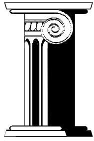

INSTITUTE BRIEF

Volume 10, Number 13 May 2003

Reforming Iowa's Collective Bargaining Law

by David Hogberg

For years Public Interest Institute has criticized the gap between public and private employee pay in Iowa. Dubbed the "pay gap," it is the largest such gap of any state.[1] The new two-year contract negotiated between Governor Tom Vilsack and the American Federation of State, County, and Municipal Employees (AFSCME), the union which represents state employees, will only make this gap worse. Furthermore, it will put additional pressure on an already strained state budget.

Over the next two years, all state employees will receive a 4% cost-of-living increase, 2% this year and 2% next. For some employees the pay raise could amount to 8.5% if they qualify for a 4.5% merit pay increase. In addition, the state will pick up an additional 2% of employee health-care costs, although in fairness it should be noted that Governor Vilsack claims that this will not amount to an extra cost to the state since AFSCME agreed to higher co-payments.[2] The total cost to the state is $101.8 million, with $29.3 million being paid in the upcoming Fiscal Year 2004, and the bulk of it, $72.5 million, being deferred until Fiscal Year 2005.

It is overly-generous state employee contracts like these that have exacerbated the gap between public and private employee pay in Iowa. Public employees in Iowa now make, on average, 46% more than do private sector employees. One of the main causes of these generous contracts is the law which governs the collective bargaining process, Chapter 20 of the Iowa State Code.

Under Chapter 20, contract negotiations involve the state government (represented by the Governor), the union, and a Public Employment Relations Board (PERB) which is appointed by the Governor. Contract negotiations involving the state employees are supposed to be completed by March 15th of the year the contract is supposed to take effect. However, if the state government and the union reach an impasse, then PERB can appoint a mediator to help resolve the dispute. If the mediator is unsuccessful after ten days, then PERB can appoint a fact-finder to examine the dispute and make a recommendation within fifteen days. If the fact-finder cannot resolve the dispute, the state government and the union can keep negotiating, or they can agree to binding arbitration. Under arbitration a panel of arbitrators, agreed to by both the state government and the union, will make a final decision that both sides have to abide by.

In recent years Governors have avoided going to arbitration. This is due to an arbitration ruling in 1991 that heavily favored state employees. In that instance, then-Governor Terry Branstad let the process go to arbitration in an attempt to keep state employee salaries down in the face of a budget crunch. The tactic backfired as the arbitrators ruled in favor of a 9% raise for state employees.

One reason for this is that arbitrators have no incentive under Chapter 20 to consider the burden that pay increases put on the state government. If anything, it gives them the green light to boost salaries.

A Publication of:
Public Interest Institute *at* Iowa Wesleyan College
600 North Jackson Street
Mt. Pleasant, Iowa 52641-1328
Phone: 319-385-3462 Fax: 319-385-3799
E-Mail: public.interest.institute@limitedgovernment.org Web Site: www.limitedgovernment.org

Under Chapter 20 arbitrators can consider the power of the state government "to levy taxes and appropriate funds for the conduct of its operations."[3] In other words, arbitrators can factor in the state's ability to raise taxes to pay for state employee salaries.

Fortunately, after the recent negotiations, Governor Vilsack indicated a willingness to reform Chapter 20. The State Senate responded with Senate File (SF) 313, which makes some potentially effective changes in state labor negotiations.

First, SF 313 creates a new section of Chapter 20 on what factors an arbitrator can consider. But more importantly, the new section also requires the union and the Governor to consider them too. The most promising of these factors is "comparison of the total compensation, including wages, hours, benefits, and conditions of employment of the involved public employees with those of private sector employees."[4] In other words, the pay gap will be considered during state employee contract negotiations. Hopefully, consideration of the pay gap will keep increases in state employee pay at reasonable levels.

Another thing that the reform gets right is that it eliminates from consideration the state's power to tax to pay for state employee salaries. In its place it inserts a clause requiring the consideration "of the economic cost of each of item of a proposed collective bargaining agreement."[5] This clause requires the burden of pay increases put on the state budget—and, ultimately, the taxpayers—to be factored into contract negotiations.

SF 313 passed the State Senate, but, unfortunately, the State House of Representatives ran out of time and placed the bill under "unfinished business." Nevertheless, the changes embodied in SF 313 have the potential to hold down state employee salaries in the future and thereby close the pay gap. Hopefully, the House will pass it next year and the Governor will sign it.

ENDNOTES:

[1]Steven B. Garrison, "Iowa's Privileged Class I – State Government Employees," *Institute Brief*, Vol. 9, No. 13, May 2002.
[2]"Around the Capitol: Collective Bargaining Agreement," *Iowa Legislative New Service*, Vol. 38, Bulletin #31, March 7, 2003; Rod Boshart, "Legislators Weigh Union Deal," *Cedar Rapids Gazette*, February, 26, 2003, Sec. A, p.7.
[3]Code of Iowa, Chapter 20, "Public Employment Relations (Collective Bargaining)," pp.430-42, 2001.
[4]Senate File 313, "An Act Concerning Public Employee Collective Bargaining," n.d., <http://coolice.legis.state.ia.us/CoolICEdefault.asp?Category=Matt&Service=Billbook&frame=1&hbill=SF313%20%20%20%20%20%20%20&cham=Senate> (March 27, 2003).
[5]Ibid.

David Hogberg is a Research Analyst with Public Interest Institute.

Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from INSTITUTE BRIEF, a publication of Public Interest Institute." The views expressed in this publication are those of the author and not necessarily those of Public Interest Institute. They are brought to you in the interest of a better-informed citizenry.