

Friday, July 29th, 2011

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Unions move to offense on city budget, offer \$243-million cut plan

Posted by Greg H. at 7/26/2011 11:57 AM CDT

Organized labor Tuesday made its move to go on the offensive in the war over the city budget, unveiling a plan it said could save taxpayers \$243 million a year without union layoffs.

Among big items laid out at a press conference were shifting to four 10-hour days a week instead of five eight-hour days, slashing the city's core of middle managers, allowing use of apprentices and giving city workers the chance to bid on every outsourcing contract.

There appear to be some solid items in the report, which was prepared by an outside consultant retained by unions.

But both the report and labor leaders Tuesday steered notably clear of dealing with strong work-rule changes that Mayor Rahm Emanuel has been pursuing. And the \$243-million figure includes \$100 million in projected savings that are yet to be identified and were outlined only in the sketchiest form.

The report appears to be the most solid when it asserts that \$40 million — or 10% — could be saved by interjecting competition into pieces of city work that now are privatized, often in no-bid contracts.

The report noted several examples, both in Chicago and out of town, in which current workers underbid private companies — which, as the report emphasized, have to add profits and overhead to their price structure.

For instance, it said, the Chicago Department of Aviation recently asked its current electrical workers to bid on a gate-lighting project after the successful private contractor bid \$942,000. The city workers' bid came in at \$540,000 — \$400,000 cheaper.

Similarly, a city laborers' union estimates it could provide blue-cart recycling services at 20% to 50% below the rates the city recently agreed to give private firms.

Another \$37.5 million could be saved by reducing by 1 the ratio of city supervisors to workers across city government, the report says.

The report said many departments now have a ratio well below the optimal 10 workers for ever one supervisor, with the Department of Family and Support Services actually having 203 supervisors for 334 front-line workers, a ratio of 1.6:1.

I haven't checked the details on this, but I find the general argument very credible. Alderman Brendan Reilly (42nd) has sort of specialized in this area in recent years, and also has concluded that City Hall is far over-staffed with midlevel supervisors, deputy commissioners and the like.

Squishiest in the report is the contention that \$165 million could be saved by efficiencies within city government.

Some of that is detailed, i.e. better coordinating use of heavy trucks so the city spends less on equipment rentals; smarter purchasing; less use of outside lawyers, and switching legal ads from newspapers to electronic platforms.

But many, many details — for instance, how an apprenticeship program actually would work — are yet to come, and labor leaders did not at all detail the last \$100 million of the \$164 million claimed potential savings.

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- March (63)
- April (61)
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Chicago Federation of Labor President Jorge Ramirez and Building Trades Council President Tom Villanova also danced a bit around where they stand on the work-rule changes Mr. Emanuel wants, like allowing regular city workers to drive vehicles to a job rather than requiring a Teamster to do it.

In the end, they sort of suggested that individual union locals will have to make up their mind on such ideas. But earlier on Tuesday, Mr. Emanuel at his own press event suggested such steps absolutely will be needed.

What's not clear is whether the report at all will avert what is shaping up as a huge battle over wages, staffing and fringe benefits in a 2012 city budget that now is projected to be at least \$600 million in the red.

"We have to take the mayor at his word that, if we can come up with ideas to avoid laying people off, he's all ears," Mr. Ramirez said. "Our goal is to work this out...in partnership."

The report was prepared by Public Works LLC, a budget and policy research firm. Officials declined to say how much it was paid.

I've asked Team Rahm for response to all of this. I'll add it in when I get it.

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Mack M. wrote:

1. "...The report...asserts that \$40 million -- or 10% -- could be saved by interjecting competition into pieces of city work that now are privatized, often in no-bid contracts..."

Greg, where can we review the no-bid contracts? It is easy for them to assert anything they want and to make up numbers. It's just as easy to refute their statements.

2. "...The report noted several examples, both in Chicago and out of town, in which current workers underbid private companies -- which, as the report emphasized, have to add profits and overhead to their price structure..."

Private companies have to allow for percentages of minority and female workers, or face serious consequences. Private companies provide surety bonds. Private companies include workers comp insurance, commercial liability insurance, etc. Private companies assume risks related to weather, strikes, cost increases, etc.

3. "...the Chicago Department of Aviation recently asked its current electrical workers to bid on a gate-lighting project after the successful private contractor bid \$942,000. The city workers' bid came in at \$540,000 -- \$400,000 cheaper..."

See comments above.

One has to suspend disbelief to agree that city workers are "bidding" on the same set of plans and specs and arriving at prices almost half of a competitively bid contract. This report is unrealistic.

7/26/2011 1:09 PM CDT

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Frank C. wrote:

Too often actual costs dramatically exceed bids, particularly when union contracts are involved. I'd be skeptical of the math.

I'm all for the most economical, high quality service provider, union or non-union. Just concerned when experience shows union labor much more expensive than non-union labor (McCormick anyone?) due in part to the rules and restrictions, yet now union employees are claimed to be a fraction of the cost of private entities. Doesn't make sense.

The recycling contract allegedly saved millions of dollars over the existing situation involving union workers. Maybe there is a real aspect that hasn't yet been deployed that allows union labor to be better and cheaper, but hard not to be skeptical after years of experience to the contrary.

7/26/2011 2:07 PM CDT

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