

PUBLIC EMPLOYMENT RELATIONS COMMISSION
OPINION AND AWARD

In the Matter of the Interest Arbitration

between

TOWN OF HACKETTSTOWN

and

WARREN COUNTY PBA LOCAL 280

Docket No. IA 96-134

BEFORE: Barbara Zausner Tener

AWARD DATED: January 10, 1997

APPEARANCES:

Ruderman & Glickman
Attorneys for the Town
By, Steven S. Glickman, Esq.

Loccke & Correia
Attorneys for the Union
By, Joseph Licata, Esq.

BACKGROUND

I was appointed interest arbitrator by the Public Employment Relations Commission. I met with the parties on June 11, August 7,

and October 28, 1996. I had received both parties' briefs by December 2, 1996 and closed the record on that date.

FINAL OFFERS

TOWN

Term: 1/1/96-12/31/98

1/1/96	2% across the board salary increase
1/1/97	2% across the board salary increase
1/1/98	2% across the board salary increase

Longevity schedule for employees hired on or after 1/1/96:

Convert existing percentages to flat dollar amounts based on existing salaries.

Sick Leave on Retirement:

Reduce current 150 maximum to 50 days.

Health Care Premiums:

\$25.00 per pay period contribution toward health care premium for dependent health care coverage

PBA

Term: 1/1/96 - 12/31/99

1/1/96	5% wage increase
1/1/97	5% wage increase
1/1/98	5% wage increase
1/1/99	5% wage increase

SUMMARY POSITIONS OF THE PARTIES

The Employer argues that it "has paid in the past and will continue to pay in the future a more than competitive wage to its police officers, based on the Town's ability to pay." (Er. Br., p. 2). It points to the cost of the Union's wage proposal and argues that the cost of increments in 1996, which will increase by \$24,326 over the 1995 salary base of \$784,520 (or 3.1%), must be weighed.

The Employer also asserts that the effect of an award on the interests and welfare of the citizens and taxpayers of Hackettstown must be considered. The Employer argues that its position, which "is reasonable and takes into account all of the statutory criteria, must be the position awarded" A determination of the appropriate wage increase should take into account the fact that Town residents, who have "below average per capita income, below average median household income, and average median family income, are 'saddled' with a high municipal and equalized tax rate." (Er. Br., p. 15).

Comparisons between Hackettstown police employees and those in **other** jurisdictions should recognize the Town's economic circumstances. "The Town contends that its economic offer allows [its] police officers to maintain a competitive economic package" (Er., Br., p. 16). It cites comparisons in support of that argument. It also points to private sector wage rates and the "downward trend

in wage increases." In Warren County in 1995, the average wage increase was 3.1% with an average annual salary of \$29,813. (Tab 4)

The Town, "like management nationwide, ... seeks to obtain a minimal contribution towards health insurance benefits...." It cites national statistics, including a report in BNA that 52% of all employees contribute at an average rate of \$41.00 and 75% of all employees make contributions to family coverage in the average monthly amount of \$160. (Br., pp. 18-19)

Between 1990 and 1995, the salary for a Hackettstown patrolman at top step has been the highest in Warren County. In 1995, the county average maximum patrolman salary was \$40,959; almost \$5,000 less than the maximum salary in Hackettstown. The average salary among those reported was \$41,725.

The PBA asserts that its position is the more reasonable in light of the statutory criteria. The Union points to the workload burden of this police force in comparison with those in other municipalities; specifically, the high crime rate, the Chief's recommendation for increased staff, and the growing area population. (U. Br., p. 10). It also notes the Town's 3% wage increase without an increase in health care copayments to its other employees.

The PBA argues that the "morale of the uniformed division would be deflated if the Arbitrator were to award the Employer's salary proposal and the decrease in the value of the health

coverage benefit." The PBA maintains that the Town can afford to pay the 5% increases it seeks without exceeding the \$188,056 cap bank. (U-4, \$42,240 increase for 1996 at 5%; 1% of average police salary = \$8448).

An award of the Union's proposal would not result in a loss of "other public services from the residents of Hackettstown or require taxes to be raised." (U. Br., p. 11).

The PBA concludes that the "interest and welfare of the public are better served by an award of the PBA's salary proposal than the Employer's salary proposal." (U. Br., p. 12).

The PBA argues that the imposition of an insurance premium contribution would "deflate the morale of these employees [and result in] an approximate \$650 loss [in annual pay]." (U. Br., p. 12). It asserts the same consideration with respect to a reduction in the sick leave accumulation bank.

The Union also claims that the Employer made an earlier offer of 4% to this unit without seeking any economic concessions.

DISCUSSION AND OPINION

Introduction

The conventional arbitration procedure which applies to this dispute does not require me to select the final offer of one of the parties, either of which would be hard to justify in light of the statutory criteria. My responsibility is to award the most reasonable resolution of each issue in dispute and to justify the results in terms of the statutory criteria. As all of the issues are economic, the impact of any award will be in its cost to the governing body and the public it serves.

The Employer argues, in general, that it is in the best position to determine the economic package that will best serve the public interest. According to the Employer, "[g]enerally, a public employer best serves that public interest by striking a balance between satisfying its employees, thereby avoiding labor strife, and maintaining a stable level of government services." (Er. Br., p. 16). As the Employer observes, these interests compete.

The record does not show how various economic packages would impact on other services. It is clear that the PBA's demands for 5% wage increases in each of the next four contract years would severely impact the overall budget. The across-the-board increase is only one component of the salary package. Members of this unit also enjoy increments (costing 3.1% in new money in 1996), longevity payments as a percent of base wages, and other

economic benefits which are tied to the base rate. Unless there were evidence that the Town cannot sustain a reasonable level of police protection under its compensation scheme, there would be little basis for awarding salary increases at such a high level. It is also important to note that as of the time the record in this matter was closed, no budget for 1997 or 1998 had been developed.

Wages

The primary component of the economic issues is the wage increase. There is little record evidence to suggest how much of a wage increase would be the most reasonable. The Town's other employees received 3% wage increases. Employees in the department of public works also receive increments.

It is in the public interest for the Employer to maintain a rational and consistent compensation system for its employees. I do not agree that it should offer the police unit lower salary increases than other employees because police salaries are considerably higher than civilian salaries. The current ratio has developed through years of managerial decisions, collective bargaining, and in light of the hazards and responsibilities of public safety employment. It is reasonable to reduce the historical difference but unreasonable (and possibly detrimental to service) to make radical reductions all in one contract. Public safety employees contribute to the welfare of the public in ways that are significantly different from other service providers. Specifically, they

risk their lives to protect the public. This fact is at the core of differential compensation for police and fire employees.

The average patrolman salary is (and has been) higher than all other Town employees' salaries. The only employee receiving a salary higher than the Town's patrolmen is the Town Clerk/Administrator and the only employee receiving a salary relatively equal to the Town's patrolmen is the Chief Financial Officer (\$42,500). (Er. Br.) The DPW Superintendent is paid \$40,942.

Comparative wage data have historically been used by interest arbitrators as an indication of compensation paid, primarily to similarly situated employees. A going rate of pay, if one can be discerned, shows how much it costs area consumers to obtain the same service. Police service, in this case. If Hackettstown paid significantly less than other jurisdictions, both the stability and quality of service would likely be affected. Therefore, it is in the public interest to provide compensation sufficient to maintain a qualified and motivated police force.

There is considerable evidence in the record comparing Hackettstown and its police officers with other Warren County municipalities. Statistical analysis of the data support wage increases from 0 - 6%, depending on which variables are analyzed.

The county comparisons show that this police force is better compensated than any other department in Warren County. (U-15,

U-16, T-Tab 3). Hackettstown ranks first ahead of larger towns with higher crime rates, lower ratios of population to police, lower tax burdens and higher general wealth.

The PBA argues that Hackettstown should be compared with neighboring Morris County municipalities. I have not included these comparisons for several reasons. It is conventional to compare municipalities within a county. Taxes and other economic considerations are more closely tied to the county than to the broader geographic area. Tax rates and comparative tax burdens are figured on a county basis.

The percentage increases attained in other towns is not a good indicator of what the increase should be in Hackettstown because those numbers do not take existing compensation into account. It is more reasonable to compare the resulting wage rates. If this department received a lower percentage increase than other departments it would continue to rank high in comparison to the others. This is the case because in 1995, the base salary in Hackettstown was at least \$4300 above the average; that is, more than 10% above average.

Comparison with private sector wages favors an increase closer to that offered by the Employer than to the PBA's proposal. Between 1994 and 1995, private sector wages (for jobs covered by unemployment insurance) increased by 3.1% in Warren County. The statewide average is 3.4%. (Letter from PERC to Licata,

10/31/96). Wage increases for municipal workers in large municipalities were at the 2-3% level. They averaged 3.2% for state and local government workers and 2.8% for private sector industry workers. Wages in the northeast rose by 2.8%. In the aggregate, lower wage increases are reported in both the public and private sectors. (T, Tab 4)

When the Town's socio-economic situation and police officers' overall compensation are considered, a wage increase of 3.4% for 1995 is reasonable. The Employer points out that police employees have received wage increases in the past which "dramatically exceeded inflation." "If wage increases continue to outstrip inflation and private sector salary increases at the current pace, the relative burden on the taxpayer will continue to increase." (Er. Br., p. 14). This is an important consideration, especially in a Town with limited resources. A rise in property taxes (or in the cost of services) has a greater impact in a Town with a relatively low per capita income than in one where income is higher. On the other hand, a gradual reduction toward the average will have less of a negative impact than a dramatic one.

Hackettstown has seen an increase in its tax rate and a slight reduction in the tax collection rate.

The municipality's budget for 1995 includes a 2% increase for all salaries and wages. This figure is somewhat unrealistic in light of the fact that the Town's other employees received a greater

percentage increase than 2%; more than an additional 1% when other salary related costs are factored in. Analysis of the budget, including revenues and expenditures, confirms the Employer's argument that it has fewer resources now than it had in the past and that it will be necessary either to reduce some services or to increase taxes to maintain necessary services.

Existing resources within the budget would permit an increase in police salaries greater than the 2% offered. The Town's analysis shows various line items which would permit "transfer to other budget line items." Salaries and wages in several areas increased by considerably more than the 2% budgeted. The PBA's analysis shows how a wage increase of greater than 2% could be funded.

I have concluded that a reasonable wage increase for 1995 is the average statewide increase for state and local government employees; that is, 3.4%. Other aspects of the economic package will result in long-term savings which will help offset the cost of the award.

While there is much to be said for longer term contracts, I conclude that the term of this agreement should be through 1998. This will permit the parties to operate under set terms and conditions for a reasonable period without committing resources too far into the future. I do not believe it is in the public interest to award salary increases for 1999.

Taking all factors into consideration, I conclude that the percentage increase for both 1997 and 1998 should be 3.5%. There are few reported police contract settlements for these years. Thus, there is no indication of what the appropriate level of police compensation in Warren County should be. It is significant that this force is understaffed (in the view of the Chief of Police) and that it is relatively burdened by a high ratio of population to police and crime rates above the average. If the Town is to sustain its current high level of police service, it must continue to provide adequate compensation to this small and experienced police force. Increases at the 3.5% level will insure continuing favorable comparative standing for the Town and will maintain wage rates slightly above inflation. The rate is consistent with the few reported police settlements and with what few projections are available.

Longevity

The Employer's proposal would establish two different levels of longevity compensation within the police department. The Employer argues in favor of changing this benefit because its "longevity payments far exceed those of all other Warren County municipalities after ten years of service" Some other municipalities provide no longevity and some have a flat rate rather than a percentage of base.

The longevity benefit is an extremely costly one, especially when it is paid as a percentage of base. One means of reducing

this escalating cost is to convert the payment to flat dollar amounts. A change which affects only prospective employees is a reasonable method of controlling costs without adversely affecting existing employees.

The Employer's proposal serves the public interest in reducing future costs while protecting current employees' long term interest in an established benefit. Imposing a reduction on future employees also serves the public interest in maintaining its stable and motivated police force.

Comparison with other police employees in Warren County favors the Employer's position. The current maximum longevity benefit in Hackettstown is 7%. This amounts to \$3225 on the 1995 top patrolman salary of \$46,077. Three towns have no longevity payment (Belvidere, Greenwich and Pohatcong). No other town comes within a thousand dollars of the amount paid in Hackettstown at maximum. The Employer's offer maintains a generous flat dollar amount. Longevity payments are rare in other public or private sector employment.

The overall compensation of these employees, including paid health insurance benefits, paid leaves, and other payments, is higher than that of most other public and private employees in the area. Thus a change to the relatively generous flat dollar amounts proposed will have no negative impact on the current force and a negligible impact on future employees.

There are no stipulations bearing on this issue.

There is no indication that the Employer's proposal is not within its lawful authority. The Employer asserts that its offer is within its cap limitations. The financial impact on the governing unit will be a positive one.

Except to note that the current cost of living continues to lag behind recent wage increases to this unit, this factor is not relevant to the decision on this issue.

The continuity and stability of employment will not adversely be affected by the Employer's proposal. Should there be a negative impact when the Employer seeks to hire new employees, it will not be difficult to negotiate improvements in longevity payments.

The PBA opposes changes which affect new hires because two-tiered systems create tension among the employees. Further, these two-tiered programs may result in political problems for the collective bargaining agent. I do not lightly dismiss these arguments. Stability within the bargaining unit is an important component of stability of employment in general. However, the Employer must achieve some reduction in future costs in order to maintain a competitive level of compensation. There is no evidence that Hackettstown has had difficulty hiring new police employees or that there has been an exodus of existing employees

in response to its level of compensation. As noted above, the parties are free to negotiate improvements in the longevity program if conditions warrant.

Health care

The Employer seeks a contribution to the cost of health insurance premiums. This area has seen dramatic increases over the past number of years. The PBA argues that establishing a copay for police employees "would deflate the morale of these employees." It points out that other area police bargaining units do not have such copayments.

Several of the statutory criteria are relevant to a determination on this issue. The public has an interest in controlling insurance costs. Unless beneficiaries of insurance have some responsibility for funding the benefit, they have no personal interest in curbing the cost. Many of the Town's residents work in private employment where they share in the cost of their health care coverage. Comparison with other employees in both the private and public sectors favors the Employer's position that there should be a contribution.

The Employer's proposal for a yearly contribution amounts to a very small sacrifice against the average bargaining unit salary, \$47,160. I conclude that these employees should make some contribution to the cost of dependent health care insurance. A

token amount of \$10.00 per pay will provide a small measure of relief in the budget and will establish the concept of contributions.

The absence of similar contributions in area police contracts is not particularly relevant. There are few settled contracts which extend through 1998 and there is no way of knowing what will be negotiated. Health insurance costs have been among the most rapidly rising budget items and public management is well advised to negotiate contributions similar to what has been negotiated in the private sector. Comparison with private sector employees and with other public sector employees favors the Employer's proposal for a contribution in this area.

Sick Leave on Retirement

The Employer's proposal would reduce the current 150 day limit to 50 days. The PBA's exhibit shows that the average Hackettstown police officer had accumulated 116 sick days as of September 1996. Five employees (of 18) have already exceeded the existing maximum. Therefore, a significant consideration in rejecting this proposal is that it would have serious negative consequences for almost a third of the unit. Many of the employees who do not have 150 days accumulated as of this time have more than the proposed 50 days. In short, most of the members of the unit have a vested interest in this benefit which should be protected.

While this benefit is a costly one when it is paid out, the level of accumulation indicates that police officers, relying on the future value of their accumulated sick leave, have saved their time rather than using it in small increments. The Town has benefited in savings of replacement overtime and schedule disruptions. The elimination of the benefit might well result in an increase in sick leave usage and a consequently adverse impact on the interest of the public in avoiding costly disruptions to schedules. Even if employees are not replaced when they call off sick there would be negative consequences for the public welfare through reduced staffing.

Because the two criteria addressed above are paramount, I have given little weight to comparisons. There is little record evidence in this area to support the Employer's proposal. On the other hand, this benefit is common among similarly situated employees and is usually negotiated to discourage occasional and sporadic sick leave usage and to achieve schedule stability and overtime reductions.

The cost of living has no apparent bearing on this issue.

There is no evidence in the record on what the financial impact of reducing the current maximum would be. As noted above, while the direct cost of reducing the benefit might be a reduction in expenditures, there might also be a negative impact in the area of overtime and on scheduling.

AWARD (Corrected 1/20/97)

Term: 1/1/96-12/31/98

Wage increase:

Effective 1/1/96	3.4%
Effective 1/1/97	3.5%
Effective 1/1/98	3.5%

Health care, dependent coverage

A contribution to the cost of dependent coverage in the amount of \$10.00 per pay period.

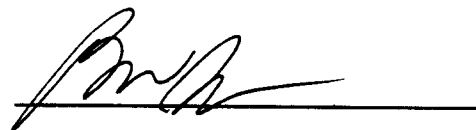
Sick leave bank

No change

Longevity schedule for employees hired on or after 1/1/97:

Convert existing percentages to flat dollar amounts based on existing salaries.

By:



Barbara Zausner Tener

Sworn to and affirmed before me on January ²²~~18~~, 1997.



ERICA S. TENER
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 3/29/2001