



OFFICE OF THE GOVERNOR

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BRUCE RAUNER
GOVERNOR

To: Agency Directors and General Counsels
From: Jason Barclay, General Counsel to the Governor
Re: Update on Labor Negotiations and New Tolling Agreement
Date: July 29, 2015

As you are aware, agreements between the Executive Branch and labor unions representing state employees expired on June 30, 2015. We initially agreed to a tolling agreement that extended negotiations on new collective bargaining agreements until July 31, 2015. Today, we signed an additional extension until September 30, 2015 or whenever the parties reach an impasse in negotiations. This positive development gives us additional time to reach agreement without the threat of a strike during the negotiations.

Contrary to incendiary comments in AFSCME's newsletters that have been reported publicly, with or without a tolling agreement **the Governor will not lock out state employees.** We have told AFSCME that, but they have refused to inform their members.

While unions are prohibited from striking under the terms of the latest tolling agreement, you should nonetheless continue all contingency planning activities for the possibility of a strike. AFSCME has refused to move off the proposals I reported in my last update. Those proposals are outrageously expensive and unacceptable to the Governor. They include the following:

- An 11.5% pay increase at a cost of over \$1.25 billion over 4 years;
- A 29% pay increase for some employees who receive a general and a "step" increase over 4 years;
- A 25% increase in longevity pay for Step 8 employees;
- A 37.5 hour work week;
- 5 weeks of fully paid vacation;

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- Full health insurance benefits to laid off employees for up to 2 years;
- Full health insurance benefits to intermittent employees;
- Full health insurance benefits to part-time employees;
- A new more expensive health insurance package that covers new procedures such as oral surgery (which is currently covered by the dental plan) and orthodontics for those over 18, without any additional employee contributions;
- Allow laid off employees to move to a lower employee position but keep their same wage rates indefinitely;
- Pay lawyers in the union time and half for any time over 37.5 hours per week and pay for them to attend legal conferences;
- Impose a penalty by doubling wage increases anytime agreed increases are delayed because of budget constraints; and
- Increase overtime pay at DOC to double time after 6 overtime sessions every 3 months.

Our financial analysts estimate that these proposals would add \$1.6 billion in salary and pension costs and would eliminate \$500 million per year in healthcare savings that were part of the overall healthcare savings included in both Democrat and Republican budgets. At a time when the current budget is more than \$4 billion out of balance, this is unacceptable. It is also far out of line with what other unions have proposed, and which we recently agreed with the Teamsters, who represent over 3,000 state employees across state government, including the Master Sergeants in the State Police.

The Teamsters approach was much different. We met with the head of the Teamsters in mid-June. We told him that we wanted to develop a long-term relationship with him and his members, but that our hands were tied because of the state's dire financial situation. He acknowledged that they had followed the State's budget situation closely, and as taxpayers, in addition to being employees, they wanted a fair deal that would not bankrupt the state. Two weeks later, after negotiating around the clock, we had a tentative agreement, which is currently in the process of being ratified by various Teamsters units around the State.

In comparison to AFSCME, the Teamsters agreed to the following:

- A 40-hour work week;
- A 4-year wage freeze;
- A reduction of the in-hire rate to 75% of the base salary;
- A new performance incentive program to reward employees with bonuses for cost-saving measures and meeting or exceeding performance metrics;
- A collaborative program that allows management and the Teamsters to work together to provide low cost alternatives to outsourcing;
- A reduction in the payout for accumulated unused vacation from 75 to 45 days for employees hired after January 1, 2016; and
- Funding for a Teamsters-sponsored member education fund.

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We also allowed the Teamsters to maintain their current health insurance levels offered through their own union-sponsored health insurance plan. This agreement represents the type of balance we are looking for with all of the state's labor unions, and these proposals are similar to those we are in the process of offering to AFSCME. If AFSCME is reasonable, we are hopeful for an outcome similar to the Teamsters. Thus far, they have been unwilling to offer any revisions to their costly economic proposals.

We, however, (also contrary to AFSCME's newsletters) have made significant concessions from the initial proposal we made months ago. Those include:

- Dropping our request that employees voluntarily move into the Tier II pension system;
- Withdrawing our proposal to unilaterally implement new work rules;
- Substantially modifying our proposal regarding the integrity of the bargaining unit – instead of deleting that entire section of the contract, we have proposed returning to collective bargaining language from 2004 that prohibits management from taking any action *directed at* eroding bargaining unit work;
- Modifying our proposals regarding management rights, returning to AFSCME's current language with the caveat that our exercise of management rights will be tempered by the express provisions of the collective bargaining agreement;
- Turning to the managed-competition model for subcontracting endorsed by AFSCME international;
- Dropping our proposal to eliminate all “bumping” rights for employees affected by a layoff, presenting a hybrid that allows for senior employees to transfer into vacancies and maintain some “bumping” rights;
- Withdrawing our proposal to change the rate at which current employees earned vacation;
- Maintaining the current number of holidays at 12 and a half days a year;
- Resolving a significant debate with AFSCME regarding the appropriate definition of a grievance and the grievance procedure;
- Creating a new joint committee on working conditions, safety, and health;
- Resolving changes to the procedure for temporary assignments and detailing; and
- Agreeing to a thorough listing of which bargaining unit employees are “working supervisors” and therefore subject to discipline for not enforcing the collective bargaining agreement on behalf of management.

We will keep you posted as we approach the next expiration of the tolling agreement, but welcome any questions in the meantime.