

MICHIGAN EMPLOYMENT RELATIONS COMMISSION

ACT 312 ARBITRATION

CITY OF MARQUETTE,

Employer,

- and -

WISCONSIN PROFESSIONAL
POLICE ASSOCIATION,

Union.

Arising pursuant to Act 312, Public Acts
of 1969, as amended

Case No. L00 I-5005

Arbitrator: Thomas J. Barnes

CHRONOLOGY

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| Petition for Arbitration Filed: | October 9, 2000 |
| Arbitration Hearing: | May 11, 2001 |
| Award Issued: | July 18, 2001 |

APPEARANCES

| | |
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| For the Employer: | Judy Stanley |
| For the Union: | Thomas Bahr |

STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
DETROIT OFFICE
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A prehearing conference was held at the City offices in Marquette on March 27, 2001. The 312 issues were not resolved and a hearing was held at the City offices in Marquette, Michigan, on May 11, 2001, and the parties presented testimony and exhibits regarding the issues.

After reviewing the final offer of the Union dated May 25, 2001, and the final offer of the City dated May 31, 2001, conferences of the three panel members were held on May 31 and

June 19. The parties have agreed to waive the filing of briefs due to the extensive and complete presentations made at the hearing.

The parties agreed the issues were as follows:

1. Wages
2. Health Insurance
3. Length of Contract

Since those issues were intertwined for the reasons that follow, the parties agreed that the selection of one party's position on wages included as well the health insurance and length of contract issues.

All other terms of a new collective bargaining agreement between the parties have been agreed to in tentative agreements and stipulations and those are hereby incorporated herein. The panel will retain jurisdiction for 30 days after the below date of the issuance of this Award to ensure proper implementation of the agreement.

The unresolved issue between the parties is simple to state: Should the new agreement between the parties contain a deduction from the bargaining unit employees' payroll checks for health insurance coverage (City position) or does the evidence support the Union's position that they take a slightly lower wage increase with no deduction from a bargaining unit member's paycheck for health insurance premiums?

For the reasons that follow, I have concluded that the City's position in its final offer best meets the statutory definition under which I am authorized to author this Award.

Union's Position

The Union's position is clear. All of the comparable labor contracts in the Upper Peninsula that most closely mirror the City of Marquette do not at the present time contain any language wherein the employees are co-paying part of the premium cost. The Union argues that since that is the case, and since it is willing to offset any appropriate co-pay for health insurance premiums against their salaries, that it does no financial harm to the City to adopt the Union's position. The Union has proposed a 3 year agreement, not as a separate issue, but rather as part and parcel of its wage and insurance last offer.

City's Position

The City takes the position that it has uniformly required all of its non-Union personnel, including administrators and executives of the City of Marquette, to have a certain portion of health insurance premiums deducted from employees' paychecks. Further, the City has reached agreement with its other unions (except for the firefighters which is currently in negotiations) to likewise have those employees pay a portion of their premiums via payroll deduction. The City has set up a mechanism whereby each group of employees can select various insurance options which would preclude the necessity for payroll deduction where the option selected would save the cost of at least the proposed payroll deduction co-pay. The City further argues that it has softened the impact of its proposal by not imposing the deductions the first year of the proposed contract. The City has proposed a 4 year agreement which is also combined as one issue with the wage and health insurance issues.

Statutory Criteria

The statutory criteria that Act 312 arbitration panels are required to follow are as follows:

- (a) The lawful authority of the 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 those costs.
- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (i) In public employment in comparable communities.
 - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.
- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (h) 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.

FACTS

The evidence establishes that the Union is correct in asserting that other contracts for comparable bargaining units in the Upper Peninsula at the present time do not contain payroll deductions for health insurance. The facts also establish that the City has imposed payroll deductions on all of its other non-union personnel and those are currently in effect and they are

identical to the amounts being proposed in this case. The City has also reached agreements with its other unions (except the firefighters currently in negotiations) and those unions have agreed to the same payroll deductions. Finally the evidence establishes that in addition to the above, the City has established a procedure by which in each year each bargaining unit can select various alternatives to health insurance plans which would lessen the impact and eliminate the necessity for payroll deductions, albeit with either higher deductibles or lesser coverage than the plan which necessitates the payroll deductions.

ANALYSIS AND CONCLUSIONS

This is a case where the Union is appropriately desirous of maintaining a pattern throughout the Upper Peninsula whereby deductions are not made for health insurance premiums. Generally, the Union's comparables support that pattern except for the variations of plans, non payroll co-pays, and differences in riders noted below. There are several variations in the insurance plans of the comparable communities. For example, only Houghton has the same BCBS-One [Ishpeming has MEBS, Marquette Sheriff BCBS – Community Blues, Northern Michigan University BCBS – self insured (See City Exhibit 2; Union Exhibits 23-27)]. The prescription co-pays are also differentiated (Houghton \$5-10 prescription, Negaunee \$2, Northern Michigan \$5) as well as differences in the office co-pays. Finally, the dental and vision riders are different for each comparable (City exhibit 2). Thus it cannot be said that these comparables have plans that are at least as good as Marquette's. There are a variety of different options and thus Marquette may be better than some and worse than others.

Health insurance is, once again, becoming a tough issue for parties in negotiations due to renewed cost escalation. If this case could be decided purely on comparable police departments in the Upper Peninsula, the Union would likely prevail [under statutory criterion (d) (i) above].

However the City has advanced a very compelling case by doing everything that it possibly can to lessen the impact and make manageable the increases in health care costs. The City did not seek to impose this burden just on the police officer's unit but negotiated and settled that arrangement with its other unions and is currently negotiating that arrangement with the firefighters. The City also got its own house in order by imposing the same health care plan co-pays on its administrative and executive employees. The City further provided alternatives so that if the Unions or other employee groups choose, they can have an arrangement with no health care co-pay deductions as long as the alternate plan would be acceptable to the unions or employee group. Apparently, except for one small group of employees, the other employee groups and union have selected options making payroll deduction unnecessary. In short, the City has taken all steps it reasonably can to provide options and minimize the impact of the increasing cost of health care insurance.

In weighing the statutory factors, it is clear that while the Union has the support of the comparables, the City has the equities of having provided thoughtful options and having imposed the same burdens on its City leaders and administrators as well as having agreed with another union to the same co-pays here proposed [statutory criteria (c), (d) (i), (f), (h)]. The City is not asking the Union to do anything that it itself hasn't already taken on. Much as a newly advanced benefit should not go unconsidered or dismissed by an employer simply because the comparables don't support it, an existing benefit whose cost has become a major consideration for an employer should not be inflexible to the bargaining and Act 312 process simply because other comparables are to the contrary.

The City wage offer is very competitive with the comparables. In 2000, the City's (bonus) 3.5% wage offer compares more favorably than all comparables, which averages 2.575%

(Union Ex. 9). In 2001 again the City's 4.0% offer exceeds every comparable and compares to a comparable average of 2.925% (Union Ex. 10). Finally, in 2002 the comparables range in the 2.00 – 3.00% range (excluding Ishpeming's COLA) versus Marquette's 3.00% (Union Ex. 11). Marquette's 4th year wage increase of 3.00% finds no present comparables but is reasonable given the present general economy slowdown and an inflation rate of about 3.00%. In addition, the Union's final offer of 3%, 3.5% and 3.5% for 3 years (without of course insurance premium payroll deductions) is in toto, as the parties agreed, not different than the City's. The U.S. continues to closely monitor and control inflation as much as government policy can. Thus inflationary pressures are likely to be moderate regardless of the politics in Washington. On balance, the City's offer is fair and responsible for employees in this police bargaining unit. It is well in line with keeping Marquette at the very top of the pay range in the Upper Peninsula.

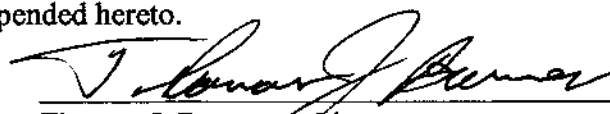
As importantly, the City's proposal does not do serious harm to the bargaining unit members because the economic impact upon them is the same whether they take reduced wages or take slightly greater wages and have a deduction from their paycheck for health insurance. Moreover, there certainly are differences between the insurance plans in all of the comparables that were proposed and it cannot therefore be said that the Marquette plan is, even with co-pays, a lesser plan than that contained in the other comparables offered by the Union. This is clearly one of those cases where the City has not merely proposed that the employees share in the cost of an increasingly expensive fringe benefit so that the City can somehow say that it was trying to improve its standing, *vis a vis* other employers or perhaps even *vis a vis* the Union but this is a case where the City did everything it reasonably could to focus attention on the rising cost of health care for all of its employees while at the same time trying to minimize its impact on employees' pocketbooks by involving them directly in selecting insurance options that fit their

needs. (See City Exhibit 5 which demonstrates enough savings in going to a Community Blue PPO plan 1 to totally offset the \$10/15/20 employee co-pay.)

There is additional support for selecting the City's final offer and that is that a 4 year contract is preferable in my view because 1 year has already gone by, the economics of the City's 4 year final offer are reasonable, and the health care issue is resolved and people's lives can be settled for another 3 years from this point on. The parties have a good, stable, and productive collective bargaining relationship as was apparent from the hearing, and a 4 year agreement will certainly serve the purpose of making sure that relationship endures for a longer time. With an economy that is, at the present time, in a downward trend and with the economic picture in Marquette as evidenced at the hearing not showing any marked signs of improvement in the near future, a 4 year agreement is much sounder from the Union's and employees' point of view as opposed to having to be back at the bargaining table again a year and a half from now negotiating a new contract.

Finally, the fact that the parties essentially only had a single issue that divided them in these negotiations, i.e., the health care issue, bespeaks a relationship that has not produced huge problems and differences and therefore a longer agreement is consonant with that.

For the foregoing reasons the panel selects the City's final offer with regard to wages, health insurance, and length of contract that is appended hereto.


Thomas J. Barnes, Arbitrator

Concur Dissent

Concur Dissent

Thomas Bahr
For the Union

Judy Stanley
For the Employer

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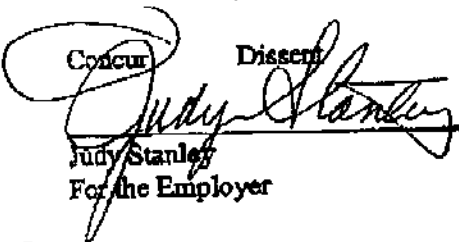
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Concur Dissent

Thomas Bahr
For the Union

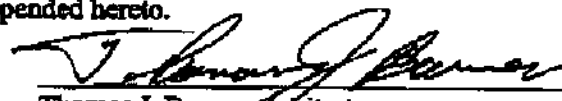
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Thomas J. Barnes, Arbitrator

Concur

~~Dissent~~


Thomas Bahr
For the Union

Concur

Dissent


Judy Stanley
For the Employer

IN THE MATTER OF
ARBITRATION UNDER ACT 312
PUBLIC ACTS OF 1969
AS AMENDED

BEFORE: THOMAS J. BARNES, IMPARTIAL CHAIRMAN
JUDY STANLEY, CITY OF MARQUETTE DELEGATE
THOMAS W. BAHR, UNION DELEGATE

CITY OF MARQUETTE

AND

MARQUETTE PROFESSIONAL POLICE ASSOCIATION

MERC ACT 312 ARBITRATION
Case No. L00-I-5005

CITY'S FINAL OFFER OF SETTLEMENT

May 31, 2001

CITY OF MARQUETTE'S FINAL OFFER

May 31, 2001

1. Effective upon signing the agreement, the employer agrees to pay a signing bonus equal to 2% of the employee's annual base wage, which was in effect on December 8, 2000 as calculated on a 2080 hours annual compensation. (2015 hours for Full-time Police Clerical and 1008 hours the Part-time Police Clerk)
2. The term of the Agreement shall be for the period July 1, 200 through June 30, 2004.
3. Effective 01/01/01 a 3% wage increase.
Effective 07/01/01 a 4% wage increase.
Effective 07/01/02 a 3% wage increase.
Effective 07/01/03 a 3% wage increase. *4 yrs.*
4. Article 39 Health/Dental/Vision Coverage addition to Paragraph C. the following language:

EFFECTIVE YEAR 2 (JULY 1, 001)

In the event the cost of health insurance premium exceeds 8% from year one of the contract, the bargaining unit has the option of reducing the cost of health insurance coverage by a change in policy or insurance coverage. The bargaining unit shall also have the option, in this case, of an employee contribution on health insurance of \$10/\$15/\$20 (single, double, family) per pay period in lieu of a change in policy. A change in policy, if elected by the bargaining unit shall have the same financial savings to the employer as if the pay period contribution was made by the bargaining unit. The employer will institute a 125 cafeteria plan for each employee to participate in at their option. The union and employer makes no representation in this agreement regarding benefits under L.R.S. ruling.

EFFECTIVE YEAR 3 (JULY 1, 2002)

In the event the cost of health insurance premium exceeds 16% from year one of the contract, the bargaining unit has the option of reducing the cost of health insurance coverage by a change in policy or insurance coverage. The bargaining unit shall also have the option, in this case, of an employee contribution on health insurance of \$12.50/\$17.50/\$22.50 (single, double, family) per pay period in lieu of a change in policy. A change in policy, if elected by the bargaining unit shall have the same financial savings to the employer as if the pay period contribution was made by the bargaining unit. The employer will institute a 125 cafeteria plan for each employee to participate in at their option. The union and employer makes no representation in this agreement regarding benefits under L.R.S. rulings.

EFFECTIVE YEAR 4 (JULY 1, 2003)

In the event the cost of health insurance premium exceeds 24% from year one of the contract, the bargaining unit has the option of reducing the cost of health insurance coverage by a change in policy or insurance coverage. The bargaining unit shall also have the option, in this case, of an employee contribution on health insurance of \$15.00/\$20.00/\$25.00 (single, double, family) per pay period in lieu of a change in policy. A change in policy, if elected by the bargaining unit shall have the same financial savings to the employer as if the pay period contribution was made by the bargaining unit. The employer will institute a \$25 cafeteria plan for each employee to participate in at their option. The union and employer makes no representation in this agreement regarding benefits under I.R.S. ruling.