

# Collective Bargaining

## The Four Essential Questions

By Mark H. Cousens

**P**ounding the table and shouting during collective bargaining may be entertaining, but it's not very productive. To the contrary, collective bargaining succeeds when it's a collaborative exchange in which labor and management express their goals and work together to solve problems.

But all too often, parties approach bargaining with objectives that can never be achieved or goals that are inherently destructive to a productive labor-management relationship. Consider the employer who, solely to demonstrate superiority, sought to strike every economic benefit from the agreement although there was no financial reason to do so, or the union that put forth a demand



for a 20 percent wage increase that it justified by asserting “don’t worry; they’ll just cut it in half and we’ll get 10 percent.” A party that begins bargaining from these points almost certainly will fail to reach an agreement without a great deal of rancor and wasted time.

There is a better way. Bargaining requires consideration of four questions. This analysis should start before bargaining begins and continue throughout the process. Done correctly, a discussion of these questions can make the difference between an orderly and productive process and one filled with pounding of tables and shouting. The questions are simple. The answers may not be.

### Question 1: What do you want?

Bargaining begins with what amounts to a shopping list. Each party must identify existing problems and develop suggestions for resolving them. Contract terms that have been disputed may need to be rewritten to prevent ongoing conflict. Changes in the law may require new language, and economic challenges facing either party must be addressed. However, making the list is not enough. Each party has to know, in advance, which issues are the most important and which might ultimately be jettisoned. No party should begin bargaining without a clear idea of what would be an acceptable outcome.

When formulating goals, neither party should ever include a proposal it knows, in advance, that the other side will not be able to accept no matter the circumstances. Such proposals get in the way of a productive conversation. Bargaining can devolve to a battle in which one side or the other seeks to persuade its counterpart that it is smarter or superior, or that it controls the relationship. Making impossible demands poisons the relationship and creates antagonism. Bargaining

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### Fast Fact:

Successful collective bargaining requires consideration of four questions; how parties approach them will determine whether bargaining succeeds or fails.

should be a collaboration and not a power struggle. If and when participants forget that, they doom themselves and the parties they represent to a long and frustrating battle.

### Question 2: What does it cost?

Every proposal has a price tag, and every economic item has to be paid for. Computing the cost of a proposal requires research, a task that must be completed before the parties first meet. This requirement applies to even the most minor change in economic terms; a small increase in something like auto mileage reimbursement will affect a budget.

This concept applies equally to proposals seeking to improve or diminish economic terms. An employer asking for a wage concession has to know the savings the concession will achieve, and the union must be able to review those computations to see if it agrees with the analysis—even if it rejects the need for a rollback.

Costing proposals begins with collecting information. The current cost of each economic item has to be known. How many employees are in the bargaining unit? What is the compensation for each one? What is total payroll? What is the cost of health insurance for each level of coverage? How many employees are at these levels? Well before bargaining starts, the union should have submitted information requests that seek the detailed data needed to compute the cost of its demands, and the employer must have reviewed its financial circumstances to determine what is possible and what is not. Certainly, neither party will want to accept the other’s arithmetic at face value. At some point, however, the parties should begin operating from a common understanding of what a proposal will cost or what a concession will save.

However, there are times when proposals will have a cost that is not measured in dollars. A demand for a wage concession will have a ripple effect. Diminished salaries will affect hiring and retention, and a union faced with a proposal for a wage concession likely will face resistance from its membership. These noneconomic costs must be considered before proposals are made. Certain items can never be approved no matter how much the savings or how little the cost.

### Question 3: Can they afford it?

The cost of a proposal is a concern shared by both sides; it's not just the employer's business. The union should know in advance how the employer will pay for a wage increase. Frequently, union negotiators will assert that finding the money to pay for a proposal is not their problem. Yes, it is. The union must be able to show where the money will come from, and information must be based on fact. Noting that the superintendent just got a new car is not evidence that an employer can afford a wage adjustment.

But the process works both ways. A wage concession will have a real impact on the lives of individual employees. The effect of that reduction can't be ignored. Real people are involved, and no employer should think that its employees will easily adjust to a smaller paycheck.

Determining the ability to pay starts with a review of budgets and audits. By themselves, however, budgets often are not helpful in determining an employer's actual financial status. Budgets can be unnecessarily pessimistic or overly optimistic. For public employers, the best information comes from a review of certified audits performed for previous fiscal years. These show actual revenue by source, whether the revenue was sufficient to meet expenses, and whether the employer had an operating deficit. The audit will also show whether money is being shifted into contingency accounts when it should be available in the general fund. One need not be an accountant to read a municipal audit or a private employer's balance sheets. This data can prevent an employer from falsely claiming an economic crisis or, conversely, help a labor organization understand that there is one.

The audit will also disclose an employer's fund equity. This number represents monies that are not encumbered by the current budget. Such money is available to be used, but that doesn't necessarily mean it should be. A healthy fund balance ensures that a public employer won't need to borrow money to have cash available to pay bills between tax payments. However, an unnecessarily large fund balance suggests that an employer is being far too conservative in its planning.

Computing ability to pay is the key to every aspect of the bargaining process. Proposals may be reasonable and the problems being addressed may be genuine, but that becomes irrelevant if the employer simply doesn't have the money to pay for them.

### Question 4: Do you deserve it?

Bargaining proposals aren't submitted in a vacuum. Every contract is measured against those in other workplaces. *Comparables* are of two types: *internal* and *external*. Internal comparables involve a comparison of wages and benefits paid by

the employer to its other employees. A bargaining unit will point to a wage adjustment given to another unit as evidence that its proposals are justified, or a unit may argue that its healthcare plan is not suitable when compared to a plan offered to other employees. These internal comparables can be useful in ensuring that one group of employees is not favored over others.

Nevertheless, external comparables are usually more helpful in determining whether contract terms are reasonable. Wage and benefit levels may be compared to those offered by employers similar in size and economic circumstances to the employer. This may mean comparing an employer in Oakland County to an employer in Grand Traverse County. While the geographic areas may be different, the two employers may be similar in revenue, number of employees, tax base, and expenditures.

The bargaining process is certainly as much art as science, but a part of it is nearly all math. Neither party should believe that a demand is justified without being able to prove it mathematically; at the same time, neither party should shy away from making proposals that address the challenges it faces.

### Conclusion

In the end, bargaining is persuasion. The goal is to convince another party that proposals make sense and are achievable. By contrast, table pounding is not persuasive; it's just loud.

Considering the four questions presented in this article can make the difference between a successful negotiation and one that fails. Bargaining today, especially in Michigan, should not rely on noise. Instead, the process should begin with each party showing substantial respect for the concerns of the other, and with a shared understanding of the importance of a strong collaboration. There are no guarantees that either party will love the bargain that is finally struck. But achieving an agreement while maintaining a positive relationship is an end in itself and increases the likelihood that the deal will work out or that the next bargain will be a better one. ■



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