

Daniel Nielsen, Arbitrator

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In the Matter of the Arbitration of an Interest Dispute Between

**THE VILLAGE OF MORTON GROVE**

and

**THE ILLINOIS FRATERNAL ORDER OF  
POLICE LABOR COUNCIL**

Case No. S-MA-11-031  
Wages - 2011

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Appearances:

The Illinois Fraternal Order of Police Labor Council, by **Gary Bailey**,  
5600 S. Wolf Rd, Suite 120, Western Springs, IL 60558, appearing on  
behalf of the Union.

Clark Baird Smith, LLP by **R. Theodore Clark**, Attorney at Law, 6133  
North River Road, Suite 1120, Rosemont IL 60018, appearing on behalf of  
the Village.

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**ARBITRATION AWARD**

The Village of Morton Grove (hereinafter referred to as the Village or the Employer) and the Illinois Fraternal Order of Police Labor Council (hereinafter referred to as the FOP or the Union), selected the undersigned to serve as the arbitrator of a dispute over the terms of the collective bargaining agreement for sworn officers in the employ of the Village's Police Department. A hearing was held on March 26, 2013, at which time the parties presented such testimony, exhibits, other evidence and arguments as were relevant. Post-hearing briefs were submitted, which were exchanged through the undersigned on May 14, 2013. Supplementary cost of living information was submitted on May 22 and June 16. The parties granted an extension of time for the issuance of the Award.

## General

The Union represents a unit of approximately 33 sworn officers in the Village of Morton Grove's Police Department. The Union and the Village have been parties to a bargaining relationship for decades. The Village has two other bargaining units – Fire, with roughly 36 employees, and the Machinists representing the mechanics, with roughly 6 employees. There are also approximately 96 unrepresented employees. The instant dispute concerns the contract for 2011, 2012 and 2013, and is limited to the wage rate increase for 2011. The unrepresented employees have not received an increase for 2011. The Machinists have a “me too” provision in their contract, tying their wage increase for 2011 to that received by their unrepresented supervisors. Thus, to date, they have received no increase for 2011. The Firefighters went to interest arbitration over their 2011 and 2012 wage increases and other issues. They sought 2.00% across the board in both years. The Village countered with 0.00% in 2011, and 2.50% in 2012. The dispute was heard by Arbitrator Briggs, who ruled in favor of the Village on April 26, 2012.

## Issues and Offers

The Union and the Village have reached stipulations on all but one item, and they have requested that those stipulations be incorporated into this Award. The sole disputed issue is the wage increase for 2011, the first year of the three year contract.

In summary form, the Union's final offer is:

2011:	1.75%
2012:	2.50%
2013:	2.00%

Also in summary form, the Village's final offer is:

2011:	0.00%
2012:	2.50%
2013:	2.00% <sup>1</sup>

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<sup>1</sup> The parties have submitted identical proposals on the calculation and application of retroactive pay, and that is not discussed herein.

As the dispute concerns economic issues, the arbitrator is confined to selecting one or the other of the final offers, without modification.

### **Statutory Criteria**

Section 14(h) of the Illinois Public Labor Relations Act, 5 ILCS 315 provides the specific factors for an arbitrator to use when analyzing the issues in an interest arbitration dispute:

[T]he arbitration panel shall base its findings, opinions, and order upon the following factors, as applicable:

- (1) The lawful authority of the employer.
- (2) Stipulations of the parties.
- (3) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- (4) 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:
  - (A) In public employment in comparable communities.
  - (B) In private employment in comparable communities.
- (5) The average consumer prices for goods and services, commonly known as the cost of living.
- (6) 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.
- (7) Changes in any of the following circumstances during the pendency of the arbitration proceedings.
- (8) 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.

All of the criteria have been considered in arriving at this Award, although given the nature of the dispute, not every criterion is discussed.

### **The Arguments of the FOP**

The Union argues that its offer is preferable by every measure traditionally used by interest arbitrators. While all factors are relevant, some have generally been considered to carry more weight than others. Many arbitrators find external comparability to be the best gauge of a reasonable offer. It provides a context for evaluating offers and a sense of the relevant market. Even though its importance as the primary consideration in wage issues has waned somewhat since the economic crisis, it remains a factor for arbitrators to consider, and it strongly favors the Union's offer.

The parties agree on the comparable grouping, which consists of Des Plaines, Lincolnwood, Niles, Park Ridge, Skokie and Wheeling. The Union's proposed 1.75% increase is the second lowest among comparable groups, at 0.64% below the average. It drops the salary rankings for the top salary in the unit from 3<sup>rd</sup> to 4<sup>th</sup> among the comparables communities. The Village's offer, which is 2.39% below the average of the settlements for 2011, drops the officers to 6<sup>th</sup> out of 7 communities:

Comparable	2011 % Increase	2011 \$ Increase <sup>2</sup>	2010 Ranking	2011 Ranking	
				U	V
Des Plaines	2.50%	2.50%	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Lincolnwood	2.00%	1.88%	4 <sup>th</sup>	5 <sup>th</sup>	4 <sup>th</sup>
Niles	3.50%	3.50%	7 <sup>th</sup>	6 <sup>th</sup>	5 <sup>th</sup>
Park Ridge	0.00%	0.00%	6 <sup>th</sup>	7 <sup>th</sup>	7 <sup>th</sup>
Skokie	4.59%	3.80%	5 <sup>th</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Wheeling	1.75%	1.75%	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>
<b>Average</b>	<b>2.39%</b>	<b>2.24%</b>			
<b>Village Offer</b>	<b>0.00%</b>	<b>0.00%</b>	<b>3<sup>rd</sup></b>		<b>6<sup>th</sup></b>
<b>Union Offer</b>	<b>1.75%</b>	<b>1.75%</b>	<b>3<sup>rd</sup></b>	<b>4<sup>th</sup></b>	

<sup>2</sup> The settlements in Skokie and Lincolnwood were structured to provide a reduced budgetary cost impact in 2011.

Both offers erode the standing of officers at the top rate, but the Village seeks to move the officers from the top half of the comparables to second to last in a single year. The external comparisons must be held to very strongly favor the Union's modest final offer.

The Union's proposal should also be judged preferable when measured by the interests and welfare of the public and the financial ability to pay. The public has many interests and the welfare of the public can be served in many ways. The public has an interest in the recruitment and retention of qualified officers, which the Union's offer promotes by offering a competitive wage increase. The Village makes a generalized claim that there is financial stress, but stress does not equate to inability to pay, and in any event, the Village's finances are in reasonably good shape. Surely the Village must be prudent with public money, but that is always true and is true of every public employer. The steps the Village has taken to contain expenses and enhance revenues have been prudent, and have been successful. The Village has made a reduction in its reserves in 2009 to account for the 2008 economic shock, and the General Fund Balance has been stable ever since. The financial impact of the Union's 2011 wage proposal amounts to 0.2% of the Village's annual expenditures. There can be no serious argument that this represents a difficulty in paying, much less an inability to pay. The interests and welfare of the public are best served by selection of the Union's offer.

The criterion requiring the arbitrator to give weight to "traditional factors in collective bargaining." should also be held to favor the Union proposal. Certainly all parties are aware of the recent economic difficulties for the nation, the state and the Village. Wage offers can be expected to reflect that reality. The Union offer does so. It is the lowest wage increase ever proposed by the Union and, if accepted, will be the lowest wage increase ever included in a collective bargaining agreement between the parties. 3% is the lowest voluntary settlement ever between these parties, and 2.5% is the lowest ever awarded in arbitration. The Union notes that this is in addition to the 2.5% and 2.0% increases already agreed by the parties for the two final years of the contract. Thus two of the three years of this agreement will be the lowest increases in history, and the other year will be tied for the lowest previous increase. The Union has made an offer that takes account of the difficult economic conditions while still giving weight to the other statutory criteria.

The Village's offer, by contrast, seeks a significant change in the parties' historical pattern of settlement and a significant financial consequence for the police officers, without any type of quid pro quo. Traditionally, a significant change is induced by offering a counterbalancing item. The Village wants a wage freeze which, given the cost of living across 2011, will result in a loss of purchasing power for officers, and which is unsupported by the external comparables. It offers nothing to offset the loss, or to cause the Union to even consider accepting it. Applying the "traditional factors" criterion to this dispute, the arbitrator must conclude that the Union's proposal is to be preferred.

The CPI is a much criticized measure of the cost of living, but it remains the most generally relied upon tool for measurement. Since the onset of the economic crisis, it has in fact increased in importance, with prominent arbitrators citing it as the only reliable data in a time when settlement comparisons had become erratic and undependable. It is a criterion that lends itself to concrete measurement, unlike the hyperbolic claims of financial stress that employers seek to have arbitrators adopt.

In the year at issue, 2011, the cost of living ranged from 2.06% to 3.21%, depending upon the index used, with all indexes averaging 2.78%:

CPI-U (Chicago)	2.06%	CPI-W (Chicago)	2.47%
CPI-U Midwest)	2.82%	CPI-W (Midwest)	3.14%
CPI-U (US City Ave.)	2.96%	CPI-W (US City Ave.)	3.21%

The offer of the Union is lower than the cost of living in 2011 by anywhere from 0.31% to 1.46%. The Village offer imposes a loss of real income ranging from 2.06% to 3.21%. There is nothing whatsoever to justify a loss of this magnitude. Consideration of the cost of living must favor the Union offer.

The Village's position depends almost exclusively on an internal comparison to the Award in the Morton Grove Firefighters' interest arbitration case before Arbitrator Briggs. The arbitrator accepted the four year offer of the Village, which included a wage freeze for 2011. There is no other relevant internal comparable, since the unrepresented employees traditionally get the same increase as negotiated by the police, and the Machinists' unit of mechanics in the garage have a "me too" arrangement with their unrepresented supervisors. While these employees have nominally received a freeze for 2011, that is only because the police negotiations were not concluded.

The firefighters' award is distinguishable from the instant case. The firefighters, for whatever reason, did not put in any financial data to refute the Village's claims of financial distress and economic hardship. By contrast, the record before this arbitrator shows that the Village's financial condition is stable, and that accepting the Union's offer will not create any disruption or hardship. The financial stability is due to prudent choices by the Village, and that is to their credit, but the fact is that the stability exists. The record in this case is wholly different than the record before Arbitrator Briggs, and the Union should not be bound by a poorly thought out strategy by another union. The Union has the right to negotiate for, and litigate for, its own increase and should not be denied its right to be heard on the merits of its position as proved in this case. The Briggs Award cannot dictate the result here.

Even if the settlement of the firefighters' contract has relevance, it is minimal. The Village seeks to portray a history of lockstep agreement on wages between the police and fire bargaining units. On the contrary, there is no evidence at all that the settlements in the police bargains have ever referred to the fire negotiations. In the two interest arbitrations between the Union and the Village, there is no reference whatsoever to the wages in the fire unit. Instead the record shows that the issues were decided on their own merits. There is no history of reliance in internal comparisons to determine the wage increases for the police officers, and the arbitrator should conclude that internal comparisons do not favor either offer.

The statute has specific criteria which govern the outcome of interest arbitration. Arbitrators have recognized that obedience to the statute requires the granting of Union proposals for wage increases where they are more reasonable, as measured by the statute, even in the face of overblown claims about the general state of the economy. This is such a case. The Union's final offer is preferable under all of the statutory criteria, and accordingly, the arbitrator should award the Union's position.

### **The Arguments of the Village**

The Village takes the position that its offer more closely conforms to the statutory criteria, more realistically reflects the economic condition of the state of Illinois and the Chicago region, and most importantly, maintains the historic pattern of identical

increases between the police and fire units in Morton Grove. Since at least 1997, there has been an unbroken pattern of contracts in which the police officers and the firefighters have received the same across the board salary increases. This has been true whether police negotiated first or the firefighters negotiated first. It is true for the second and third years of this contract, in which the firefighters were awarded 2.5% and 2.0% and where both the Village and the FOP have proposed 2.5% and 2.0%. There is nothing about 2011 that should make it the single exception to this uniform rule of parity, particularly in light of the havoc it would create in the parties' bargaining relationship.

There is a wealth of arbitral precedent for the proposition that arbitrators should not disturb the historical relationships between the increases of police and fire units that the parties have themselves established through voluntary collective bargaining. The Village notes this arbitrator recognized this very principle in his Village of Lombard and FOP Labor Council decision last year.<sup>3</sup> The arbitrator held that the near absolute consistency in settlements between that Village's police and fire units over a 20 year period stood as persuasive evidence of what a voluntary agreement likely would have been, had voluntary agreement been possible. The arbitrator said this presumption could be rebutted by showing that the settlement was an anomaly, or that it was secured by a quid pro quo not available to the police unit, or that there had been a dramatic change in conditions since the settlement, or that the other bargaining unit was markedly different in terms of the labor market or its bargaining leverage. None of these apply here. There is nothing anomalous about the Village's contract with the IAFF. It tracks the wages for 2011 for the Machinists and unrepresented employees. It matches the increase in at least one of the police comparables. It resulted from negotiations between sophisticated parties, and an arbitration conducted under the same statutory framework as this one. There have been no changes of note since the firefighters' award, and the award was not secured by offering any quid pro quo that has not been made available to the FOP. Furthermore, the 0% proposal for 2011 is consistent with what other arbitrators have awarded since the advent of the Great Recession. Arbitrators have recognized the unusual nature of the economic times.

The Village's proposal is also preferable to the Union's when the cost of living is

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<sup>3</sup> Village of Lombard and FOP Labor Council, S-MA-11-311 (Nielsen, 8/14/12).



considered. The IAFF agreement, which is the touchstone for this agreement, runs from 2009 to 2013. Thus it makes sense to use that time period for reviewing the cost of living vis-à-vis the salary increases for the police officers. The CPI-U for Chicago increased by 9.66% between January 1, 2009 and June 2013. The Village's wage offer increases wage rates by 10.38% on a compounded basis. In 41 of the 54 months covered by the CPI data, the police officers are in positive territory relative to the cost of living. Some ground is temporarily lost in 2011 because of the wage freeze, but it is regained in 2012 and 2013. Clearly there is no need for raising wages in 2011 to keep pace with inflation, when the wage increases for years immediately preceding and following allow the officers to in fact exceed the rate of CPI increase.

The Union places great weight on the settlements in other police units. The Villages urges the arbitrator to remember that external comparability no longer carries decisive weight in arbitration. Arbitrators have acknowledged that the disruptions caused by the Great Recession, and the unevenness of those disruptions, have made it impractical to simply look at other jurisdictions and assume that their settlements will translate to this one. Each municipality has been affected to different degrees, in different ways, and with different consequences. Straight comparisons do not capture those differences, and are not accurate barometers of what is or is not a reasonable settlement offer. To the extent that the arbitrator chooses to rely upon external settlements, the Village notes that at least one of the comparables has a two year wage freeze during the years surrounding this contract, so the Village's offer is within the range of comparable settlements. Further, looking at the span of the IAFF contract, the police officers ended 2008 ranked 4<sup>th</sup> out of 7 comparables. At the start of 2013 they rank 5<sup>th</sup> out of 7.<sup>4</sup> That is a minor change in position, and it demonstrates that the Village offer, while relatively low, is nonetheless a reasonable one in these economic times.

The Village reminds the arbitrator that salary alone is not the full measure of compensation, and points out that when longevity pay and holiday pay are factored in, Morton Grove officers rank 2<sup>nd</sup> out of 7 in 2011, the same year as the wage freeze that is in dispute here. The sole municipality providing greater compensation to its officers is Des Plaines, which has a longevity provision that is over twice as large as any other

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<sup>4</sup> These ranking are based on projections for the out years on the Des Plaines and Niles contracts.

department. Moreover, Morton Grove is one of only two jurisdictions among the comparables where holiday pay is pensionable, increasing both its value to the officers and its cost to the department. The arbitrator should also note that Morton Grove provides its officers with a more generous vacation benefit than any comparable department, and that officers receive, on average, 2.6 more days of vacation annually over a 30 year career than their counterparts. Plainly overall compensation provides great support for the Village's position. These officers do not suffer any great hardship as a result of accepting the same increase in 2011 as all of their co-workers in the Village received.

Finally, the Village's offer is overwhelmingly supported by considerations of the interests and welfare of the public and the financial ability to pay. The Village does not go so far as to claim an inability to pay for either offer, but it urges the arbitrator to treat realistically the effects of the recession, especially at the time these negotiations commenced in 2010. Home values dropped by 35% between 2008 and the present day. Village reserves were drawn down to account for the shortfall in revenue, and the operating fund balance has gone from 40% to 20%. Positions were eliminated across the Village, including managers, police and fire personnel. One department lost five of its six employees. Capital expenditures have been deferred. Subsidies for solid waste collection were eliminated, shifting costs directly to residents. Vehicle sticker fees for residents were nearly doubled. Water subsidies for senior citizens were slashed. Despite all of these steps, the Village continues to run at a deficit in its allocation for debt service, and will until at least 2015. At the same time, the Village's pension costs continue to increase, rising by 181% between 2006 and 2011. All of this takes place in a municipality that has the highest tax burden in the comparable communities. The steps taken by the Village have steadied the financial picture somewhat, but it remains the case the public interest is best served by an award that continues the downward pressure on Village finances.

The Union argues that the public also has an interest in offering competitive salaries to attract and retain officers. This may be true as a general proposition, but the Village has no difficulty in attracting and retaining officers. 330 people are on the eligibility list, and the Village loses, on average, one officer per year. Of the ten who've left since 2005, only five have taken jobs with other departments. The Village's offer

serves the generalized interest of the public in attracting and retaining officers, and there is no need to accept the higher offer of the Union. The offer also more closely reflects the considered judgment of other employer as to what increases are appropriate. The Bloomberg survey of public sector salaries shows that 2011 had a median salary increase of 0.0%, with 1.0% in 2012 and 1.6% in the first three months of 2013. Obviously the Village offer exceeds this. The Employment Cost Index shows a steady decrease in public sector wage settlements, and a 3.2 % increase in 2011, 2012 and 2013. Again, the Village's offer easily exceeds this. Lastly, the Federal and State governments have pursued wage freezes for their employees. The federal government has had a three year wage freeze in place across the entire term of this contract. Measured by the increases granted to public employees generally over the past three years, the Village's offer is more than reasonable.

The Village's offer maintains the parity across all Village employee groups, and the longstanding relationship of police and fire increases. It is preferable under all of the statutory criteria, and the arbitrator should therefore award the final offer of the Village.

### **Discussion**

This is a dispute over a single economic item – the 2011 wage increase – and the arbitrator is required to select one of the parties' offers without modification. While I have considered each of the statutory criteria, it is apparent that this dispute centers on four of them – Cost of Living, the Interests of the Public, External Comparisons and Internal Comparisons. Among these four, the real drivers of the dispute are External Comparisons and Internal Comparisons. The Village's offer is intended to maintain parity with the IAFF arbitration award, while the Union's offer relies on the increases in other police departments.

### **Cost of Living**

The parties have offered a variety of possible indices to review in this proceeding. The most persuasive of them is the CPI-U for the Chicago area. The employees in this proceeding live, work and consume in the Chicago area, and the cost of living index that is meaningful for them and is likely to inform their bargaining choices is the one tailored

to costs in that area.

The Village asserts that the best measure of the cost of living would be a long term view using the term of the IAFF contract:

**CPI-U Chicago-Gary-Kenosha – 2009-13**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b> (6 mos)
CPI Annual	2.54%	1.22%	2.06%	1.68%	1.81%
CPI Cumulative	2.54%	3.80%	5.93%	7.71%	9.66%
Cumulative - U	3.00%	5.75%	7.60%	10.29%	12.50%
Deviation	+0.46%	+1.95%	+1.67%	+2.58%	+2.84%
Cumulative - V	3.00%	5.75%	5.75%	8.21%	10.38%
Deviation	+0.46	+1.95%	-0.18%	+0.50%	+0.72%

While I agree that it is useful to view the changes in CPI in a larger context than simply isolating a single year, selecting one given period over another also allows for a certain amount of manipulation. Using just the term of this contract, for example, puts the Village offer in a somewhat less favorable light relative to CPI:

**CPI-U Chicago-Gary-Kenosha – 2011-13**

	<b>2011</b>	<b>2012</b>	<b>2013</b> (6 mos)
CPI Annual	2.06%	1.68%	1.81%
CPI Cumulative	2.06%	3.77%	5.65%
Cumulative - U	1.75%	4.29%	6.38%
Deviation	-0.31%	+0.52	+0.73%
Cumulative - V	0.00%	2.50%	4.55%
Deviation	-2.06%	-1.27%	-1.10%

The Union offer provides a three-quarters of a percent increase to employees in purchasing power over the term of the agreement, while the Village offer reduces their purchasing power by about 1% by the end of the contract. Overall, consideration of CPI would favor the Union offer, though not by a decisive margin.

### **Interest and Welfare of the Public**

The parties presented a great deal of data on the economic health and stability of the Village in the aftermath of the financial crisis. The Union asserts that the Village is actually quite sound, and well able to pay for the increase sought for 2011. Clearly that is true. The Village does not claim an inability to pay the increase. Just as clearly, the Village's current stability was hard won. Reserves have been significantly reduced, and the Village detailed a series of difficult budgetary choices, including layoffs, service cutbacks, and fee and tax increases, which remain in place. All of this took place in the context of a very high tax burden relative to other comparable municipalities. These considerations weighed heavily in Arbitrator Briggs' decision to award the requested 2011 wage freeze in the IAFF case, where he reasoned that it was fair to ask the firefighters to share in the financial sacrifices along with other employees and the citizenry.

While there is no inability to pay, the Village's interest in minimizing its costs is a more than just the normal appeal to fiscal prudence. The Village has taken specific, concrete steps to restore financial stability, and those steps include sacrifices by all of its constituent groups, including employees, none of whom has, as yet, seen a pay increase for 2011. Given this, I would agree with Arbitrator Briggs that the proposed wage freeze for 2011 is consistent with the interest and welfare of the public, and that the Village's offer should be preferred under this criterion.

### **External Comparables**

The parties agree on the comparability grouping, which is the same which was used in the arbitrations before Arbitrator McAllister for the 2010 salary and insurance dispute, and the stipulated Award by Arbitrator Benn for the predecessor contract. The Village urges, however, that external comparability is a

factor that cannot be given much weight in the wake of the financial crisis, citing a number of well recognized arbitrators, principally Arbitrator Benn, who opined that the disruptions caused by the Great Recession, in his view, rendered external comparisons unreliable indicators of a reasonable settlement. I respect Arbitrator Benn and the others who have made similar observations, and I agree with them, as far as they go. It must be remembered though that the cautions surrounding the reliability of external comparables centered in large part on the difficulty in comparing agreements made before the financial crash with those made after the crash. Obviously the starkly different economic conditions led to starkly different bargaining outcomes. With the passage of time, that concern is ameliorated somewhat, as the parties and their negotiators strike new bargains with full knowledge of prevailing economic conditions. The new normal may result in settlements at a lower level than did the old normal, before the recession hit. The transition between the two is not complete. It is still the case that the fallout from the recession has a disparate impact across jurisdictions. Deals do not have great uniformity. They continue to have greater sensitivity to local conditions than in the past, and external comparability does not have the near controlling weight it formerly had. The significance of this criterion is less than it was, but as things stabilize, comparability moves in the direction of again being a reliable indicator of the labor market, and what reasonable negotiators view as being reasonable settlements.

In this instance, the external comparables are not uniform by any means, but it can be safely said that the percentage wage rate increases in the external comparables provide greater support for the Union's position than for the Village's:

### Rate Increases Among Comparable Units

Comparable	2009	2010	2011	2012	2013
Des Plaines	3.75	3.75	2.50	ns	ns
Lincolnwood <sup>5</sup>	3.50	3.00	1.50	2.00	2.50
Niles	3.00	3.00	3.50	ns	ns
Park Ridge	0.00%	4.00	0.00	2.00	3.00
Skokie <sup>6</sup>	1.00	3.00	4.59	ns	ns
Wheeling <sup>7</sup>	4.00	4.00	1.75	2.25	2.50
<b>Average</b>	<b>2.54</b>	<b>3.46</b>	<b>2.39</b>	<b>2.08</b>	<b>2.66</b>
<b>Average</b>	<b>2009-13</b>	<b>2.63 per yr.</b>		<b>2011-13</b>	<b>2.38 per yr.</b>
Morton Grove - U	3.00	2.50	0.00	2.50	2.00
Morton Grove - V	3.00	2.50	1.75	2.50	2.00
<b>Village offer</b>	<b>2009-13: 2.00 per yr.</b>			<b>2011-13</b>	<b>1.50 per yr.</b>
<b>Union offer</b>	<b>2009-13</b>	<b>2.35 per yr.</b>		<b>2011-13</b>	<b>2.08 per yr.</b>

In 2011, the year at issue in this proceeding, the comparables averaged a 2.39% increase on the wage rates. That is 0.54% over the Union's offer, and appreciably above the wage freeze the Village seeks. The average annual increase over the entire terms of the agreement is almost the same, at 2.38%, 0.30% more than the average increase under the Union's offer and 0.88% per year on average more than the Village's offer. Even using the 2009-2013 period urged by the Village to match the term of the IAFF agreement, the Village offer averages 0.63% less per year than the settled comparable communities.

The Village offer is not a complete outlier, in that Park Ridge has a 0.00% increase in 2011. Yet of the settled agreements for the period from 2011 through 2013, the overall wage rate increase proposed by the Village is the lowest,

<sup>5</sup> Lincolnwood has a structured increase in 2011, with 1.50% at the beginning of the fiscal year and another 0.5% three months later. In 2010, Lincolnwood had a 3% across the board increase, but 4% at the top rate.

<sup>6</sup> Skokie has a structured increase in 2010, with a 2%/1% mid-year split. In 2011 there is 3%/1.59% mid-year split.

<sup>7</sup> Wheeling has a structured increase in 2009, with 2%/2% mid-year split. In 2011 there is another 2%/2% mid-year split.

including Park Ridge, and reduces the rank of the officers relative to their colleagues in the comparable communities. It is true, as the Village points out, that the Morton Grove officers enjoy advantages over many of their peers in terms of additional pay through longevity and holiday pay, as well as receiving a more generous vacation benefit. Thus in terms of overall compensation they rank very well, and will continue to rank very well no matter which offer is awarded. However, that goes to the question of overall compensation. These elements of the compensation package are not in dispute. In terms of the disputed issue of wage rates for 2011, the external comparables provide strong support for the Union's proposal.

### **Internal Comparables**

The Police and Fire units in Morton Grove both have access to interest arbitration and have gone to arbitration in the past, although sparingly. Both are represented by sophisticated bargainers. In every year since 1997, including the final two years of this contract, the negotiators for the FOP and the Village, and the negotiators for the IAFF and the Village, have arrived at exactly the same across the board wage increase. While the Union contends that there is no evidence that police negotiations have ever taken account of fire settlements, and vice versa, the historical record strongly suggests otherwise. Even in the years surrounding the disputed year of 2011, the wage increases for the police in Morton Grove do not particularly track the rates in other comparable departments, but precisely match the rates in the fire agreement. As I noted in a prior Award concerning internal parity "The internal consistency of settlements between the Village and its two groups of protective service employees is striking, and can hardly be the result of happenstance."<sup>8</sup> The same observation applies in this case. There has been a conscious and sustained effort on all sides to maintain parity between the two protective services units.

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<sup>8</sup> Village of Lombard and the FOP Labor Council, *supra*, at page 15.



The Union strongly argues that it should not be held hostage to what it feels was a flawed arbitration strategy by the IAFF before Arbitrator Briggs, and asserts that it is entitled to a judgment on the merits of its case and on the record that it generated. That is true, as far as it goes, but the internal comparisons criterion of the statute must be given weight, and it does not distinguish between good outcomes and bad. It is also the case that parties to an interest arbitration are held hostage to many factors they have no control over. The settlements in comparable communities, for example, are given weight for what they are, not for how they came to be or whether they were welcome developments for other bargainers. The circumstances of a settlement or an award may distinguish it from another bargain, and may reduce its persuasive value, but they will not allow it to be discounted.

In any event, the Union's criticism of the IAFF presentation on the 2011 wage increase for firefighters appears to be a bit overstated. For example, Arbitrator Briggs acknowledged the recovery in the General Fund, while noting that it came at a price in terms of layoffs, service reductions, increased fees and increased property taxes. It is not that he did not appreciate the fact that Village's free-fall was stopped; he simply observed that it was stopped through a program of genuine sacrifices, including sacrifices by employee groups. In connection with that, he observed that non-represented employees – the largest employee group - had been given a wage freeze for 2011, resulting in a wage freeze for the Machinists bargaining unit as well, since it had a me-too clause with the supervisors. The Union contends that this wage freeze is illusory since the non-reps compensation is solely within the control of the Village, and they always receive what the police officers bargain. That may or may not be true. Because of the history of identical increases, it is equally true to say that the non-reps have always received whatever the firefighters bargained. It appears that there has not been an occasion to test what happens if those two units reach different settlements.<sup>9</sup>

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<sup>9</sup> The discussion of the increases received by the unrepresented employees goes to the steps

The Village predicts havoc if there is a break in the historic parity between the police and fire units. That is probably a bit of hyperbole, but it is evident that the across the board wage settlements between the Village and these two groups have been consciously linked for quite a long period of time, and continue to be so. The 2011 wage increase for firefighters was arrived at through arbitration in a proceeding in which the arbitrator considered the same economic factors and much the same evidence as have been argued in this case. There is nothing to paint it as an anomaly. It is a very persuasive piece of evidence, and strongly favors the Village's position.

Internal settlement patterns are entitled to deference when they are the result of bargaining between equals. Where, as here, there is a convincing history of exact parity of wage increases, and nothing to distinguish between the bargains, there must be a compelling reason for a neutral to disturb the relationship that the parties have themselves established. The Village's offer is low relative to the external comparables, but it would not represent the only 0.00% increase in 2011. It causes officers to lose rank relative to their peers, although in terms of overall compensation they continue to compare quite favorably. While the Union's reservations about the 2011 wage freeze are warranted by consideration of external comparables and CPI, those reservations do not rise to the level of a compelling reason to break the long established parity relationship between the police and fire in Morton Grove.

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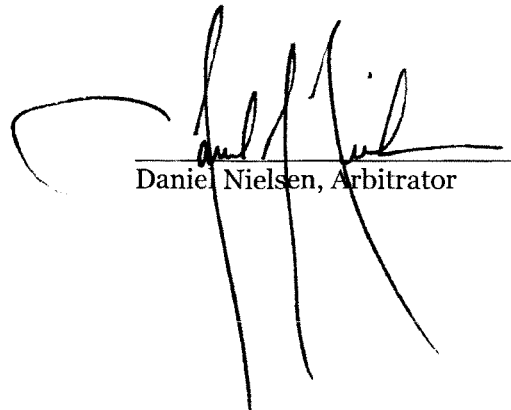
taken by the Village to control costs, and the fact that Arbitrator Briggs had a more extensive analysis of the Village's financial picture than is portrayed by the Union's argument. By definition, unrepresented employees have no bargaining rights, and they are not an internal comparison in the same sense as the Firefighters, who have bargaining rights including the ability to go to arbitration. The increases received by unrepresented employees are not irrelevant, but they are not nearly as persuasive as negotiated settlements.

## AWARD

On consideration of all of the statutory criteria, and the record as a whole, the 2011-2013 collective bargaining agreement shall incorporate the provisions of the predecessor agreement, as modified by the tentative agreements and the wage provision proposed by the Village of Morton Grove.

The Arbitrator will retain the official record and jurisdiction over the dispute until the parties notify him that any issues related to the implementation of the interest arbitration award have been resolved.

Signed this 21<sup>st</sup> day of July, 2013.



Daniel Nielsen, Arbitrator