$78,000 under the Association's salary proposal, not including fringe benefits.

Extra Duty Schedule

The only evidence in regard to this item is Board Exhibit #45. This exhibit indicates that the difference between the Board's proposal and the Association's proposal is \$79,773 over three years or \$66,423 over the last two years of the Agreement. Inasmuch as the Association did not refute this evidence, the Arbitrator assumes it is correct.

Coaching Salary

The difference in cost between the Association's proposal and the Board's proposal is \$33,000 over the balance of the Agreement. This does not take into account any extra cost arising from the Association's "equal pay" demand, assuming that there are such inequities.

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Career Opportunity Center

The difference in cost between the Board's proposal and the Association's proposal is approximately \$6,800 for the two remaining years of the Agreement.

Salary Schedule

Salary costs are difficult to project with any degree of

certainty; this is especially true for 1976-1977. The Board's proposal for 1975-1976 calls for a 2½ percent increase in the salary schedule and assumption of the 5 percent retirement cost now paid by the teacher - a total of 7½ percent. In 1976-1977, the Board will increase the salary schedule by a minimum of 4 per cent and a maximum of 8 percent, depending upon the increase in cost-of-living, and continue to pay the retirement cost.

Thus, both the salary schedule cost and the retirement cost can vary over a substantial range in the last year of the Agreement depending upon the rise in cost-of-living. For example: a beginning teacher (B.A.) in 1974-1975 receives \$9,398. In 1975-1976, the salary will become \$9,633 with \$482 in retirement costs. In 1976-1977 with a 4 percent increase, the beginning teacher will receive \$10,018 and \$501 in retirement cost, whereas with an 8 percent increase the salary will become \$10,404 and \$520 in retirement costs.

The Association's proposal calls for a 3 percent increase plus two-thirds of the rise in the cost of living in each of the remaining two years of the Agreement; thus, there is no maximum. If the Association's assumption of a 10 percent rise in the cost of living from June 1974 to June 1975 and 8 percent from June 1975 to June 1976 is correct, the increase in the salary schedule will be 9.67 percent in 1975 and 8.33 percent in 1976. Thus, a beginning teacher (B.A.) in 1975 will receive \$10,306; in 1976 the salary will become \$10,958. The teacher continues to pay the retirement cost.

The difference in costs between the two proposals is considerable, even though it does not appear that way if one simply

looks at the percentage increases.^{1/} This difference is in large part the result of the substantial increase in the salary schedule in 1975-1976 that will result from the Association's proposal as contrasted to the Board's proposal. The larger increase in the salary schedule has a direct impact upon the cost of increment and degree changes as well as other demands proposed by the Association as noted above.

III. Revenue and Budget Projections

The revenue projections of the parties are far apart as a result of different assumptions. The principal differences are:

1.) The Board initially assumed that S.E.V. will increase but at a declining rate; thus, the Board estimated that it would increase 3 percent in 1975-1976 and 2 percent in 1976-1977. In January, 1975, the Board changed its position and now predicts that S.E.V. will decline. The Association estimates that S.E.V. will increase 5 percent in 1975-1976 and 4 percent in 1976-1977 or one-half the Association's projected rise in the cost-of-living over these years.

2.) The Board anticipates, at best, that the present state aid formula will be used in 1975-1976 and will continue unchanged in 1976-1977; thus there will be a decline in state aid over the next two years. The Association projects no change in the formula for 1975-1976 and a significant change in 1976-1977.

3.) The Association also projects more revenue from such items as interest, rent, tuition and cafeteria than does the Board.

1. Association Exhibit #40, p. 16.

4.) The parties differ upon what will be the effect of the Association agreement upon the Board's negotiations with other bargaining units. The Board argues that it will be difficult to withstand pressure from these units not to match the gains given to the Association; thus, the projected cost of these agreements will increase over the budgeted amounts. The Association urges that this will not necessarily occur.

The Board's initial budget was prepared late in the summer. The latest budget projections take into account certain developments which occurred in the meantime. These changes are: (1) a budget deficit of \$150,000 for 1974-1975 instead of a \$249,208 balance. This deficit will result from restoration of full day sixth grade classes, \$150,000 reduction in state aid, and a reduction in interest income; (2) restoration of the music, art, and physical education program in 1975-1976 at a cost of \$400,000 and in 1976-1977 at a cost of \$500,000;^{1/} (3) \$100,000 for unemployment insurance liability;^{2/} and (4) a \$300,000 projected decline in property taxes. The Board has added to its revenues \$213,000 from the one mill library millage. The latest projections, taking into account the above considerations, are:

June 30, 1975 General Fund Deficit	\$ [150,000]
1975-1976 Revenues	29,902,000
Expenditures	29,101,375
June 30, 1976 General Fund Equity	582,225
1976-1977 Revenues	30,085,225
Expenditures	31,440,475

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1. As indicated above, the Arbitrator believes that these estimates are high.
 2. The Board claims that this liability can be as much as \$190,000.

June 30, 1977 General Fund Deficit \$[1,355,250]

The Association's projections were submitted in January before some of the above changes took place. As submitted, these projections are:

June 30, 1975 General Fund Equity	\$ 249,208
1975-1976 Revenues	30,257,000
Expenditures	29,103,475

June 30, 1976 General Fund Equity	1,402,733
1976-1977 Revenues	31,593,000
Expenditures	31,219,675

June 30, 1977 General Fund Equity \$ 1,776,058

When the projected deficit for 1974-1975 and the other cost items noted above^{1/} are factored into this budget and the revenue projections retained, the 1977 General Fund Equity is reduced to \$456,058. It also does not appear that the Association's projections take into account certain of its other proposals, such as sick pay prior to a maternity leave; if so, the 1977 balance will be less than noted above.

IV. Conclusions Concerning Revenues and Expenditures

It goes without saying that budget projections are simply the best estimates that can be made upon the available data at a given time. There can be, and usually are, changes as new data become available, or unexpected events occur. A good example is the reduction in December 1974 of \$150,000 in state aid which Saginaw anticipated; this helped to turn an expected surplus into a deficit. In this dispute, there are a number of

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1. In making these calculations, the Arbitrator has used the same figures as the Board presented for restoration of the full day 6th grade class and unemployment insurance. He has used \$400,000 for art, music, and physical education in 1975-1976 and \$450,000 in 1976-1977.

assumptions which have to be made and the validity of these assumptions can greatly affect the results. One example is the effect that would occur if the Arbitrator accepted the Board's package and the Association's revenue assumptions proved completely valid.

Arbitrator's are often accused of "splitting the difference." At times the criticism is valid; at other times it is not. In this instance, it seems to the Arbitrator that the Board has taken a "conservative" approach to revenues and the Association has taken a more liberal view. Thus, the Arbitrator cannot fully agree with either party because of these positions and thus has to "split the difference."

It appears at this time that the Association's projections concerning the inflation rate are valid. One can say with considerable certainty that it will not be greater than ten (10) percent for the 1974-1975 period, and there is a good possibility that it may be somewhat less; however, this would not significantly affect costs. If the present rate of decline in the inflation rate continues throughout 1975 and into 1976, it clearly will not exceed 8 percent, and again it may be less. Obviously, much will depend upon developments in both the national and world economies; however, one has to assume that current trends will continue.

The Arbitrator questions both parties' assumptions in regard to property tax revenues, and particularly that of the Association. Property taxes are dependent upon the amount of taxable property and the market value of the property. An estimate based solely upon the inflation rate is unrealistic

unless it can be shown that it has that effect in a given community. The only evidence submitted indicates that in recent years property tax valuation in the City of Saginaw has been increasing but at a declining rate. This year little or no increase is expected. (Board Exhibit #43) One can anticipate an increase next year if the expected upturn in the economy materializes. Thus, the Arbitrator believes the Board's projection of property tax income is somewhat low and the Association's is high.

Estimates of state aid are more difficult to project. The Arbitrator does not believe that it will be less or remain the same even with declining enrollments; thus, he believes there will be more state aid under any formula which is adopted. The question is how much more.

There are proposals before the legislature which will increase the state aid to Saginaw from \$770,000 to \$1,000,000 in 1975-1976. The Arbitrator seriously questions whether there will be increased aid in this magnitude. While there is every indication that the recession has bottomed out or is about to do so, few economists predict a substantial decline in the unemployment rate until next year. Inasmuch as Michigan has a much higher rate than the national rate and inasmuch as the Michigan economy tends to respond to a recovery more slowly than does the national economy, the outlook is not good until well into 1975.

Moreover, even if legislation providing for such aid is enacted, there is no assurance that it will be provided. The Michigan Constitution mandates a balanced budget. Thus, after the appropriation has been made, it is not unusual for school

districts (as well as other units depending upon state funds) to be required to "save" a certain amount. Saginaw's experience last December is a good example. This is unfortunate, but it is a fact of life. The Arbitrator's best guess - and he admits it is nothing but a guess - is that there will be a 2 to 5 percent increase in state aid in 1975-1976.

If the economic conditions change as expected, the Association's projection for 1976-1977 may be valid. At that time state revenues should be increasing and there may be an attempt to provide public employees with a "catch-up" increase. But one cannot be certain this will occur.

It is also clear that the Association's interest rate projections are high. This results from the expected 1974-1975 deficit and the trend toward lower interest rates in recent months. While the Arbitrator believes that the Board will attempt to increase revenues from rent, cafeteria sales, and tuition, there is a question of how much these items can be increased.

The projections of the Arbitrator lead to significant changes in the proposed budgets of the parties - more so in the Board's budget than in the Association's. Thus, it seems to the Arbitrator that the best that can be expected if the Association's proposals are adopted is a balanced budget; indeed, the reasonable assumption is that there will be a deficit inasmuch as it requires only a \$500,000 loss in income to bring about this result. The loss from property taxes and interest income will not offset the increase in state aid. Moreover, as noted, there are other costs which do not appear to be included in the Association's budget.

On the other hand, the Arbitrator believes the Board's estimate of revenues is much too low. There will be more revenue from property taxes and more from state aid. The Arbitrator also believes that some of the Board's cost projects are high. Thus, it seems to the Arbitrator that instead of a deficit, the Board will end the 1976-1977 year with a surplus, although not a large one.

The Arbitrator emphasizes, however, that like the Association and Board projections, his projection is no better than the assumptions upon which it is based.

V. Equity Considerations

The Association offered a number of arguments to justify its economic as well as its non-economic proposals. The Board countered with a like number of arguments in favor of its own proposals. These arguments will not be spelled out in detail.

The Arbitrator agrees that Saginaw teachers have fallen behind in terms of real wages. But this is true for most public employees as well as many employees in the private sector. It is only the lucky few who have avoided such a fate. While the Arbitrator sympathizes with the Association in this respect, it may be impossible to achieve in the near future what the Association would like. } why?

Obviously, the Arbitrator disagrees with the Board's position that teachers have not fallen behind in real wages. The Board's position is based upon all earnings, which include those resulting from movement up the schedule and through degree changes. The salary schedule is based upon the assumption that increased experience and education lead to more effective teaching.

Thus, in the past, beginning salaries for teachers have been lower than other professions, but there is an assurance of increased salary with experience. By providing the incentive for more education through greater pay, teachers spend time, money, and effort to obtain higher degrees. As long as these assumptions in regard to experience and education hold, the Arbitrator does not believe that these increases can be used as an offset against inflation. There is no doubt, however, that increment and degree changes are a cost to the Board and, therefore, affect its ability to provide increases in the salary schedule per se.

It seems to the Arbitrator that the basic consideration in equity terms is whether Saginaw teachers have been treated fairly from an economic standpoint when compared with teachers in other districts.^{1/} This includes both salary and benefits.

The only evidence the Arbitrator received in regard to salary increases is the statement by the Board on July 16, 1974 that the average salary increase for teachers in Michigan at that point in time was 8½ percent (Association Exhibit #36). If this figure held throughout the remainder of the negotiations, then Saginaw teachers fell 3½ percent behind the average settlement last year. But this does not provide a completely valid picture; one has to compare Saginaw with other districts over a period of time.

There are great difficulties in attempting to make comparisons with other school districts. The Board has urged a comparison

1. The Arbitrator is aware that the non-economic proposals involve questions of equity; these have to be determined on their own merits.

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with ten cities which it claims are most similar to Saginaw in certain characteristics. The Association urges that comparisons should be made with those districts which have 10,000 to 49,999 students. The Arbitrator agrees with the Association that there are other cities which might have been included in the Board's list. On the other hand, there are many cities in the 10,000-49,999 grouping which have little in common with Saginaw - i.e., Grosse Point and Farmington - except that they fall into this size grouping. The Arbitrator notes that the Board has attempted to use its proposed comparative cities in the past but without success.

In part, the Board's lack of success in this regard stems from the fact that different considerations had to be taken into account a few years ago as compared to the present. Then, the problem was to attract and retain teachers in the face of increasing enrollments and a teacher shortage. It was necessary to try and match the salary schedules offered by other districts to achieve these objectives.^{1/} Today, there are declining enrollments and a surplus of teachers. This is true at every level of education and is reflected in salary slow-downs. This does not mean that Saginaw teachers should not keep pace with other districts as a matter of equity, but the same imperatives are no longer present. Thus, it seems to the Arbitrator that the comparisons proposed by both parties are valid.

1. The Arbitrator served as the neutral in many disputes in those years and these objectives were always present in attempting to arrive at a mutually acceptable solution to the dispute.

It is to be expected that when comparisons are made with the Board's selected cities, Saginaw does very well. It is at the top or near the top in both salary structure and benefits. When one compares Saginaw's salary structure with the 33 districts in the 10,000 to 49,999 students category, Saginaw does not do as well; however, it is not as bad as the Association suggests.

If one uses a simple ranking of salary structures, the following results are obtained:

	BA Step 1	BA Step 10	BA Step 12
1971-1972	12	24	15
1972-1973	14	22	15
1973-1974	11	21	22
1974-1975	14	24	23
	MA Step 1	MA Step 10	MA Step 12
1971-1972	14	22	22
1972-1973	16	19	22
1973-1974	12	21	21
1974-1975	13	21	23

If one attempts to adjust for small dollar amounts by using a range of \$100 up and down from the Saginaw basic salary at those levels, Saginaw consistently falls in a range from 7-20 on the BA scale and 10-20 on the MA scale. In other words, Saginaw has traditionally been in the middle range of the 33 cities and this is true today.

There are greater differences at the MA plus 30 and MA plus 60 levels. Although Saginaw has never been high in this respect, it has fallen further behind. In part this is due to

different structuring of the index system, and particularly to changes made in salary structures over the past few years.^{1/} The Arbitrator was personally involved in one dispute where this was done, and he is aware of others. The Association's proposal will increase the salary at the top levels but at great cost.

It is difficult to project what will occur in the next two years. If the Association's proposals are adopted, there seems to be no doubt that Saginaw will move well up the scale because the Arbitrator doubts that there will be many settlements which will provide a projected 18 percent increase in the salary schedule along with increased benefits; one can anticipate that many districts will agree to include the absorption of retirement costs as part of the salary agreement. Certainly, in view of the economic climate, there will be some "hard bargaining." One can also question whether many millage efforts will be successful for the same reason and thus will tend to restrain salary increases.

The Board's proposal will clearly not have the same effect upon the salary schedule as the Association's; however, the difference in take-home money is not as great as it appears under the two proposals. While the Board's proposal will permit only a 10½ percent maximum increase in the salary schedule, this does not take into account the assumption of the cost of the retirement payment in the first year and which is continued into the second year. It seems unlikely that few districts will do

1. In view of the present labor market, there is considerable justification in many instances for such a change.

better than Saginaw next year, but the following year is more uncertain.

There are many difficulties in attempting to compare the life insurance, dental insurance, and cost-of-living provisions. Not the least of these problems are the following: some districts provide options among these benefits and others do not, there are variations in the dental plans, and there are variations in the scope of the cost-of-living provisions. The Arbitrator notes that as of 1974-1975, 11 of the Association's comparable districts had a dental plan; 2 had life insurance coverage of \$20,000 and ¹⁰ had \$15,000 (many had coverage of \$10,000 or less); and 10 districts had some type of cost-of-living provision with five more districts scheduled to have such provisions in 1975-1976. Thus, by 1976-1977, Saginaw will reach parity - at least in a basic sense - with the leading districts; moreover, Saginaw will have all of the benefits, whereas some do not.

There is no way to determine which party has the most equitable position in regard to the non-economic issues. On some issues, the Arbitrator favors the Association's position, and on some he favors the Board's position. The most that can be said is that neither party will suffer irreparable harm regardless of which package is selected. But this is small consolation when one is confronted with a constant irritation that has to be endured.

VI. Conclusions

The Arbitrator has reached the difficult conclusion that he must accept the Board's package. There are several reasons

why he believes this must be done; however, the major reason is that he believes it would border on fiscal irresponsibility not to accept the Board's package in the absence of compelling reasons that dictated another decision. The Arbitrator does not find those reasons here. The teachers' position will not be jeopardized by the Board's proposal; indeed, the teachers will make substantial improvement in their economic position over the next two years. Moreover, if the Association's legal arguments in regard to two of the matters in dispute are correct, this decision does not foreclose further action in another forum.

meaning
what
exactly?

While the position of the teachers would improve even more under the Association's package, its acceptance would raise serious questions concerning the financial viability of the school system if the assumptions made in regard to revenues are valid. As noted, the best one can assume under the Association's package is a balanced budget in June 1977. While admittedly the revenue projections can be in error, there can also be an error down as well as up. An error on the down side could do grave harm.

CONFUSING

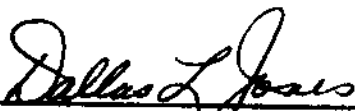
Another element is the fact that as of July 1, 1977, the Board must, by law, assume the five percent of salary for pension purposes which the teacher is now paying. Given the steep increase in the salary structure which the Association's proposal entails, it would require some \$900,000 in new revenue to meet this obligation alone. When this obligation is added to the other budget uncertainties under the Association's proposal, the risk becomes too great. It raises the possibility of cut-backs in program, layoffs, etc.

The Arbitrator believes that the parties could have reached an acceptable agreement with a few concessions on both sides. This became apparent as the hearing progressed. At the conclusion of the hearing, the Arbitrator urged the parties to resume bargaining and pointed out to them that a negotiated agreement would be far more satisfactory than an arbitrator's decision. For whatever reason, this could not be accomplished.

The only accomplishment which the Arbitrator sees arising from this proceeding is that the dispute was settled without a strike. The result of the proceeding may prove so disappointing to both parties that hopefully in the future they will make every effort to resolve their problems through negotiations.

Award

The Board's package is accepted by the Arbitrator, and the Board's proposals will be incorporated into a new Agreement. The Arbitrator will retain jurisdiction of this matter for sixty (60) days from the date of this Award for the purpose of resolving any disputes which may arise concerning its implementation.



Dallas L. Jones
Arbitrator

Dated at: Ann Arbor, Michigan

April 23, 1975