

The Center for Local, State, and Urban Policy

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Michigan Public
Policy Survey **October 2012**

Michigan's local leaders satisfied with union negotiations

By Thomas Ivacko and Debra Horner

This report presents Michigan local government leaders' assessments of their jurisdictions' public employee unions. The findings in this report are based on statewide surveys of local government leaders in the Spring 2012 and Spring 2011 waves of the Michigan Public Policy Survey (MPPS).

>> The **Michigan Public Policy Survey (MPPS)** is conducted by the **Center for Local, State, and Urban Policy (CLOSUP)** at the University of Michigan in partnership with the **Michigan Association of Counties, Michigan Municipal League, and Michigan Townships Association**. The MPPS takes place twice each year and investigates local officials' opinions and perspectives on a variety of important public policy issues. Respondents for the MPPS this wave include county administrators and board chairs, city mayors and managers, village presidents and managers, and township supervisors, clerks, and managers from 1,329 jurisdictions across the state.

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Key Findings

- Statewide, only 27% of Michigan's local governments have a public sector labor union. Among these jurisdictions, 78% negotiated with their unions in the last 12 months on issues including employee pay rates, fringe benefits, staffing levels, and/or changes in work rules.
- Overall, on each topic of negotiation — pay, benefits, staffing, and work rules — local government leaders report that their employees' unions made concessions more frequently than the jurisdiction did.
 - » Union concessions on fringe benefits were the most frequent outcome: in jurisdictions that negotiated over benefit levels in the last 12 months, 69% of local leaders said only the unions made concessions. Meanwhile, 5% said only the jurisdiction made concessions, 5% said both sides made concessions, and 17% said neither side made concessions.
- Among jurisdictions that negotiated with their employees' unions this year, 75% of local leaders say they are satisfied with the outcomes, while just 11% say they are dissatisfied.
- Local leaders' views of their employees' unions have grown more positive over the last year.
 - » Regarding union impacts on the fiscal health of local jurisdictions, 56% of local leaders gave negative assessments in 2011, compared to just 32% who do so in 2012. Meanwhile, positive assessments grew from just 13% of local leaders in 2011 to 22% in 2012.
 - » Regarding union impacts on the overall performance of local jurisdictions, negative assessments dropped from 40% of local leaders in 2011 to 23% in 2012, while positive assessments grew from 14% to 24%.
- According to local leaders, the overall relationship between their employees' unions and the jurisdictions' administration is positive: 16% say the relationship is excellent, while 50% say it is good. By contrast, 29% say relations are fair, and just 5% say they are poor.
- Looking ahead, 60% of jurisdictions with unions expect to seek new concessions in negotiations in the coming year.

Most Michigan local jurisdictions with unions conducted negotiations in the past 12 months

Due in part to declining local government revenue and pressures to cut costs, public sector labor unions have been a focal point of policy debates across the country recently, including here in Michigan. To help inform policy discussions on local government unions, the Michigan Public Policy Survey (MPPS) first asked Michigan’s local leaders about the presence and impact of public employee unions in their jurisdictions during the Spring 2011 survey. With that baseline data from 2011, this year’s MPPS follows up with new questions regarding jurisdiction-union negotiations, while continuing to track local leaders’ views on the fiscal and operational impacts of unions and the overall relationship between local jurisdictions and their unions.

As CLOSUP first reported in 2011,¹ only 27% of Michigan’s general purpose local governments (counties, cities, townships, and villages) report having employee labor unions. As seen in *Figure 1a*, the presence of unions is strongly correlated with jurisdiction population size: while 97% of the state’s largest jurisdictions (those with more than 30,000 residents) report having at least one employee union, the same is true for only 5% of the smallest jurisdictions (those with fewer than 1,500 residents).

The MPPS also finds that the presence of unions is more common in Southeast Michigan than in any other region, with 56% of local jurisdictions in the Southeast reporting one or more unions present (see *Figure 1b*). This is likely tied in part to the concentration of many larger jurisdictions in the Southeast. By contrast, jurisdictions in the Northern Lower Peninsula are least likely to report having local public sector employee unions (17%).

By jurisdiction type, Michigan’s cities and counties are significantly more likely than its villages or townships to have public sector unions. Among jurisdictions responding to the survey, 100% of counties and 87% of cities report having at least one union representing their employees. However, only 20% of villages and 10% of townships report having employee unions. (Note: not all Michigan counties responded to the survey, so it is possible that the actual percentage is less than 100% among counties.)

Figure 1a
Percentage of jurisdictions reporting they have one or more employee labor unions, by population size

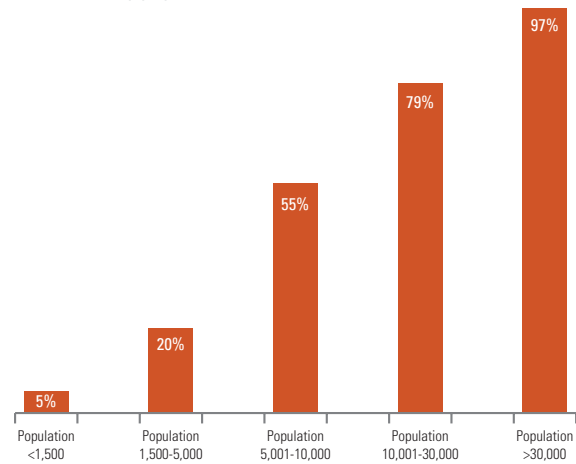
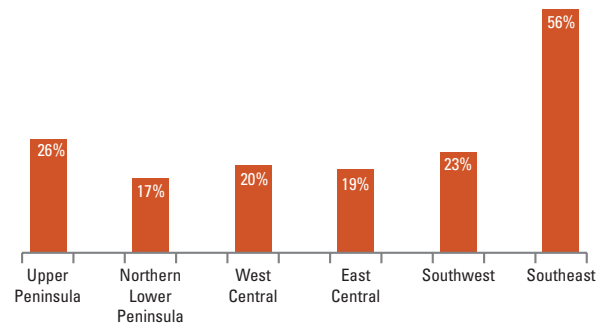


Figure 1b
Percentage of jurisdictions reporting they have one or more employee labor unions, by region





Contract negotiations between local administrations and their employees' unions were common over the past 12 months. Among jurisdictions with unions, 78% conducted negotiations this year on a variety of issues. Larger jurisdictions (95%) were more likely than smaller ones to negotiate with their employees' unions in the last year (see *Figure 2*). Even so, a majority of the smallest jurisdictions with unions (59%) also conducted negotiations.

The MPPS asked local leaders whether they had engaged in negotiations on four potential topics in the past 12 months: employee pay, fringe benefits, staffing levels, and work rules. As shown in *Figure 3*, among jurisdictions that negotiated with their unions this year, most negotiated over issues of benefits (90%) and pay (89%), though significant percentages also negotiated on staffing levels (62%) and work rules (63%).

Figure 2
Percentage of jurisdictions that negotiated with unions in past 12 months (among jurisdictions with unions), by population size

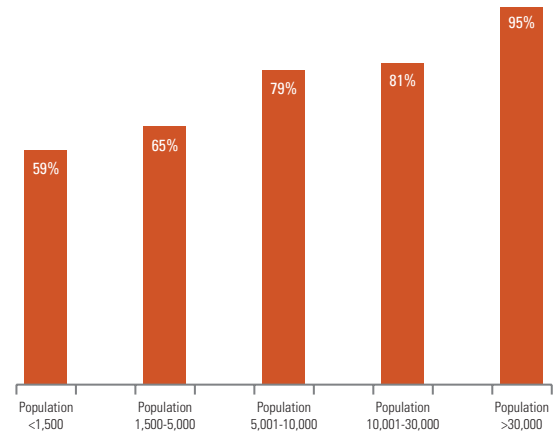
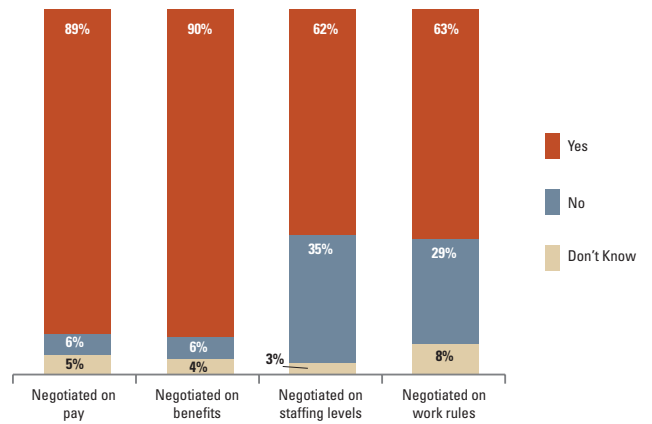


Figure 3
Percentage of jurisdictions that negotiated with unions on particular topics in past 12 months (among jurisdictions with unions)



Most concessions were made by unions, particularly regarding fringe benefits

Labor negotiations can be complex, with a wide range of possible outcomes. The MPPS asked local leaders to characterize the overall outcomes of their negotiations, identifying which side(s)—if either—made concessions on each issue over which they negotiated.

Overall, on each topic of negotiation asked about by the MPPS (fringe benefits, pay, staffing levels, and work rules), local leaders report that their employees’ unions made concessions much more frequently than did the jurisdictions’ administration.

By far, the most one-sided outcome of all negotiations was on fringe benefits: 69% of local leaders report their employees’ unions made concessions in this area, while only 5% report the jurisdiction made concessions. Another 5% say each side made concessions, while 17% say neither side made concessions (see *Figure 4a*).

It is possible that a significant portion of these union concessions on fringe benefits may have been driven by recently-adopted state policies that encourage local governments to reduce or limit benefits to their employees. In particular, Public Act 152 of 2011 limits how much jurisdictions can contribute toward the health care costs of their employees (whether unionized or not), and the state’s new Economic Vitality Incentive Program (EVIP) uses revenue sharing incentives to encourage limits on both health care and retirement benefits.² At the same time, open-ended responses by local leaders on the MPPS survey show that in numerous cases, public sector labor unions came to the table ready to make concessions due to the declining fiscal health of their employers.

On the issue of employee pay rates, 38% of local leaders who negotiated over this topic say their employees’ unions made concessions, while 23% say the jurisdiction made concessions. Another 8% report both sides made concessions, while 26% say neither side made concessions during negotiations (see *Figure 4b*).

Open-ended survey responses make it clear that some local leaders viewed employee pay increases not as “concessions” made by the jurisdiction, but rather as investments in their workforce. In addition, previous MPPS research from the Spring 2010 survey found that only 6% of Michigan’s local leaders thought their jurisdictions’ employee pay rates were too high, while 25% thought they were too low.³ By comparison, among jurisdictions that provided their employees with fringe benefits at that time, 27% of local leaders thought the benefits were too generous, while just 8% thought they were not generous enough. In light of these earlier findings, the outcomes of negotiations conducted over the last year suggest some local jurisdictions may have negotiated on overall compensation policies to address the perceived imbalance between benefits that were too generous and pay rates that were previously too low.

Figure 4a
Overall outcomes of negotiations on employee benefits in last 12 months (among those that negotiated on benefits)

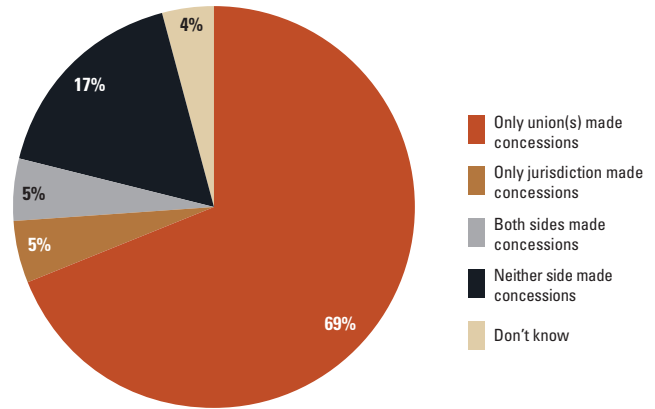
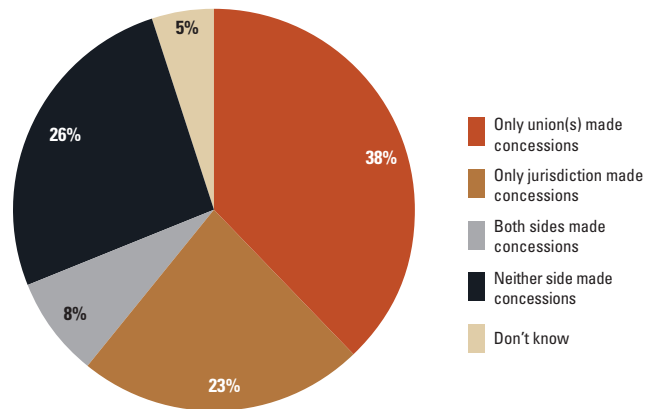


Figure 4b
Overall outcomes of negotiations on employee pay in last 12 months (among those that negotiated on pay)





When looking specifically at negotiations regarding staffing levels, 34% of local officials who negotiated on this topic say their employees' unions made concessions, while 6% say the jurisdiction made concessions. By comparison, only 1% say both sides made concessions, while 54% report that neither side made staffing concessions during negotiations (see *Figure 4c*). As noted in *Figure 3*, fewer negotiations focused on this topic compared with either pay or benefits.

And on work rules, 36% of jurisdictions that negotiated on this topic report their employees' unions made concessions, while only 3% say the jurisdiction did so. Another 3% say each side made concessions on work rules, while nearly half (47%) say neither side made concessions (see *Figure 4d*). Again, *Figure 3* shows this was less frequently targeted by jurisdictions or unions in the first place, with fewer negotiating over the topic compared to either pay or benefits.

Figure 4c
Overall outcomes of negotiations on employee staffing levels in last 12 months (among those that negotiated on staffing levels)

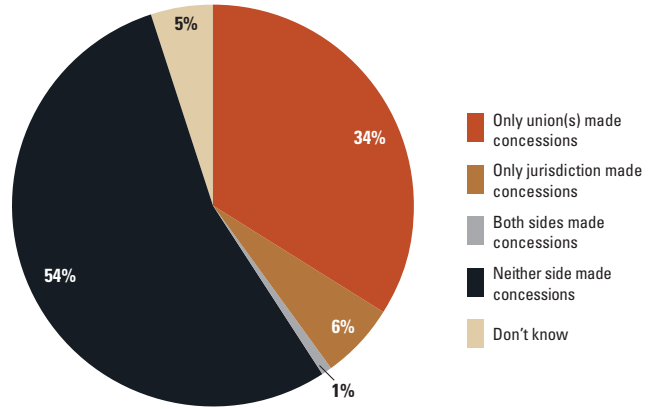
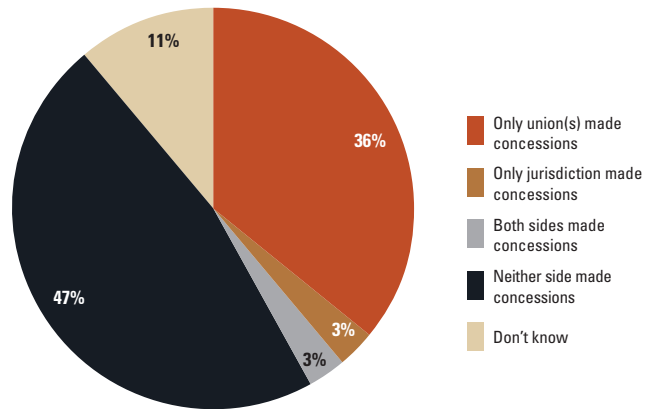


Figure 4d
Overall outcomes of negotiations on employee work rules in last 12 months (among those that negotiated on work rules)



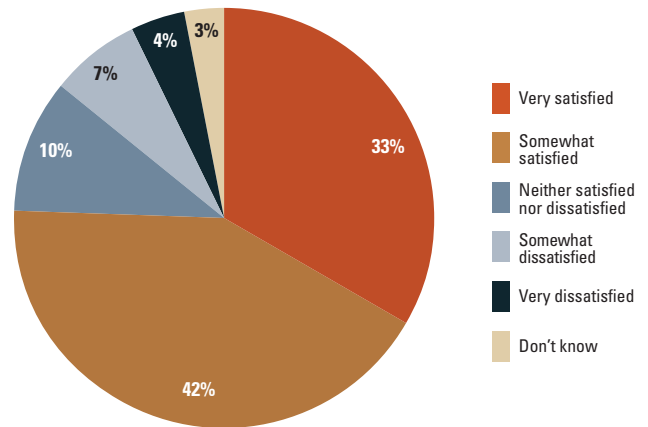
Local leaders mostly satisfied with outcomes of negotiations

Among jurisdictions that conducted negotiations in the last year, 75% of local leaders are satisfied with the outcomes of their negotiations, including 33% who say they are very satisfied (see Figure 5). Only 11% of local officials are dissatisfied.

Satisfaction with the outcomes of negotiations is widespread among local officials from a range of jurisdictions of varying sizes and in all regions of Michigan, and among officials who identify as both Republicans and Democrats. Open-ended survey responses help explain why some local leaders express either satisfaction or dissatisfaction with these negotiations. Certainly, many satisfied local leaders cite concessions made by unions that will help ease their jurisdictions' fiscal stress. In many of these cases, leaders who are satisfied also frequently mention a sense of partnership and cooperation between their jurisdiction and their employees' unions, with a collaborative focus on living within the means of the local government while fairly compensating its employees.

On the other hand, most leaders who are dissatisfied with their negotiations say their employees' unions refused to make concessions, or that negotiations simply took too long with too little progress made. Many of these leaders also specifically reference difficulties in negotiating with public safety (police and fire) unions, often referred to as PA 312 unions (for the public act that mandates binding arbitration when negotiations fail). Examples of both situations are highlighted in the quotes below.

Figure 5
Local officials' satisfaction on negotiations with unions (among those who negotiated within last 12 months)



Voices Across Michigan

Quotes from local leaders regarding their experiences in negotiations this year

Among officials who are very or somewhat satisfied with outcomes:

- "Both parties left the table satisfied that the agreement was fair. The workers felt they were listened to and valued in the process."
- "I believe our employees understood the financial state of the [jurisdiction] and stepped up to help by re-opening their contracts, and making concessions."
- "When it comes to management rights, pay and benefits we were able to negotiate a "me too" clause that mirrored the non union employees rights, pay and benefits enabling us to treat all employees the same under these three items. It goes a long way with employee job satisfaction and morale when you are able to do this--versus differences between union and non union personnel."
- "I am satisfied that the [jurisdiction] and the unions were able to reach contract agreements. However, I am not happy that the employees had to make so many sacrifices. I understand why, but that does not mean I have to be happy about it."
- "... No one in the [jurisdiction] has had a pay increase in the last three years, and none expected in the foreseeable future. Both union and management are not happy with the current state of financial affairs, but realize that we all must make concessions in order to move forward. We believe we have reached the lowest ebb on the financial curve, and that our situation will be improving within the next several years."

Among officials who are very or somewhat dissatisfied with outcomes:

- "I was hoping for greater concessions from our unions. As usual they gave up future employees but were extremely reluctant to make wage/benefit changes to current employees. This creates animosity with our administrative group (non-union) as they've given up/had taken away, benefits for current employees in excess of the sacrifices made by union employees."
- "Lack of willingness on part of unions to recognize fiscal challenges and high costs of OPEB."
- "We have been negotiating a contract with our union for nearly a year."
- "Unions not cooperative. Police Union & [the jurisdiction] went to ACT 312 Arbitration. Resulted in significant changes requested by the [jurisdiction]. Union did not give these up. Arbitration took them away...."



Perhaps not surprisingly, given the concessions made by unions in the last year, Michigan’s local leaders have a more positive view of their employees’ unions now, compared to their opinions a year ago. In 2011, 13% of local leaders said their local employees’ unions were assets to the jurisdiction’s fiscal health, while 56% said their unions were liabilities (see *Figure 6*). As of 2012, 22% feel their unions have been assets to the jurisdictions’ fiscal health in the last 12 months, while 32% believe they have been liabilities.

Similarly, Michigan’s local leaders have a more positive view of union impacts on the jurisdictions’ overall performance now compared to a year ago. In 2011, 14% of local leaders said their employees’ unions were assets to the jurisdiction’s overall performance, while 40% said they were liabilities. In 2012, however, 24% of leaders say their employees’ unions have been assets to the jurisdiction’s overall performance in the last 12 months, while 23% say they have been liabilities (see *Figure 7*).

Despite continuing concerns among some local leaders about unions’ impacts on fiscal health and performance, two-thirds (66%) of these leaders believe the overall relationship between their employees’ unions and their jurisdiction’s administration is excellent or good (see *Figure 8*). These percentages are essentially unchanged from the opinions expressed in 2011.

Figure 6
Local leaders’ assessments of the effects of union(s) on fiscal health (among jurisdictions with unions)

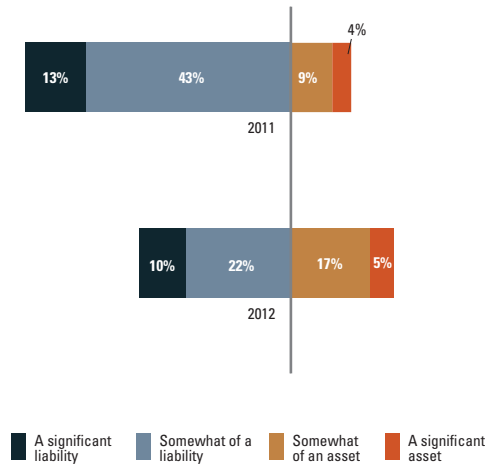


Figure 7
Local leaders’ assessments of the effects of union(s) on overall performance (among those jurisdictions with unions)

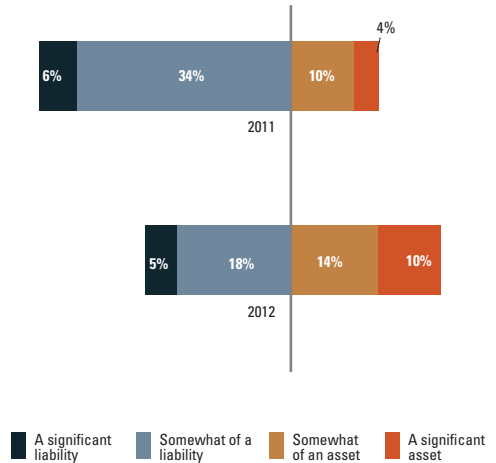
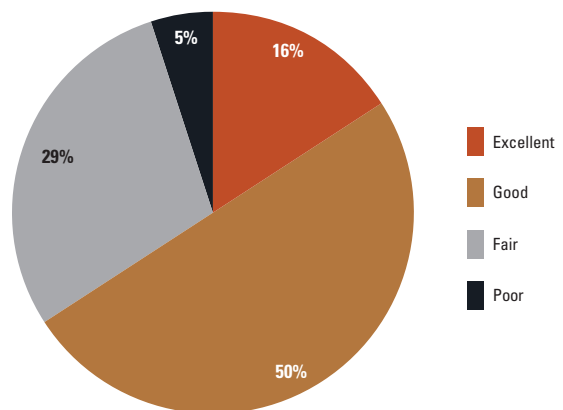


Figure 8
Local leaders’ assessments of the relationship between their jurisdictions’ administrations and unions (among those jurisdictions with unions)



A majority of local leaders expect to seek more concessions in the near future

And despite the concessions made by employees' unions in the last year, 60% of local leaders from jurisdictions with unions expect that they will seek new concessions from the unions in the next 12 months (see *Figure 9*).

This is again correlated with jurisdiction size, with larger jurisdictions (71%) more likely to continue seeking concessions than the smallest ones (55%). Not surprisingly, the likelihood that a jurisdiction will seek union concessions in the next 12 months is also correlated with the jurisdiction's fiscal health, as summarized by local leaders. The MPPS asks officials whether they predict their jurisdictions will be better or less able to meet their fiscal needs next year compared with this year. In jurisdictions where the local leader predicts they will be *less* able to meet their fiscal needs next year, 66% expect they will seek concessions from their labor unions, compared to only 50% among jurisdictions that expect they will be *better* able to meet their fiscal needs next year. The differences are most pronounced among the state's smaller jurisdictions (see *Figure 10*).

Figure 9
Percentage of jurisdictions predicting they will negotiate with union(s) in the next 12 months (among those jurisdictions with unions)

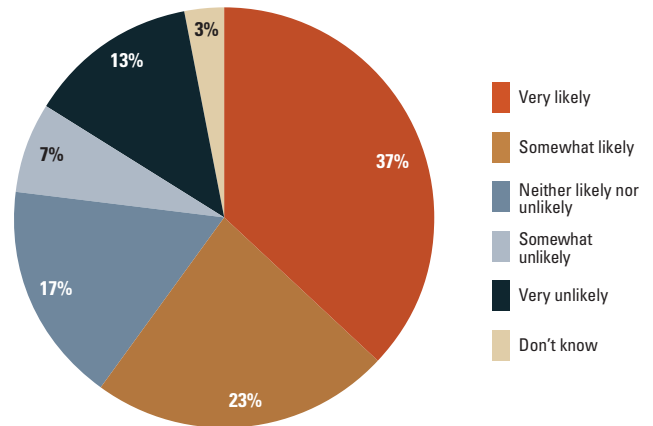
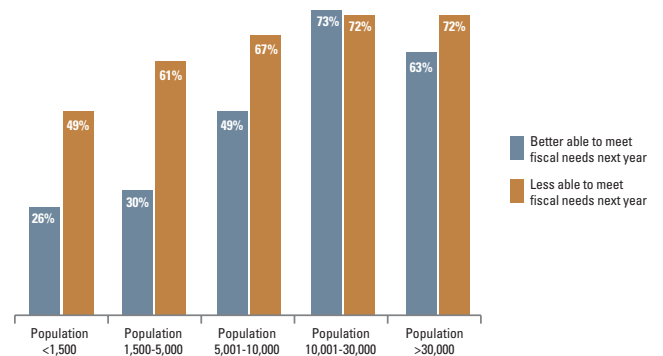


Figure 10
Percentage of jurisdictions predicting they will negotiate with employee union(s) in the next 12 months (among those jurisdictions with unions), by population size and ability to meet fiscal needs





Conclusion

The local government fiscal crisis, along with policies enacted in Lansing since 2011, have pushed many jurisdictions to seek concessions from their employee labor unions over the last year. While only 27% of Michigan's local governments have employee unions, 78% of these jurisdictions conducted negotiations in the last year over new labor contracts.

On all topics of negotiation surveyed by the MPPS, employee labor unions made concessions much more frequently than did the local government administrations. In particular, cuts or limits on fringe benefits were especially common, with 69% of negotiations on this topic resulting in concessions made only by the unions.

While a significant portion of local government leaders continue to express concerns about the impact of unions on their jurisdictions' fiscal health and overall performance, these views have trended in more positive directions over the last year. And overall, local leaders in jurisdictions with unions believe they have positive working relationships between their administration and the unions.

Of course, the views explored in this report once again represent only one side of the story—that of the administration. Given the extensive concessions that appear to have been made by unions in the last year, union representatives might have different opinions about these issues.

In any case, these relationships may be put to the test again in the coming year, as most jurisdictions with unions expect to seek new concessions.

Notes

1. Center for Local, State, and Urban Policy. (2011, August). Public sector unions in Michigan: Their presence and impact according to local government leaders. Ann Arbor, MI: Center for Local, State, and Urban Policy at the Gerald R. Ford School of Public Policy, University of Michigan. Retrieved from <http://closup.umich.edu/files/mpps-labor-unions-2011.pdf>
2. Michigan Department of Treasury. (2011, July 20). Employee compensation. Retrieved from http://www.michigan.gov/treasury/0,4679,7-121-1751_2197_58826-259611--,00.html
3. Center for Local, State, and Urban Policy. (2011, February). Local government leaders say most employees are not overpaid, though some benefits may be too generous. Ann Arbor, MI: Center for Local, State, and Urban Policy at the Gerald R. Ford School of Public Policy, University of Michigan. Retrieved from <http://closup.umich.edu/files/mpps-employee-compensation.pdf>

Survey background and methodology

The MPPS is a biannual survey of each of Michigan's 1,856 units of general purpose local government, conducted once each spring and fall. While the spring surveys consist of multiple batteries of the same "core" fiscal, budgetary and operational policy questions and are designed to build-up a multi-year time-series of data, the fall surveys focus on various other topics.

In the Spring 2012 iteration, surveys were sent by the Center for Local, State and Urban Policy (CLOSUP) via the internet and hardcopy to top elected and appointed officials (including county administrators and board chairs, city mayors and managers, village presidents and managers, and township supervisors, clerks, and managers) from all 83 counties, 277 cities, 256 villages, and 1,240 townships in the state of Michigan.

The Spring 2012 wave was conducted from April 9-June 18, 2012. A total of 1,329 jurisdictions in the Spring 2012 wave returned valid surveys, resulting in a 72% response rate by unit. The margin of error for the survey as a whole is +/- 1.43%. However, the margin of error may differ for analyses that include only a subset of respondents. The key relationships discussed in the above report are statistically significant at the $p < .05$ level or below, unless otherwise specified. Missing responses are not included in the tabulations, unless otherwise specified. Data are weighted to account for non-response. Contact CLOSUP staff for more information.

Detailed tables of the data analyzed in this report are available online, broken down three ways: by jurisdiction type (county, city, township, or village); by population size of the respondent's community; and by the region of the respondent's jurisdiction. See the MPPS homepage: <http://closup.umich.edu/mpps.php>.

The survey responses presented here are those of local Michigan officials, while further analysis represents the views of the authors. Neither necessarily reflects the views of the University of Michigan.

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