



The Research Bureau

# Worcester Settles with its Unions: A Review

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## EXECUTIVE SUMMARY

In the spring of 2011, Worcester reached settlements with all of its major public employee unions. These settlements allowed the City to preserve over 100 jobs that would otherwise have had to have been eliminated to balance the FY12 budget. The following report will examine the settlements between the City and its three public safety unions, and between the Worcester School Committee and the teachers' union.

### *Chief findings:*

- The main concessions sought and attained by management related to health insurance. As a result of these settlements, all City employees now pay 25% of their health insurance plan premiums, and are enrolled in plans that mirror the offerings of the state Group Insurance Commission (GIC) system.
- Through restructuring health insurance cost-sharing arrangements, the Worcester Public Schools (WPS) saved \$9.1 million and all other municipal departments saved \$4.5 million.
- Worcester achieved health insurance parity with the state through a purely local process, without utilizing any of the recent powers over health insurance cost-sharing that state legislation granted to municipalities.
- The major "get" for labor involved immediate salary schedule adjustments and raises in later contract years. The basic structure of all four agreements was similar: modifications in employees' salary schedule in the first year, then a raise in the latter year or years.
- The teachers' settlement was the most generous. While the public safety unions received salary modifications, effective immediately, these did not produce any significant increase in take-home pay. Teachers received flat stipends added to their base, weighted by longevity and advanced degrees. More senior teachers and teachers with advanced degrees benefited the most from the settlement.

## INTRODUCTION

At the beginning of Worcester’s FY12 budget cycle, it appeared that the coming fiscal year could be the worst thus far during the Great Recession. Federal stimulus funds, which had propped up revenues since 2009, were depleted. Worcester faced a deficit that was at one time estimated as high as \$14 million for municipal departments and over \$8 million for the Worcester Public Schools (WPS). However, unlike the prior two budget cycles, the City was able to close its deficit and balance its budget without any layoffs. Within little more than a month, the City reached settlements with all major collective bargaining units that preserved over 100 jobs that it otherwise would have had to eliminate.

The following report will examine the provisions of the settlements between Worcester and its three public safety unions (International Brotherhood of Police Officers Local 504, New England Police Benevolent Association Local 911, and International Association of Fire Fighters Local 1009) and between the Worcester School Committee and the Educational Association of Worcester.<sup>1</sup> Each section will explain what elements of the settlement were favorable to labor and which were favorable to management. The report will conclude with some observations.

## TEACHERS

### What did the teachers get?

#### Compensation

Immediately effective (July 2011) there will be a “reconfigured salary schedule” for teachers. Teachers received flat increases to their base pay, with the larger increases going to those with the greatest seniority and highest degree of educational attainment (Table 1).

**Table 1: Reconfigured Salary Schedule for WPS Teachers (Effective July 2011)**

Step	Prior Contract	2011-12	\$ Increase	% Increase
<b>Bachelor's Degree</b>				
1	\$40,378	\$41,628	\$1,250	3.1%
2	\$42,649	\$43,899	\$1,250	2.9%
3	\$45,932	\$47,182	\$1,250	2.7%
4	\$48,205	\$49,455	\$1,250	2.6%
5	\$50,480	\$51,730	\$1,250	2.5%
6	\$52,752	\$54,002	\$1,250	2.4%
7	\$55,029	\$56,279	\$1,250	2.3%
8	\$60,059	\$61,309	\$1,250	2.1%
9	\$63,723	\$65,223	\$1,500	2.4%
<b>Master's Degree</b>				
Step				
1	\$45,841	\$47,091	\$1,250	2.7%
2	\$48,113	\$49,363	\$1,250	2.6%
3	\$51,392	\$52,642	\$1,250	2.4%
4	\$53,667	\$54,917	\$1,250	2.3%
5	\$55,942	\$57,192	\$1,250	2.2%
6	\$58,213	\$59,463	\$1,250	2.1%
7	\$60,488	\$61,738	\$1,250	2.1%
8	\$65,522	\$66,772	\$1,250	1.9%
9	\$69,185	\$70,935	\$1,750	2.5%
<b>Doctorate</b>				
Step				
1	\$55,276	\$57,276	\$2,000	3.6%
2	\$57,549	\$59,549	\$2,000	3.5%
3	\$60,831	\$62,831	\$2,000	3.3%
4	\$63,106	\$65,106	\$2,000	3.2%
5	\$65,378	\$67,378	\$2,000	3.1%
6	\$67,653	\$69,653	\$2,000	3.0%
7	\$69,925	\$71,925	\$2,000	2.9%
8	\$74,959	\$76,959	\$2,000	2.7%
9	\$78,623	\$81,373	\$2,750	3.5%

In addition to these salary increases in FY12, teachers will receive a raise of 2% for 2012-13. Over the course of the entire new contract, steps on the teacher salary schedule will increase between 3.9% and 6.8%, and on average 4.8%. Individual teachers will receive raises slightly greater than these figures, since they will receive automatic annual step increases in addition to the recently-negotiated pay increases in the settlement.

Longevity bonuses, which teachers with more than 10 years of service<sup>2</sup> receive, were also increased in the settlement. Longevity bonuses will increase by \$300 over the life of the settlement (\$200 in FY12 and another \$100 in FY13).

#### *Non-compensation issues*

The School Committee also made concessions on non-compensation issues. Monthly faculty meetings were shortened. "Just cause protections," which had previously existed only for dismissals and denials of appointment, will now be extended to reprimands. Teachers now may formally appeal a reprimand from their principal to the superintendent, adding another level of review to the reprimand process.

#### **What did management get?**

The major concessions sought and attained by the School Committee, as well as the City in its negotiations with the public safety unions, were related to health insurance. By 2010, most of the

City's unions had agreed to contribute 25% of their health insurance premiums. The teachers, the biggest of Worcester's bargaining units, and the police officials, were the main holdouts. Only teachers hired since 2006 were contributing 25%. With health insurance consuming an ever-greater portion of school department budgets,<sup>3</sup> the Worcester School Committee made a 25% employee premium contribution rate its priority in contract negotiations.

The School Committee also sought to reduce health insurance costs by increasing co-pays and instituting deductibles for teachers. The Group Insurance Commission (GIC), the state agency that manages state employees' health insurance, has experienced lower premium growth over the past decade because its plans have higher co-pays and deductibles. The GIC was able to institute higher co-pays and deductibles because state employees' health benefits were and are not subject to collective bargaining. As a result of legislation passed in July 2011, municipalities now may exercise some of the same rights over health insurance plan design long possessed by the state.<sup>4</sup>

In the settlements they negotiated with the unions, Worcester's City Manager and the Worcester School Committee achieved health insurance parity with the state through a purely local, self-directed process. The City Manager worked with local providers and

hospitals to design “GIC-like” plan offerings for Worcester employees. The plans resembled those of the GIC in many key respects, but are locally-designed and administered. The GIC-like plans became a focal point of all negotiations leading up to the settlements, including those between the School Committee and the teachers’ union. The teachers agreed to higher co-pays and deductibles, as well as a 25% premium contribution rate for all teachers.

In addition to increasing employees’ share of premiums and restructuring cost-sharing arrangements (co-pays and deductibles), Worcester realized health insurance savings through plan “migration”: employees enrolling in lower cost plans. In FY12, the City provided incentives to employees to enroll in the cheaper plans through a one or two month premium holiday.

Gross savings for the WPS from its health insurance reforms were projected to be \$9.1 million: \$7.5 million from the increased contribution rate and new plan design changes, and another \$1.6 million from plan migration. \$4 million of these savings funded the reconfigured salary schedule for teachers in FY12, and another \$1.5 million went to fund salary schedule increases for other WPS staff.

Because of the savings from the health insurance concessions, the school

department saved 74 total jobs, and did not have to eliminate any teacher positions. The school department did eliminate 7 instructional assistant positions in FY12.

#### *Non-compensation issues*

The WPS was also able to insert new language into Article X of the teachers’ contract, the section devoted to transfers. Now, when there is a vacancy at any school, the opinion of the principal in that school will be solicited and given equal weight as length of service and educational credentials in selecting the candidate to fill the vacancy.<sup>5</sup> Teachers within the system will retain the right to fill vacancies, but principals will have more say in the process.

#### *Total increase in take-home pay*

During FY10-13, the four years covered by this settlement, individual steps on the teachers’ salary schedule will rise at slightly different rates ranging from 3.9% to almost 7%; the average is 4.8%. It should be noted that these raises do not include the step raises already built into the teacher contract. Between FY10-13, four different types of pay increases will be available to Worcester teachers: the flat stipends added to the salary schedule, effective in July 2011, the 2% raise in FY13, automatic step increases, and increases in longevity stipends.

The built-in step increases are more significant than the contractually-negotiated increases. Between FY09 (the last year of the prior contract) and FY13 (the last year of the new contract), a teacher with a master's degree and with five years of experience (in FY09) will see his or her base pay increase by 29%, from \$55,942 to \$72,354. Had the prior schedule simply been extended for five years (i.e. no reconfiguration and no raise), the increase would still have been 22% through step increases only. These arrangements are common in all school districts across the nation. Urban school districts in particular have a problem with teacher attrition during their first few years of employment. Increasing pay by over 50% in the first ten years of employment is intended to motivate Worcester teachers to stay in the system.

WPS teachers' annual pay increases sharply decelerate after they reach the ten-year mark. Senior teachers will benefit from the reconfigured salary schedule, since the final step (for year nine) functions as their base pay. Teachers with ten or more years of experience also had their longevity stipends increased. Longevity stipends are flat sums which begin at \$800 (\$500 under the prior contract) and increase by \$500 every five years. Thus, a teacher with 30 or more years of experience in FY13 will receive \$2,800 (\$2,500 under the prior contract) in longevity pay.

The settlement therefore provided greater benefits to senior WPS teachers in two ways. Their salary schedule adjustments were more generous (**Table 2**), and longevity pay, which only senior teachers receive, was increased.

## **POLICE OFFICIALS**

### **What did the officials get?**

#### *Compensation*

The settlement with Local 504 affected 94 employees (9 Captains, 29 Lieutenants and 56 Sergeants) and covered four years-FY10-FY13. Its main features were a 2% wage increase in FY13 and pre-existing uniform allowance (\$1,225), defibrillator stipend (\$250) and civil process server stipend (\$250) all rolled into the base salaries, effective immediately (July 2011).

The roll-ins will not have a significant impact on either take-home pay or pensions. As of 2011, only the \$250 civil process server stipend was not already pensionable. The only change in take-home pay that police officials will experience as a result of the roll-ins is through annual raises being applied to the stipends. The 2% raise in FY13 will be slightly larger, since it will be 2% of the base plus 2% of the stipends, but only slightly larger. Officials' FY13 take-home pay will be \$30-40 higher as a result of rolling in the stipends, and about \$550 greater in 15 years.<sup>6</sup> Should an official qualify for the maximum (80%) pension benefit in 15 years' time,

his pension would be \$640 (80% of \$550+\$250) greater as a result of the roll-ins.

Public safety personnel also receive compensation for longevity and advanced degrees. There are two main differences between the salary schedules for public safety (police and fire) personnel and for teachers. One, the schedules for police and fire have fewer steps, and two, they are more meritocratic in that police and fire also have the opportunity to increase their compensation through advancing in rank. It also bears mentioning that, in recent years, Worcester has reduced compensation for advanced degrees for police officials and officers.<sup>7</sup>

### **What did management get?**

The main labor concessions concerned health insurance. The police officials were the only non-school bargaining unit that, as of 2011, had not agreed to the 25% contribution rate on health insurance. They agreed to a 25% premium contribution rate, as well as the new plan offerings discussed above. The settlement saved eight jobs.

### ***Total increase in take-home pay***

The increase in take-home pay over the course of this new contract for police officials will be, effectively, the 2% FY13 raise.

The only other area where the roll-ins will have an impact is in overtime and

detail pay. Based on estimates of average overtime and detail work for FY11, the average police official stands to see an increase of \$188 in overtime and \$512 in detail pay in FY12.

It should be noted that detail pay, though controversial, is only a direct cost to the city when jobs involve the City's Department of Public Works and Parks. Police personnel boost their pay by \$10,000s a year from working details but much of this cost is paid for by private utility and communications companies. (These costs, however, do affect ratepayers.)

## **POLICE OFFICERS**

### **What did the police officers get?**

#### ***Compensation***

The settlement covered three years and affected 380 police officers. The contract covered FY11-13. They will receive a 2% raise effective July 2012, and 1% effective January 2013. As with the officials, their uniform allowance, defibrillator stipend and civil process server stipends will be rolled into their base pay. In other words, with the exception of the 1% mid-year raise in FY13, the officers got basically the same deal as the officials. (Or, considering that they were already contributing 25% to their health insurance premiums, their deal was slightly better.)

**What did management get?**

New health insurance plan designs. Unlike the teachers and the police officials, police officers were already contributing 25% to health insurance premiums. The settlement saved 27 jobs.

**Total increase in take-home pay**

Officers' take-home pay will increase slightly more than the officials', because they will receive a mid-year raise in FY13, in addition to the 2% raise in FY12.

The effect of the salary roll-ins for officers will be similar to that for the officials. As for overtime and detail pay, based on FY11 rates, the average police officer will receive an increase of \$163 in overtime and \$512 in detail pay.

**FIRE PERSONNEL**

**What did the firefighters get?**

*Compensation*

The contract covered FY11-13 and affected 431 employees. The firefighters' settlement was structured the same as the two police unions' were. The following stipends will be rolled into the base, effective immediately (July 2011): uniform allowance (\$1,100), defibrillator stipend (\$250), and confined space stipend (\$250). Similar to the situation with police, with the exception of the \$250 confined space stipend, this sum was already pensionable. There will be a 2% raise effective July 2012, and a 1% increase in Haz Mat pay (1.6% to

2.6%), effective January 1, 2013. The settlement covers three years.

**What did management get?**

New health insurance plan designs, and 35 jobs were saved. Firefighters were already paying 25% of their health insurance premiums prior to this settlement.

**Total increase in take-home pay**

The deal was the same as for the police officers: 2% effective in July 2012 plus mid-year 1% Haz Mat increase in January 2013. The effect of the roll-ins will be similar to the situations with the police officials and officers.

**OBSERVATIONS AND ANALYSIS**

Table 2 gives an overview of the settlements' main provisions and consequences.

**Table 2: The Settlements in Brief**

Bargaining Unit	Number of Employees Affected	Jobs Saved	Total Health Insurance Savings	Years Covered	Major Provisions (Management)	Major Provisions (Labor)
EAW (teachers' union)	2050-2100	74 (net 67)	\$7.5 million	FY10-13	Health insurance concessions (new plan designs and 25% employee premium contribution rate)	Flat stipend raises in FY12, 2% raise in FY12, increased longevity bonuses.
IBPO (police officials' union)	94	8	\$1.3 million	FY10-13	Health insurance concessions (new plan designs and 25% employee premium contribution rate)	2% raise in FY13; stipend roll-ins
NEBPA (patrolmen's union)	380	27		FY11-13	Health insurance concessions (new plan designs)	2% raise in FY 13; mid-year 1% on FY13; stipend roll-ins
IAFF (firefighters' union)	431	35	\$1.1 million	FY11-13	Health insurance concessions (new plan designs)	2% raise in FY 13; mid-year 1% on FY13; stipend roll-ins

The settlements avoided any reduction in service in a difficult fiscal year, and resulted in major concessions by labor



on health insurance. Through increasing teachers' contribution rate and restructuring cost-sharing arrangements, the WPS saved \$7.5 million, and an additional \$1.6 million from plan migration. On the municipal side of government, health insurance reforms yielded a total of \$4.5 million in savings.<sup>8</sup>

The settlements between the police, fire and teachers' union were structurally similar. In exchange for health insurance concessions, labor received modifications to their salary schedule and formal raises. The School Committee's settlement with the teachers' union, however, was the most generous to labor. The modifications to the teachers' salary schedule (increases in step amounts for longevity and advanced degrees) were true increases in both take-home pay and pensionable earnings. This was why the City Manager, voting on behalf of city government, was the lone dissenter in approving the new contract between the School Committee and the teachers' union. Most of the stipends for police and fire were already pensionable and in the contract, and rolling them into base pay did not lead to a significant increase in take-home pay. The biggest benefits the settlements will provide to public safety personnel will result from the effect the roll-ins have on overtime and police detail pay, particularly the latter. However, much of this is not a

direct cost to city government. Neither detail nor overtime pay is pensionable. In its settlement with the teachers' union, the Worcester School Committee reaffirmed the practice of compensating teachers based purely on seniority and advanced degrees. The Massachusetts Board of Elementary and Secondary Education, by contrast, recently adopted new regulations that will require districts to weigh student performance measures as a significant factor in teacher evaluations. The Worcester School Committee, having full knowledge of the direction in which the state Board was moving, negotiated a contract that rewards the seniority of teachers and ignores the performance of students. When these regulations come into effect, the Worcester Public Schools will be *compensating* teachers in a different manner than how it is *evaluating* them.

The difference between "what management got" and "what labor got" is not a perfect distinction, since one side's gain is not necessarily another side's concession. In collective bargaining, all policy/administrative matters are treated as financial matters, and all management-initiated changes as sacrifices by workers. Two recent examples of this include pay for performance for teachers and drug testing for firefighters. These are policy changes, and in neither case against labor's financial interests. Yet when cities have attempted to institute

them (Washington DC in the case of pay for performance and Boston in the case of drug testing), they have been forced to provide a financial incentive to do so.

The health insurance changes sought by Worcester in the recent negotiations may or may not have been true concessions by labor. The City had to pay to extract them, but they are not obviously against the interest of the unions, and not only because the health insurance changes saved union jobs. Under the new set of health insurance plan offerings, premiums for both employer *and* employee will be cheaper than they otherwise would be (**Table 3**).

**Table 3: FY12 Health Insurance Annual Premium Differential (Existing Plans vs. New Plans)**

Existing Annual Premium		Existing Annual Premium		FY12 Individual % Reduction	FY12 Family % Reduction
Individual	Family	Individual	Family		
Blue Choice	\$23,010	Network Blue	\$19,830	12.6%	13.8%
Fallon Select	\$18,604	City Advantage	\$16,789	9.5%	9.8%
Fallon Direct	\$15,061	Advantage Direct	\$13,409	10.0%	11.0%
	\$8,778		\$7,667		
	\$7,217		\$6,530		
	\$5,861		\$5,277		

Source: City of Worcester HR Department; Note: plan costs are for settled groups only.

“Network Blue,” “City Advantage,” and “Advantage Direct” are the plans designed by the city administration to approximate the GIC’s offerings and to replace the City’s prior offerings (Blue Choice, Fallon Select and Fallon Direct, respectively). Thus, what **Table 3** makes clear is that, although employees will be paying higher co-pays and deductibles, their premium costs will actually be 10% or more *lower* than they would have

been in FY12 had the old plan designs been maintained.

<sup>1</sup> The City also settled with the Worcester Clerks Association and the National Association of Government Employees, Local 495, saving an additional 30 jobs.

<sup>2</sup> According to the Worcester Public Schools’ Human Resources Department’s 2010-2011 Annual Report, 52% of teachers had at least 11 years of experience.

<sup>3</sup> “School Funding Reality: A Bargain not Kept,” The Boston Foundation, December 2010.

<sup>4</sup> The new state law dictates a specific protocol that cities and towns must follow in order to change health insurance cost-sharing arrangements outside of collective bargaining. First, the local legislative body must vote to exercise the local option. Then the administration must devise a plan to either enroll employees into the GIC, or restructure plan offerings in accord with what the GIC offers. This plan must be submitted for approval to a public employee committee, composed of union and retiree representatives. The committee will have 30 days to negotiate over the changes. If they don’t agree, the issue will be referred to a panel of three: one representative of labor, one of management, and another proposed by the state’s Executive Office of Administration and Finance. The panel must accept the city’s cost-sharing proposal and review its estimates as well as a “mitigation proposal” that will articulate how management intends to soften the burden of the changes on poorer employees and retirees. The panel is authorized to return up to 25% of the proposed first-year savings back to employees and retirees. The new law did not change the difference between the state and municipalities regarding health premium contribution rates, as they will still be subject to collective bargaining on the local level. The state sets health insurance premiums for its employees through the legislative process.

<sup>5</sup> Prior language: “When a vacancy occurs in a professional position, the Committee shall give due weight to the following criteria in determining transfers to fill said vacancies:

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Educational Preparation - Quality of performance within the Educational Profession - Length of service as a professional educator within the Worcester Public Schools." New language: "When a vacancy occurs in a professional position, the Committee shall give *equal* weight to the following criteria in determining transfers to fill said vacancies: 1. Educational preparation; 2. Quality of performance within the education profession, *which shall include an interview with the building principal of the building with the vacancy*; and 3. Length of service as a professional educator within the Worcester Public Schools [emphasis added]."

<sup>6</sup> This figure assumes an average annual raise of 2%. It could of course change, depending on factors such as if additional stipends are granted during this time or if raises greater than 2% are granted.

<sup>7</sup> In past years, uniformed police personnel received automatic, annual increases in their base salary of 10%, 20% and 25% for holding associate, bachelor's, and master's or law degrees, through the Police Career Incentive Pay Program, better known as the "Quinn Bill." This is a local option enacted by the state Legislature in 1970 and adopted by the Worcester City Council in 1987. The state traditionally paid for half the cost of these benefits, but it drastically cut back its appropriation in FY10, making the City responsible for almost the whole cost of the \$5.6 million program. The state has closed the program for all new officers as of July 1, 2009. Faced with this difficulty, Worcester's City Manager renegotiated terms of the program with Worcester's police unions. The same program will remain in place for current police officers and officials, but the structure and the cost will be significantly different for new recruits. Instead of percentage increases on base salaries, flat annual stipends will be awarded for advanced degrees: \$2,500 for Associates and \$5,000 for Bachelor's. \$5,000 per annum will be the maximum that future recruits can earn: master's degrees and law degrees will no longer be compensated. Pay for educational incentives will no longer be factored into officials' base pay when calculating pensions, holiday pay, and overtime pay.

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<sup>8</sup> This figure includes savings realized by settlements with other non-school bargaining units. It does not include savings from plan migration.

*Mission Statement:*

*The Research Bureau serves the public interest of the Greater Worcester region by conducting independent, non-partisan research and analysis of public policy issues to promote informed public debate and decision-making.*



## The Research Bureau

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