

Analyze This!

Volume 3, Issue 7

July 2010

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CONTRACT NEGOTIATIONS IN DIFFICULT ECONOMIC TIMES

Difficult negotiations in this time of economic stress is a reality most bargaining units are facing. For some units, these difficult times have caused significant and frustrating delays in the ability of the parties to reach an agreement about a successor contract. Other units are having growing anxiety, knowing that their contract is expiring and negotiations will be beginning in the next few months. This month's newsletter explains a bit about the financial constraints facing many local governments and discusses bargaining strategies you can use in these tough economic times.

STATE AND LOCAL FINANCE 101

On average 65 percent of municipal revenue comes from a combination of taxes, fees and charges for services, and other miscellaneous revenue. The remaining revenue (35 percent) comes in the form of grants and transfers from other governments, primarily the State of Wisconsin. The single most important source of revenue for most local governments is property tax (on average 36% of revenue). The second most important source of revenue is Shared Revenue from the State (on average 20% of revenue).

Currently many local governments are seeing a decline in important revenue sources, like shared revenue, property and sales tax revenue, and dollars generated from licenses, fees and permits. Further, there continues to exist statutory limits on the ability of local government to increase property tax revenue.

At a time when revenue sources are declining, demands for services and the costs of running government are continuing to increase:

- ◆ The financial crisis is causing an increase in the demand for social services
- ◆ Job growth is occurring in low skill, low wage occupations
- ◆ The cost of health insurance continues to increase at a rapid rate
- ◆ Local governments continue to have increasing utility costs and the need for ongoing capital replacement

These unfavorable demographic and cost trends added to local government budget pressure have created the difficult contract negotiations we are now seeing in many places across the State. Some municipalities legitimately do not have the money for wage increases at this time. Other settlements indicate employees are willing to agree to a smaller wage increase in exchange for a greater employer contribution to WRS or maintaining their current insurance benefits.

Right now settlements are all over the board— from wage freezes and furlough days to three percent wage increases. They tend to reflect the local economic conditions of the jurisdiction. These settlements also reflect the spending priorities and political choices of elected officials, especially when it comes to raising taxes and other revenue.



BARGAINING STRATEGIES IN TOUGH ECONOMIC TIMES

Below are some suggested strategies that you, the bargaining committee and the unit as a whole can take in preparing for a difficult bargain:

1. Enter contract negotiations prepared and united

- ◆ Utilize coordinated bargaining (all bargaining units of the same employer communicate throughout the bargaining process and coordinate proposals regarding wage increases, insurance changes, etc.)
- ◆ Be aware of the settlements of employees doing similar work in comparable communities and use these settlements to provide support for the proposals you are forwarding

2. Maintain the upward movement of the wage schedule

- ◆ Split increases or a delay in the implementation of a wage increase allow the value of the wage schedule to continue to grow at a lower cost to the employer
- ◆ Some units are agreeing to a combination of wage increases and furlough days. Again this strategy allows the value of the wage schedule to increase but the employer is able to recoup the costs via payroll reductions

3. If the employer is seeking concessions because of budget problems, demand permanent contract improvements such as increased sick leave accumulation or vacation, full employer WRS contributions, improved seniority or overtime language, etc.

4. Bargain to make sure any agreed to concession is temporary, short-term or voluntary in nature

5. Require the employer to clearly identify budget shortfalls as well as spending priorities before agreeing to any concessions or furlough days

- ◆ Has the employer established a compelling need for the concession(s) they are seeking?
- ◆ Has the employer explored ways to increase revenue?
- ◆ What are the fund balances? Are there any contingency or reserved funds that can be tapped?
- ◆ What does next year look like? Are the budgetary difficulties due to an isolated experience or do they reflect a change in local conditions?
- ◆ Review past bargains to determine the sincerity of the economic bind. In the past has the employer asked for concessions only to have things turn out "not so bad after all"?

6. If the employer implements one day layoffs, require them to follow the layoff language in the contract, specifically the seniority language as well as the notification and recall procedures and timelines

7. Create labor management teams to discuss cost savings ideas and ways to increase efficiencies in the daily operations of government

8. Sometimes you have nothing to lose by going to interest arbitration

- ◆ Interest arbitration has been used to successfully fight off concessions that have neither comparable support nor compelling justification
- ◆ Interest arbitration has been used successfully to obtain wages and benefits received by other units of the same employer
- ◆ Arbitrators have not awarded wages or benefits above the comparables (internal or external), unless strong evidence and compelling reasoning are forwarded.