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OPINION AND RECOMMENDATION

In the Matter of)
City of Detroit)
and)
Michigan Council 25,)
American Federation of)
State, County and)
Municipal Employees,)
and its Affiliated Locals)
23, 26, 62, 207, 214, 229,)
273, 312, 457, 542, 836,)
1023, 1220, 1227, 1642,)
2799, and 2920)

State of Michigan
Department of Labor
Fact-Finding Under Act 176
(Public Act of 1939 As Amended)
MERC Case No. D92 G-1173

APPEARANCES

City

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Roger N. Cheek, Labor Relations Director
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Frank Weber, Chief Labor Relations Specialist
Martin Crandall
Kenneth Wilson
J. Chester Johnson, Witness (Financial Advisor to City of Detroit)

Union

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Delia DiVito, Staff - Miller, Cohen Law Firm
Annette Garrett, Staff Representative - Council 25
Carolyn York, Labor Economist, AFSCME Headquarters
Maryann Mahaffey, President, Detroit City Council
James Thomas, President - Local 312

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Grace White, President - Local 23
Al Phillips, President - Local 457
Dwayne Seals, President - Local 229
Carlton Van Buren, President - Local 2920
Brenda Jones, President - Local 62
Geraldine Chatman, President - Local 2799
Elmira Willia Stuckey, President - Local 1220
Jimmy Hearn, President - Local 26
R.I. Aalkebu-lam, President, Local 836
Jeannette Henry, Witness

ISSUE

The jointly stipulated issue in this case is:

Is it appropriate that the new collective bargaining agreement include a 10% reduction in compensation for the employees? If not, what is the Fact-Finder's recommendation?

FACTS OF THE CASE

I - Background

On October 1, 1992, Michigan AFSCME Council 25 filed a Petition for Fact-Finding with the Michigan Employment Relations Commission on behalf of its affiliated locals that were covered by a Master Agreement with the City of Detroit that was in effect through June 30, 1992. The Petition set forth a number of unresolved issues, but it was subsequently determined that fact-finding should be confined to wages.

A preliminary meeting between the Fact-Finder and parties took place on February 5, 1993, in which procedures were established and it was agreed that the proceedings would be videotaped. Formal hearings ensued beginning March 8, and there were a total of 8 hearing days ending on March 23, 1993. During the course of the hearings, over 120 exhibits, some of which were voluminous, were received into evidence. The case was closed with post-hearing briefs.

It is undisputed that for the past twenty years the City of Detroit has struggled with financial difficulties. Detroit's chronic problems, which by the end of its 1991-92 fiscal year were exacerbated by the national recession, included: a substantially declining population; a sustained period of business and jobs loss; changing demographics; an aging infrastructure; an eroding tax base; evaporating federal revenues; substantially reduced state revenues; exhausted local revenue sources; continuing expense of governance over its large geographic area; rapidly increasing expenses; recurring deficits; and a precarious bond rating.

Nevertheless, the City by law was obligated to balance its budget. As the 1991-92 fiscal year drew to a close, the City estimated an imbalance of expenditures over revenue of over \$271 million. The causes of the crisis and the appropriate response to same is the crux of the instant dispute and will be analyzed below.

On January 20, 1992, the Mayor of Detroit announced the formation of the Mayor's Committee for the 21st Century,

which consisted of distinguished business, labor, and community leaders. The Committee was provided with all requested information and given expert assistance. The charge to the Committee was to make recommendations to balance the budgets for fiscal years 1992 and 1993, as well as to provide suggestions which would lead toward a balanced budget to the year 2,000 and into the next century.

After extensive analysis, the Committee recommended a range of possible approaches to assist in resolving the City's financial difficulties. A formal report, in time to meet ordinance requirements for a report to the City Council, was delivered on April 14, 1992. Recommendations included expense reductions and revenue enhancements. Also recommended were savings that could be accomplished by agreements with unions, pension boards, and other third parties. In addition, there were recommendations for savings that required changes in the law or voter approval.

The Mayor also considered the issuance of deficit reduction bonds. But it was recognized that said approach would create future liability and a drain on the City's General Fund. Accordingly, it was decided that this should be considered only as a last resort, and deficit reduction bonds would have to be accompanied by an overall plan which would have to be structured so as to prevent future deficits.

The Mayor's first priority was to adopt only those recommendations which did not adversely affect employees or further reduce services to Detroit citizens. It was decided

that 1,145 positions should be eliminated by measures such as eliminating the Detroit Council of the Arts, a print shop, and the Office of Civilian Defense. Also contemplated was a restructuring of hospitalization insurance and Workers' Compensation reforms.

However, even after adopting as many of the 21st Century Committee recommendations deemed feasible, there remained a an imbalance of approximately \$80 million. It was concluded that this imbalance could be addressed only by reducing the cost of employees, which constituted approximately 60% of the City's operating budget. The first measure taken was the wage freeze recommended by the Committee. But that step reduced the imbalance by only approximately \$25 million, leaving a continuing imbalance of approximately \$55 million.

The City pointed out that a 1% decrease in wages and salaries for all employees would come to \$5.5 million. Thus, a 10% decrease in such costs, coming to \$55 million, would be necessary to balance the budget. It was understood that such a cost reduction could have been accomplished by substantial layoffs, reductions in wage rates, or a reduction in the work week.

The City Administration decided that layoffs should be avoided, since the work force had already been drastically reduced and another reduction in employees would have extremely negative effects on services to citizens. It was concluded that the best way to achieve the needed savings, with the least pain for employees and least impact on

services, would be a reduction in work hours.

On April 9, 1992, the Mayor met with all City Union representatives to outline the budget that he was to shortly release to the City Council. Union representatives were told that the City would be seeking major wage concessions and explained that the fairest way would be a reduction in hours, since layoffs and cuts in benefits were to be avoided.

The City would be proposing a 37 1/2 hour work week in addition to unpaid furlough days. Thus, it was suggested that Union members work a 40-hour week for 37 1/2 hours pay, which would be a 6.25% pay reduction. In addition, employees would take one day a month off from work without pay and accept a freeze in pay rates for two years. A reduction of 12 furlough days a year constitutes a 4.6% reduction of the 260-day work year. Accordingly, the proposal would result in a total of 10.85% in employee cost reduction.

A synopsis of the 1992-93 Budget Balancing Plan that the Mayor presented to the City Council on April 14, 1992 was as follows:

<u>"Beginning Out-of-Balance</u>	<u>Amount</u>	<u>Remaining</u>
		\$271.4
A. Financing Devices		
1. Sale of Deficit Bonds	\$84.2	187.2
2. Chrysler Bond Proposal	12.7	174.5
3. Cobo Bond Re-financing	3.5	171.0
4. Pension Assumption Changes	33.5	137.5
B. Non-Personnel Items		
1. Equipment Deferrals (Fire & Courville)	13.5	124.0
2. Revenue Enhancements (Non-DOT)	7.0	117.0
3. DOT Subsidy Reduction-Fares & Service	5.0	112.0

C. Personnel Changes

1. Position Elimination (1,145 of which approx. 400 were 'financed')	14.0	98.0
2. Hospitalization Insurance Restructuring	15.0	83.0
3. Worker's Comp. Reforms	2.0	81.0

D. Wages

1. Forego assumed 4.5% raise	24.8	56.2
2. Request approximate 10% wage & hours reduction	55.0	<u>1.2</u>

E. All Miscellaneous Adjustments	1.2	\$ -0-
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The anticipated \$271.4 million out-of-balance in the General Fund for fiscal 1992-93 was explained on the basis that expenditures, which included wages and salaries, were projected to increase by \$122.6 million or 10.5% over the current year. However, revenues from all sources were expected to decrease by \$148.8 million or 12.8%, when the 1991-92 budget was compared with the projection for fiscal 1992-93.

It was pointed out that during the term of the 1989-1992 collective bargaining agreement between the City and AFSCME, the employees had received three general wage increases of 4% each on July 1, 1989, 1990, and 1991. In view of these increases, and in anticipation of difficulties in the 1992-93 fiscal year, in August of 1991, the City wrote to the three largest civilian unions proposing early negotiations. AFSCME, however, did not respond positively.

Finally, on February 1, 1992, the City notified AFSCME that it intended to terminate the collective bargaining agreement when it expired on June 30, 1992. The City began

bargaining with AFSCME on April 15, 1992. Shortly thereafter, the City submitted its first wage proposal which included 12 days off without pay per year and a reduction in the paid work week of 2 1/2 hours.

Concurrently with AFSCME negotiations the City presented the same proposals to other unions representing city civilian employees. Most civilian unions accepted collective bargaining agreements for three years, which provided an immediate 10% reduction in the work week without affecting benefits, and an automatic discontinuation of the 10% reduction and restoration of a full work week beginning July 1, 1994.

It was also agreed that the involved union, upon making a request in March, 1993, could cause the City to enter into negotiations on the basis that Detroit's economic condition might allow adjustments in the concessionary modifications prior to June 30, 1994. There were also guarantees against privatization and layoff while concessionary modifications were in effect, and a "me-too" agreement by the City that it would offer the involved union any more favorable terms subsequently reached in settlements with other labor organizations.

Thereafter, all of the City's 1,700 non-union employees had their pay cut by 10%, or were given an equivalent reduction in their work week. There were delays in implementing these wage or salary reductions, but by the time of the instant Fact-Finding hearings, 5,220 City employees

had wages or hours reduced by 10%. This represented the bargaining unit members of 31 of the City's 39 labor organizations.

On July 9, 1992, after 18 bargaining sessions which involved about 96 hours of negotiations, the City and AFSCME reached a tentative agreement for a three-year contract. Included were the major elements provided in the 31 other settlements indicated above. In addition, the AFSCME employees were to get overtime premium pay after 36 hours of work and a work schedule of four 9-hour days, with the day off placed to provide a long weekend.

On July 16, 1992, the AFSCME members overwhelmingly rejected the tentative agreement. The following day the City informed the Council 25 AFSCME President that there would be an immediate layoff of AFSCME personnel, and the layoff of 95 employees followed immediately. On August 18, the City advised AFSCME and the representatives of other unions that had failed to reach agreement with the City that if they did not settle by August 31, 1992, the concessionary provisions would have to run for 24 months from the date settlement was eventually reached. On August 28, the City laid off 97 more AFSCME members.

On September 24, 1992, following intensive additional bargaining, in which officials of AFSCME's Washington, D.C. headquarters were involved, the AFSCME negotiators again reached tentative agreement with the City. The tentative agreement followed the pattern of the preceding settlements

with other unions, but also included additional special features.

The employees were to be given a choice of either "bankable" concessionary vacation time, or the original four 9-hour days schedule, as the method of accomplishing a 10% reduction in hours. The AFSCME employees who were laid off after July 9, were to be recalled. There was to be a new 25-year retirement option, together with any other improvements approved by the Pension Board resultant from funding assumption changes.

The employees who previously had a paid lunch hour would have said benefit restored. Hospitalization language was changed to assure that the City could not change the benefit level without Union approval. Finally, if the agreement was ratified by September 30, 1992, the first year of concessions would expire on June 30, 1993, rather than a full 12 months later.

On September 30, 1992, the AFSCME membership again rejected the tentative agreement. The following day the instant Petition For Fact Finding was served on the City by AFSCME. Thereafter, through the close of Fact Finding hearings, there has been no bargaining between the parties and the Union has not made any proposal.

On October 2, 1992, the City informed AFSCME that the second rejection would cause the City to effect additional layoffs, and on October 15, 616 more AFSCME members were laid off. The City pointed out that since it is improbable that

the police and fire unions will agree to a wage settlement by June 30, 1993, approximately \$9.2 million in savings which were assumed as part of budget balancing will not be achieved and will contribute to the \$35 million deficit which is projected for the 1992-93 fiscal year.

II - The City's Case

The City accepted the burden of establishing that a 10% reduction for AFSCME employees is appropriate. Thus, details of the chronic problems facing the City that were set forth above were provided, together with current financial developments.

For example, it was pointed out that, although some elements of the City's Budget Balancing Plan have been implemented, others have been delayed or have not produced hoped-for results. Thus, with the defeat of the Chrysler Bond Proposal on August 4, 1992, there will be recurring costs of \$12.7 million as a result of this obligation for at least the next 10 years. The Cobo Bond Refinancing of \$3.5 million is still awaiting approval by the Michigan legislature. Pension assumption changes which would reduce the City's pension payments have not yet been approved by the Police and Fire Pension Board. Hospitalization insurance restructuring and Workers' Compensation reforms have not yet produced anticipated savings.

The City's Budget Director currently estimates a 1992-93

City deficit of \$35 million. The City's actual receipts experience indicates that some of the earlier revenue projections were overly optimistic. This is attributable to the trend of Detroit's declining revenue base, and, despite measures designed to avoid a short-fall, it appears that a deficit will recur.

Should Cobo Hall Bond Refinancing, Police and Fire Pension Assumption Changes, and Hospitalization Insurance Restructuring not materialize, the City's projected deficit could escalate to \$63.6 million. As pointed out above, the City faces the legal requirement to fund a deficit by the first appropriation in the succeeding budget for the next fiscal year. A mandatory appropriation of that magnitude would reduce the resources available to support the employment of over 1,800 employees for a year.

The City pointed out that its basic financial situation cannot be expected to improve, and that negative long-term trends are continuing. Thus, since 1950, Detroit's population has declined by 800,000 or 44%, and the decline is continuing. In the past twenty years, manufacturing businesses have declined by 48%, and other businesses have experienced similar declines. The result is that Detroit's unemployment rate was 18.9% in 1991, the highest for any major city in the country.

Most of those who left Detroit were higher or middle income families who contributed to the tax base. Those who remain include many structurally unemployed and economically

distressed. Thus, in 1990, more than 32% of Detroit residents lived below the poverty level, and the City's median buying income per household was the lowest of any major city in America.

The City's infrastructure is aging and funds are not available for renovation and repair. When this is coupled with Detroit's many vacant and deteriorating residential units, the result has been a decline in state equalized value, measured in 1967 constant dollars, from \$4.8 billion to \$1.4 billion today. All of these trends have eroded Detroit's tax base, which is demonstrated by a 42% decline in City income tax returns and a 50% decline in business tax returns since 1970.

As inflation continues, Detroit's operating expenses have risen, and the cost of governance over its large geographic area continues. For example, the cost of City employee hospitalization insurance more than doubled from \$50 million in the last six years, despite the fact that the number of employees has declined.

The City has exhausted its local revenue sources. For example, Detroit taxes the income of residents and non-residents at the maximum legal rate. In addition, property and utility taxes are at the legal maximum. Detroit's financial situation is being helped less by outside sources as federal and state contributions decline.

The City's recurring deficits have resulted in a drop in the City's bond rating, which impacts both the City's ability

to borrow and borrowing interest costs. Thus, in July of 1992, Moody's Investors Service and Standard and Poor's reduced the City's bond rating to non-investment grade.

The result is that the City of Detroit cannot rely on borrowing to meet its operating needs. An expert witness called by the City pointed out that, if the City were able to sell bonds, the rate involved would be exorbitant and would greatly contribute to future costs. Thus, it was argued that borrowing will never be a basis for the City solving its present and anticipated financial needs. In sum, there is no alternative to the City's proposal to reduce employee costs.

III - The Union's Case

The Union took the position that the City's chronic problems and past financial crises are "irrelevant," since despite such difficulties, the City has always followed the law and has managed to balance its budget year after year. Accordingly, it should not now be believed that the City cannot operate currently without cutting employee compensation.

In fact, the evidence at the hearing showed that "there has been a waste by the City of its resources." Accordingly, AFSCME and its members should not be asked to "subsidize that waste." Moreover, it follows that in avoiding such subsidization City officials would be alerted to the need to operate efficiently and would not "expect to recover the cost

of their profligate ways on the backs of their hard working employees."

In fact, as the City's population declined over the years, its work force also declined and AFSCME members made significant wage concessions. In addition, despite the City's decline in population and tax base, there were increases in total and per-capita expenditures, adjusted for inflation.

As to the role of the 21st Century Committee, it should be noted that not all of its recommendations were given full weight. In fact, the 21st Century Labor Subcommittee rejected a proposal for a 3% salary or wage reduction as an extreme measure and indicated that savings should be achieved by other means. Thus, the Labor Subcommittee went only so far as to recommend a three-year wage freeze.

City witnesses were unable to state the dollar amount required from AFSCME employees in order to avoid a budget shortfall. In fact, the AFSCME membership has already paid its share as a result of layoffs. Thus, it was conceded that if the layoffs effected October 19, 1992, were assumed for a full year, it would be the equivalent of a 10% concession.

The City now ignores the impact of layoffs on the employees and its savings as a result, and asks for this proposed cut in addition. However, all those working with or for the City have not taken such a cut. For example, no such cut was requested or obtained from contractors doing business with the City.

In fact, the Detroit City Council has disagreed with the Mayor's handling of the budget and has been in litigation over the matter. The City Council has taken the position that savings could be effected by restructuring the City's bureaucracy, but Council has been refused the information required to make the case. The City even went so far as to hire away John Marco, the City Council's fiscal analyst.

Thus, the Council was unable to effectively oppose the Mayor, and political pressure ultimately caused the Council to approve the Mayor's employee compensation policy. The Union also pointed out that the City failed to provide information needed by the Union in connection with the instant hearings.

Following the Mayor's refusal to provide Council with bargaining work papers, Henry McClendon, Executive Assistant to the Mayor, appeared before Council on July 14, 1992, but provided none of the financial data the Council had requested. He took the position that such information was part of labor negotiations and it would be inappropriate to share same with City Council.

Finally pointed out by the Union was that the City could not properly claim that savings from the layoff of AFSCME employees were offset by other factors. Thus, the City claimed that \$2.3 million was the cost of unemployment compensation benefits which should have been deducted from the savings attributable to the layoffs. But the Union demonstrated that, in fact, that sum would not have been

payable to the Michigan Employment Security Commission during 1992. In fact, payment will be extended to July 31, 1993, and still longer if the Commission so decides. The Union also rejected the City's contention that the cost of supplemental unemployment benefits is an offset to layoff savings, since these costs were never demonstrated.

IV. THE 10% Versus 3% Controversy

A contentious dispute during the hearings concerned the actual compensation reduction that the City needed to balance its 1991-92 budget. Thus, the Union argued, pointing out that since the 1991-92 budget as prepared by the City was out of balance by \$17 million, that no more than a 3% reduction in compensation for the employees would have been required. Accordingly, the Union contends that 10% was merely "pulled out of the air."

Thus, the Union contended that the City's 10% proposal was no more than a negotiating position, and that this was understood by the City Council. On July 15, 1992, the Council approved a 2% compensation reduction for non-union employees. Nevertheless, the Mayor issued an Executive Order which imposed a 10% cut for non-union executive branch employees.

The Union, again, emphasized that the Council had difficulty in opposing the Mayor's position due to lack of information. Thus, the Council struggled with the matter and

voted for a temporary 8% reduction. Finally, on November 4, 1992, when City Council approved a 10% reduction, Council President Mahaffey expressly went on record against the involved ordinance. There were other comments from Council members that the 10% reduction was unnecessary because the need for same was not substantiated.

Moreover, the Union contended that the budget as proposed by the City included expenditures that were not necessary or did not have to be paid currently. For example, \$11.5 million, which was budgeted for the cleanup of toxic waste dump sites, was for spending which had to occur later, and the same was true of centralized billing project costs. There was also unnecessary spending on contractors and provisional employees. And even if there was basis for such allocations, they should not have been accomplished at the expense of AFSCME employees.

Union calculations indicated that a 10% reduction for AFSCME employees in fiscal 1992-93 would be about \$14 million. However, the Union believed that savings attributable to AFSCME layoffs would be over \$15 million. In other words, the City is \$1.3 million ahead when savings from layoffs is compared to savings from a 10% reduction.

The City's partial response is that it is wrong to consider this settlement only in terms of the 1992-93 fiscal year and current compensation. Instead, the labor agreement as a whole must be considered. Thus, even if the Union could establish that less than 10% from AFSCME employees would be

required in 1992-93, such an adjustment is justified when it is recognized that a multi-year agreement was tentatively adopted by the parties, and that the circumstances justified it. A deficit of \$35 million is currently projected and deficits may be forthcoming in future years. Accordingly, a present reduction of 10% is amply justified.

Moreover, the City's agreements with 31 of the 39 City unions provide for two-year 10% reductions, and that is the City's position with unions that have still not settled their contracts. The City also faces proceedings with unions covered by Act 312. Should AFSCME be successful in overturning a 10% settlement, the City's bargaining position with all bargaining units would be jeopardized.

At the very beginning of 1992, the Mayor, as assisted by his labor relations and financial experts, took the position that there should be a 10% compensation reduction in order to achieve needed fiscal objectives. The City explains the 10% - 3% confusion on the basis that the lower figure is based on a "global adjustment" to the budget. A "global adjustment" is used to anticipate expanding or contracting revenues, which are the basis for reducing or increasing appropriations.

Thus, in its brief, the City contended that its "3% global adjustment" was:

" --- not the sole but rather the final reduction in wage or salary appropriations. Only after all of those adjustments have been accomplished and the amount of appropriations which would be available for wages and salaries for fiscal 1992-93 thus finally determined, could the Budget Director and his staff calculate the

percentage by which the actually existing wages and salaries of the employees would have to be reduced so as not to exceed the appropriations. That percentage was 10%."

In fact, on July 31, 1992, the Mayor sent a deficit reduction plan to Council which set forth rigid variances in excess of \$50 million. This was reinforced on October 19, 1992, when a City Council Fiscal Analyst stated that there was an "evaluation of \$51 million of potential problems --- for Fiscal Year 1992-93." In sum, the City vigorously contended that when Detroit's chronic problems as well as its labor relations situation are considered in their entirety, the 10% reduction is clearly justified.

FINDINGS AND CONCLUSIONS

It is your Fact-Finder's view that the propriety of a 10% reduction for Detroit's AFSCME employees should be determined, not only in terms of circumstances that faced the present parties in 1992 and 1993, but by considering the matter from a perspective that includes all relevant factors, including the future. Indeed, the collective bargaining agreement now to be established is not the first, nor will it be the last between the parties.

A look at the expired 1989-1992 contract makes it apparent that the AFSCME employees have profited from the collective bargaining relationship over the years. Thus, the employees have had Union representation which has ensured job

rights, which include protection from arbitrary treatment, a say in working conditions, and seniority-provided job security. They have enjoyed fringe benefits, including broad health insurance and pensions, as well as vacations, sick leave, and supplemental unemployment benefits --- all of which aggregate far more than the average in the American workplace. Average earnings for this bargaining unit at the time of the hearings came to about \$23,000 or \$24,000 annually, and, as indicated above there were three annual wage increases provided in the last contract.

When a labor agreement is bargained, there is interplay among the parties, involving such elements as compromise, pressures of the moment, and practical judgments. Those who negotiate, frequently take positions not only on the basis of present considerations, but in view of their permanent relationships.

Labor negotiators are not usually fiscal or budgetary experts, and rarely is a labor settlement based on the kind of precise calculation characteristic of accountants or auditors. Thus, a settlement can be either more or less than the employer should pay, or more or less than the employees deserve, or other than the ultimate facts justify.

What is presently appropriate should be decided by considering, not only the City's present financial situation, but that of its past and probable future. While the Union attributes part of the City's fiscal difficulties to lack of efficiency and waste of resources, it does not deny that

Detroit's budget must be balanced and that expenditures must be reduced to accomplish same. Detroit's difficulties, which are based on many factors that the City administration cannot control, have been known for a long time, and, unfortunately, there is little basis for future optimism. In sum, everybody, even AFSCME, agrees that the City is in trouble and that reductions in expenditures are necessary.

The City, which was forthcoming with its employees in the past, considered both the present and future in proposing a 10% compensation reduction. Most of the City's unions recognized Detroit's plight and accepted the City position. Ultimately, the City Council, although having doubts about the matter, approved the 10% policy.

Against this background the 10% versus 3% controversy is not overriding. It is difficult to determine precisely how much of a reduction the City required, since both parties have defended their positions with arcane arguments. These complex arguments were made in the course of eight days of hearings, which included expert testimony, technical exhibits, and post hearing briefs, few of which did, or could have arisen in negotiations. In fact, whether 10% or 4% is more appropriate for budget-reduction purposes is more a matter of point of view than something that can be conclusively established from the facts.

It is of the greatest importance to identify the consequences of the tentative agreements that were twice rejected by the AFSCME membership, being again rejected and

not going into effect. The reaction of the City administration was to lay off a substantial number of bargaining unit employees. It may be that the City cannot be compelled to reduce compensation to the level it seeks, but it is also true that the City cannot be compelled to recall the laid-off employees. Accordingly, if the present impasse is not broken, matters can only get worse for the bargaining unit as a whole. Moreover, if the City's financial condition cannot be improved, the laid-off AFSCME employees may never get their jobs back.

Also of concern is the impact on City-wide labor relations if the present matter is not reasonably resolved. Most of the other City unions have accepted the administration's compensation position, but subject to change on the basis of "me-too" provisions. Moreover, at the present time, the City unions covered by Act 312 (the Police and Fire Unions) have not settled. If these labor agreements are not concluded with due consideration for the City's financial situation, an even greater crisis for the City of Detroit will ensue.

Your Fact-Finder, having had years of experience in collective bargaining, admires the process, which balances the rights of the worker in a democratic society with the need of the employer to make the enterprise viable. But collective bargaining can work only to the extent that employers and employees can depend on same, and therefore only to the extent that representatives of employees are

capable of reaching agreements with employers. An employer cannot be expected to bargain collectively if it cannot depend on agreements reached with employee representatives.

Hard times require hard measures. While a reduction in earnings is difficult for the AFSCME employees, a failure to act responsibly in that regard could be even worse for the citizens of Detroit, which includes the AFSCME members. It would be inappropriate to second-guess the conclusions reached by the membership-chosen AFSCME negotiators. The weight of the evidence and arguments requires adoption of the City position.

RECOMMENDATION

For all of the above reasons, it is recommended that the new collective bargaining agreement between the City of Detroit and AFSCME Council 25 should include a 10% reduction in compensation for the employees.


Nathan Lipson, Fact-Finder

Dated this 19th day of May, 1993
Ann Arbor, Michigan