

## BREAKING BALLOONS\*

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Years ago, the structure of teacher salary guides tended to be relatively simple. Guides had columns and steps and each teacher's salary was based on the teacher's experience and academic preparation. In most districts, the salary increase resulting from an additional year of experience tended to be the same for all of its teachers who had not reached the maximum step: Teachers with little experience and teachers with a fair amount of experience received a similar incremental salary increase for one more year of experience. Likewise, the additional salary which was paid to teachers who had attained specified amounts of post bachelor degree education was similar for all of a district's eligible staff, regardless of their experience. The structure of teachers' salary guides has not changed over the years. However, in recent years, distribution of salary increases on most teacher salary guides in New Jersey has not followed the purely logical approach of the past. Now, most guides have aberrations in their structure.

Aberrations can readily be identified by examining the value of the increments in each column. An increment is the difference in the rates for two consecutive steps in the column. On most guides, an increment represents the additional salary paid for one more year of experience. Unfortunately, many current guides contain some disproportionate increments.

Why are these aberrations of concern? Inconsistencies in the value of increments can have major cost implications and may also adversely affect a district's personnel program. For example, very small increments for staff with relatively little experience frequently result in noncompetitive salary rates for those staff even though the minimum salary rate for a teacher with no experience may be competitive. In such a situation, a district's less experienced staff may seek employment with another district, or in another field of endeavor.

Disproportionately large increments are also a cause of concern. They tend to grow with each successor year's

guide and, eventually, they become inordinately large. These excessively large increments are called bubbles, balloon increments, or simply, balloons. They have a negative impact on cost and on the equitable distribution of the new money earmarked for a settlement. In some districts, balloons have resulted in increases to some teachers that are double or triple the average increase, sometimes \$10,000 and more.

An equally important concern is the specific impact balloons can have on negotiations over successor guides. All districts have a legal responsibility to maintain all terms and conditions of employment contained in an expired contract until the parties reach a successor agreement. For some boards, the requirement to maintain the *status quo* involves the obligation to advance employees on the expired guide and thus to pay the increment contained in that guide.<sup>1</sup> Thus, an expired guide that contains balloon increments may be guaranteeing some employees with an 8, 15 or even 25 percent increase *without* additional negotiations. The salary received under the expired contract cannot be reduced by subsequent negotiations as the Commissioner of Education has held that this action constitutes an impermissible reduction in tenured employees' compensation. (*Borough of South River*; January 28, 1994.) Thus, for districts that have an obligation to pay increment on an expired guide, the incremental pattern establishes the minimum increase that can legally be agreed to in subsequent negotiations.

Even those districts that do not have the legal authority, or the contractual obligation, to pay increments on an expired guide are affected by the incremental pattern in that guide. Increments, and particularly balloons, establish a strong degree of employee expectation for their next year's salary. In other words, employees expect that the next round of negotiations will result in salary increases that exceed the increments of the expiring guide. This pervasive employee assumption makes it most difficult for boards to obtain associations' agreements to a

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<sup>1</sup> In *Neptune Township Board of Education*, 144 N.J. 16 (1996), the Court held that school law prohibited boards from paying increments to teaching staff members upon the expiration of a three-year contract as this would result in an impermissible four-year salary policy. In *East Hanover Board of Education*, PERC No. 99-71, 25 NJPER 30052, PERC held that labor law compelled an extension of the *Neptune* holding to all employees included in a teachers' bargaining unit. Note that these decisions do not address the expiration of one or two-year contracts. Watch for posted updates in case law at the NJSBA Web site at [www.njsba.org](http://www.njsba.org), for possible changes in this developing body of case law. To determine your district's specific obligation to pay increments upon the expiration of your contract, check with your legal and labor relations sources, including the NJSBA Labor Relations Department.

salary settlement that is less than the cost of increment.

Although both very small and very large increments are of concern, this article will focus on balloon increments. Specifically, how balloons are created, techniques for eliminating (or at least diminishing) them, and negotiation approaches which can help to prevent the creation of new balloons and how to prevent existing balloons from growing.

## How Balloons Are Created

Balloons can develop at any place on the guide. Some balloons develop between the first two steps when the parties negotiate significant increases for existing staff while not proportionately increasing the new minimum rate. For example, consider the effect of providing a \$2,500 across-the-board increase to all staff while retaining last year's minimum rate. Staff who had been placed at the step 1 minimum rate in the prior year will receive a \$2,500 increase and will be placed at step 2, but if the new step 1 remains at last year's rate, the increment between steps 1 and 2 also will increase to \$2,500. A balloon thus created will tend to move on the guide at the rate of one step per year: In another three years that newly created balloon will probably be between steps 4 and 5.

Other balloons are created specifically for political reasons. Occasionally, a union wants to generously reward a few of its members and proposes somewhat larger increases for the steps at which these favored members will be placed. Balloons created for such specific political reasons can be located at any place in the guide and also tend to advance on the guide each year. Much more frequently, however, the political impetus for the creation of balloons results in balloons between the highest steps on the guide. Balloons between the top two steps result from a union's desire to substantially reward senior staff who are placed at maximum.

If the maximum step increases by a significantly greater dollar amount than the step just preceding maximum, a balloon is either being created or enlarged, since the value of the increment between these two steps will grow proportionately. All balloon increments tend to grow in size, year after year. But, even without further growth, we can see the probable disparity in the distribution of new money available for the settlement. A teacher who is moving through the balloon due to normal incremental advancement will receive the substantial increase granted to staff at maximum plus the amount of the balloon.

## Techniques for Breaking Balloons

If a district's guide contains one or more balloon increments and the board establishes a salary guide goal to eliminate or at least to reduce the magnitude of such balloons, what specific modifications to the guides structure can be proposed? Several different approaches

are available and more than one approach should be considered since the effectiveness and acceptability of the various techniques is situational. One that may work well in a particular situation may not work at all in another. When assessing whether a particular approach will work, both the technical achievement of breaking the balloon(s) and the acceptability to the union should be considered.

The simplest method to break a balloon is to insert one or more new steps. This method can be readily understood by looking at an example of a proposed BA column in which step 1 is \$26,000 and the value of all increments in the column are \$1,000 until a balloon appears between the last two steps.

The last several steps for this proposed BA column are printed below for your reference:

Step 12 .....	37,000
Step 13 .....	38,000
Step 14 .....	39,000
Step 15 .....	40,000
Step 16 .....	43,000

The \$3,000 balloon increment between steps 15 and 16 is obvious: it is three times the value of the increments between the prior steps in this column. The simplest way to eliminate this balloon is to insert one or two steps whose rates are between \$40,000 and \$43,000. If one step were inserted, the column could be as follows:

Step 12 .....	37,000
Step 13 .....	38,000
Step 14 .....	39,000
Step 15 .....	40,000
Step 16 .....	41,500
Step 17 .....	43,000

This results in two consecutive increments of \$1,500 instead of the one balloon increment of \$3,000. If two new steps were inserted, the \$1,000 increment pattern that exists between the prior steps in the column could be maintained but the maximum step, \$43,000, would now be step 18.

In most cases, you can anticipate some union resistance to the insertion of new steps to break balloons. Additional steps lengthen the guide, and such lengthening of the guide increases the amount of service time required for all teachers to reach the maximum step. Although any staff member may object to lengthening the guide, this is a special concern to those teachers who are close to maximum and who are already anticipating the significant salary increase they will receive when they pass through the balloon increment. Linking the insertion of new steps to break a balloon to the elimination of a corresponding number of steps elsewhere on the guide (perhaps among the lower salary rates) may make this approach more acceptable to a majority of the union's members since the total number of steps remains unchanged.

A less simple method which can be used to decrease the size of a balloon is to increase the rate for the step at

the bottom of the balloon (step 15 in our original example) by a much larger amount than the rate for the step at the top of the balloon (step 16 in our original example). Shifting new money designated for a salary settlement to the salary rate at the bottom of the balloon can effectively diminish the magnitude of that balloon. If the proposed step 15 rate were increased to \$41,000, there would be two consecutive \$2,000 increments from step 14, (\$39,000) to step 16, (\$43,000). Even if these \$2,000 increments were still viewed as balloons, the overall structure of the guide may be better than with the one \$3,000 balloon increment. However, the down side to this approach is that the salary rate for staff projected to be placed at step 15 now will be \$41,000 instead of \$40,000, and some of the other rates on the proposed guide will have to be reduced to offset this increased cost.

By shifting money to the step at the bottom of the balloon and to one or two of the prior steps, the creation of a new balloon probably may be totally avoided. The original proposed guide could be modified as follows:

Step 12 .....	37,000
Step 13 .....	38,500
Step 14 .....	40,000
Step 15 .....	41,500
Step 16 .....	43,000

This guide would also have 16 steps but the increments between steps 12 and 15 are now \$1,500 (the original proposed guide had \$1,000 increments between steps 12 and 15). The advantage is that no significant balloon remains: the \$6,000 cumulative increase from step 12, \$37,000, to step 16, \$43,000, would be made in four \$1,500 increments instead of three \$1,000 increments and one \$3,000 balloon.

It should be noted that it may take several years, perhaps longer than the term of the successor agreement, to eliminate balloons which developed and grew over a period of many years. Recognizing this, however, does not mean that boards should not strive for some progress. Any modification to the guide's structure that will diminish a balloon is better than leaving the balloon unattended, to grow with time.

One balloon bursting technique which does not have immediate impact has been used effectively. Since that technique involves the creation of a new step which does not affect any employee for the term of the new agreement, the new step receives less union opposition. The technique involves the creation of a phantom step, i.e., a new step at which no teacher actually will be placed during the term of the new agreement. However, it actually appears in the guide which will be in place when the next round of bargaining occurs. Even though such a phantom step does not diminish all of the problems associated with balloon increments, for the life of the new agreement, it does address the problem which results from a very large "automatic" increment upon the expiration of that new agreement. This technique involves the insertion of a new step to break a balloon, just like we examined earlier:

Step 12 .....	37,000
Step 13 .....	38,000
Step 14 .....	39,000
Step 15 .....	40,000
Step 16 .....	41,500
Step 17 .....	43,000

The \$3,000 balloon between \$40,000 and \$43,000 has been split by inserting a new step at \$41,500 but no teacher will actually be placed at step 16 in the final year of the agreement. Staff who were placed at step 15 in the prior year will advance to step 17 for the final year. However, staff at step 15 in the final year of the agreement will see that the next step is step 16, \$41,500. In the event that the contract expires before the next round of negotiations has been completed and successor guides adopted, a teacher on step 15 will advance to \$41,500, and not to \$43,000 (if incremental advancement is required to maintain the *status quo*). In addition, and most important, the guide which will be in place when the next round of bargaining starts will have 17 steps, not 16, and will not have the \$3,000 balloon increment!

## **Preventing Balloons and Balloon Growth**

The most successful preventative approach requires early identification of the board's salary guide goals for the next negotiations and timely communication with the union about such board goals. If an analysis of the present guide results in the board adopting one or more bargaining goals relating to guide structure, it should communicate those bargaining objectives to its union before negotiations progress too far. If raised early and earnestly, a board should find that it may get the union to agree to some or all of its guide objectives. A board also may find that the union's opposition to one or more objectives leads the board to modify such objective(s) or renews its commitment to convince the union that such objectives must be addressed.

Can communications be too early? Probably not. In some situations it may even be best to first raise the board's concern long before it will attempt to negotiate changes in the guide's structure. For example, in agreeing to adopt guides which have structural defects (as a needed compromise at the end of negotiations) it might be best to set the stage for the next round of bargaining by pointing out the board's concerns then. This puts the union on early notice that guide structure will be a major board concern during the next round of negotiations.

Although a board's salary guide goals should be established and communicated to the union early, it is not necessary to propose a possible solution early in the process. It is, however, helpful to have identified at least one possible solution for each goal. Then, if the union states that it is mathematically impossible to construct successor guides which achieve a particular board goal, the board will be prepared to offer at least one solution.

Each board must establish its own specific salary

guide bargaining goals in light of an analysis of its present guide. Each board must decide whether it needs to address the elimination of balloons identified in its guide. However, since it is easier to prevent balloons than to eliminate them, all boards should consider a “no new balloons” goal. Most boards should also consider a “balloons may not grow larger” goal. Even if the size of the balloons in your district’s guide do not create an unmanageable problem now, ultimately, balloons will present a major cost problem and a major concern about inequity in the distribution of new money to be spent in a settlement.

Note: Detailed information about how to analyze all aspects of guide structure is described in the series of articles on “Understanding Salary Guides” in *The*

*Negotiations Advisor*. NJSBA also presents a weekend program on salary guide analysis and construction. Check with the NJSBA Labor Relations Department for dates.

NJSBA’s publication, *Costing Out the Labor Agreement*, is designed to assist school boards in determining the current cost of their negotiated agreement as well as the cost of union proposals. Topics include: establishing the salary base; calculating the cost of increment and salary increases; costing out employee benefits; distribution of increases on the salary guide; and costing support staff issues. A copy has been mailed to all school superintendents. Additional copies may be purchased by contacting the NJSBA Business Office (609) 695-7600.