



Bargaining for a Better Deal for Taxpayers **By Dick Clark**

In 1947, after a telephone utility strike, the Nebraska Legislature passed legislation to create a “Court of Industrial Relations” to preside over future labor disputes implicating the public interest. Citing the danger of “substantial impairment or suspension of governmental service,” the Industrial Relations Act banned strikes by certain public workers. The original law empowered the new administrative body only to decide conflicts between public utilities and their employees. That changed in 1969 with a legislative amendment that extended the authority of the CIR to include ensuring comparable wages, hours, and conditions for all public employees.¹ Now named the Commission of Industrial Relations, the CIR exists for the purpose of intervening in state and local government operations and changing terms of employment for government workers.

When settling a labor dispute, the CIR constructs an array of five to nine comparable employers² in other locations to determine the prevalent terms of employment for similar work in other locations. If the public employer’s current compensation of its employees is incongruous with this array, the CIR may issue an order changing wage levels and other employment conditions. This can create a serious challenge for policymakers, because it can impose added labor costs without any added productivity to show for it, and it does so outside of the normal budget-making process. This means that the elected officials responsible for balancing the local books must scramble to pay the new price for their personnel, either by laying off workers, reducing spending in other areas, or raising more revenue.

In 1998, a dispute between firefighters and the City of Lincoln went to the CIR. Assembling an array that included Des Moines, Topeka, and Minneapolis for comparison, the Commission of Industrial Relations doubled starting firefighter salaries and substantially raised the top salary level for veteran firefighters.³ An appeal by the city to the courts was unsuccessful. In the following decade, the city’s personnel costs ballooned from \$76 million to \$108 million, with the cost of employee benefits doubling over the same period.⁴

¹ “The Right to Decide.” Platte Institute for Economic Research. April 2011. p. 3.[URL: http://www.platteinstitute.org/Library/docLib/20110412_The_Right_to_Decide.pdf]

² Neb. Rev. Stat. § 48-818(2)(b)(ii)

³ “The Right to Decide.” pp. 3–4.

⁴ *Ibid.*, p. 4.

The detrimental impact of CIR intervention in local governments is not felt only in Lincoln and Omaha. Grand Island has been subject to multiple CIR orders in recent years.⁵ Since reaching a local population level of 50,000 and becoming a metropolitan statistical area (MSA) in 2013,⁶ Grand Island has been in a different weight class for purposes of comparison with other public employers. Under current law, the CIR is forbidden from comparing public employers (other than utilities) outside of MSAs with those located within MSAs.⁷ Now that Grand Island has crossed that threshold, it is subject to comparison with larger municipalities, punishing the city for its progress.

Grand Island's personnel costs increased by approximately ten percent (more than \$2.5 million) from 2013 to 2014 even though the city added only eight full-time employees.⁸ Increases in personnel costs will continue to rise as the increases ordered by CIR are phased in over a period of several years. In Grand Island, where personnel costs represent more than 73 percent of general fund appropriations,⁹ seriously expanding the cost of city employees means real budgetary pressure on infrastructure, public safety, and quality-of-life programs.

In 2011, the Nebraska Legislature passed Legislative Bill 397 to reform the CIR. While the League of Nebraska Municipalities expressed optimism that the reforms would make the outcomes of labor disputes more predictable,¹⁰ the reforms it contains do not change the fact that the CIR cannot take into account a political subdivision's ability to pay. The hard facts of public revenues versus public expenses must be a limitation on government employment contracts, just as corporate balance sheets must be respected by any viable private enterprise. State law should enable — and require — local fiscal responsibility, not create state organs whose chief function is to prevent it.

⁵ "Grand Island 'Held Hostage' by Wage Increase." NTV. September 23, 2009. [URL: <http://www.nebraska.tv/story/11186775/grand-island-held-hostage-by-wage-increase>]

⁶ Laukaitis, Algis J. "Grand Island earns 'metro' status." *Lincoln Journal-Star*. March 14, 2013. [URL: http://journalstar.com/news/state-and-regional/nebraska/grand-island-area-earns-metro-status/article_b9101420-76e8-501b-b7f1-5c6ecfc8b76f.html]

⁷ Neb. Rev. Stat. § 48-818(2)(c)(iv)

⁸ "General Fund Budget." City of Grand Island Financials. City of Grand Island.

⁹ "Budget Summary II, Fiscal Year 2013–2014." City of Grand Island.

¹⁰ O'Hanlon, Kevin. "Collective bargaining: Leaders say reform will save money." *Lincoln Journal-Star*. May 29, 2011.