

JAN 25 2006

A BILL FOR AN ACT

RELATING TO INTEREST ARBITRATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 89-11, Hawaii Revised Statutes, is
2 amended by amending subsection (f) to read as follows:

3 "(f) An arbitration panel in reaching its decision shall
4 give weight to the following factors and shall include in its
5 written report or decision an explanation of how the factors
6 were taken into account:

- 7 (1) The lawful authority of the employer, including the
8 ability of the employer to use special funds only for
9 authorized purposes or under specific circumstances
10 because of limitations imposed by federal or state
11 laws or county ordinances, as the case may be;
- 12 (2) Stipulations of the parties;
- 13 (3) The interests and welfare of the public;
- 14 (4) The financial ability of the employer to meet these
15 costs[↗] and the additional potential costs as
16 presented by the employer as if the arbitration cost
17 item parameters were to be applied to all other

SB. NO. 2368

1 bargaining units; provided that the employer's ability
2 to fund cost items shall be based on constitutional,
3 statutory, and ordinance provisions governing
4 appropriations and budgeting, and shall not be
5 predicated on the premise that the employer may
6 increase or impose new taxes, fees, or charges, or
7 develop other sources of revenues;

8 (5) The present and future general economic condition of
9 the counties and the State;

10 (6) Comparison of wages, hours, and conditions of
11 employment of the employees involved in the
12 arbitration proceeding with the wages, hours, and
13 conditions of employment of other persons performing
14 similar services [~~, and of other state and county~~
15 ~~employees~~] in Hawaii [~~7~~]. Wage comparison to employees
16 outside of the State of Hawaii is prohibited;

17 (7) The average consumer prices for goods or services,
18 commonly known as the cost of living;

19 (8) The overall compensation presently received by the
20 employees, including direct wage compensation,
21 vacation, holidays and excused time, insurance and
22 pensions, medical and hospitalization benefits, the

SB. NO. 2368

1 continuity and stability of employment, and all other
2 benefits received; and

3 (9) Changes in any of the foregoing circumstances during
4 the pendency of the arbitration proceedings [~~and~~

5 ~~(10) Such other factors, not confined to the foregoing,~~
6 ~~which are normally or traditionally taken into~~
7 ~~consideration in the determination of wages, hours,~~
8 ~~and conditions of employment through voluntary~~
9 ~~collective bargaining, mediation, arbitration, or~~
10 ~~otherwise between the parties, in the public service~~
11 ~~or in private employment]."~~

12 SECTION 2. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 3. This Act shall take effect upon its approval.

15

16

17

18

INTRODUCED BY:

BY REQUEST

JUSTIFICATION SHEET

SB. NO. 2368

DEPARTMENT: Office of the Governor, Office of Collective Bargaining

TITLE: A BILL FOR AN ACT RELATING TO INTEREST ARBITRATION.

PURPOSE: To modify the factors that the arbitration panel must consider in interest arbitration decisions to include: (1) the impact of pay increase to other bargaining units in determining the amount of pay increase; (2) compliance with constitutional and statutory appropriation and budgeting provisions; and (3) the comparison of wages, hours, and conditions of employment to that of other persons performing similar services in Hawaii.

MEANS: Amend section 89-11(f), Hawaii Revised Statutes (HRS).

JUSTIFICATION: A major concern of public employers is that the statutory factors for consideration by the arbitration panel do not reflect the "fiscal reality" faced by the Executive Branch in collective bargaining. The factors assume that one arbitrated decision has no impact on arbitrations and negotiations with other units. Historically, the leading arbitration decision has become the benchmark for subsequent arbitrations and negotiations with the other units. Arbitrators have not considered the impact of pay increase to other bargaining units in determining the amount of pay raises. The reality is that the economic awards to one bargaining unit influence subsequent negotiations involving other bargaining units. Therefore, the public employers' ability to pay should be measured not only in terms of whether the public employers have the ability to pay the particular bargaining unit in dispute, but

SB. NO. 2368

whether the public employers have the ability to pay all the other bargaining units.

In addition, the factors do not consider the constitutional and statutory requirements related to appropriations and budgeting. The Executive Branch is bound by a balanced six-year financial plan and must use the official revenue forecasts of the Council on Revenues. In the past, arbitrators have not considered the Council's forecasts or the out-year impact in their decisions.

Finally, there is some confusion and ambiguity as to what should be compared under factor 6 in HRS subsection 89-11(f). The State's position is that the arbitration panel should be required to compare 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 persons performing similar services in Hawaii. No wage comparison should be made to people working outside of Hawaii. The rationale for this is because Hawaii's labor market is highly localized and relatively immobile. Accordingly, the comparison should be limited to other persons performing similar services in Hawaii.

Impact on the public: This measure clarifies some of the factors that the arbitration panel is required to consider, and will help improve collective bargaining and the arbitration process. This measure will also help better match arbitrated decision with available resources.

Impact on the departments and other agencies: None.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: Not applicable.

OTHER AFFECTED
AGENCIES: Budget and Finance. All public sector
employers involved in interest arbitration.
This includes the City and County of
Honolulu, the Counties of Hawaii, Kauai, and
Maui, the Hawaii Health Systems Corporation,
and the Judiciary.

EFFECTIVE DATE: Upon approval.