



Hidden Costs in your Collective Bargaining Agreement

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by

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OSBA leads the way to educational excellence by serving Ohio's public school board members and the diverse districts they represent through superior service, unwavering advocacy and creative solutions.



Costing Out Contracts

- For most school districts, costs related to employees are determined bilaterally, through negotiations memorialized in Agreements or Contracts.
- Employee costs/compensation are the largest expenditure(s) in a school district's budget.

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Costing Out Contracts

- It is essential to ascertain the current and projected costs of a negotiated contract to ensure that expenditures are consistent with the district's overall goals.
- Costing can be a time-consuming and detail-oriented task, but it is an absolutely necessary one.
- Without accurate costing, you are negotiating "in the dark."

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Direct vs. Indirect Costs

- Costs come in two varieties: direct vs. indirect costs.
- Direct costs are easily identified and have a clear and direct relationship with contract language.
- Examples include: salaries, insurance benefits, paid leaves of absence, tuition reimbursement, stipends or fixed payments, etc.

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Direct Costs

- Direct costs frequently have charts, graphs, schedules or actual dollar amounts spelled out in language.
- Since figures are used, changes in these figures are easy to identify and “cost out.”
- In looking at schedules, computation of changes is almost automatic thanks to computer programs.

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Indirect Costs

- The 2nd variety of costs in labor contracts is indirect costs.
- Unlike direct costs, these are usually found in language (no schedules or specific dollar amounts) and tend to be the result or consequence of another contract provision.
- Indirect costs are the most difficult to identify and cost out.

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Indirect Costs

- A simple and easy-to-understand example of an indirect cost is granting additional personal leave tends to increase costs associated with substitutes.
- Generally, indirect costs are clearly correlated to identified language in “other parts” of the contract.

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Hidden Costs?

- If there are two types of costs found in contracts, then what are “hidden costs” and how are they identified?
- Hidden Costs, theoretically, can either be direct or indirect, but they are a secondary consequence of some other contract provision or change.
- Usually, the most difficult costs to identify and control.

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Hidden Costs

- In many situations, hidden costs arise because of the way employees unexpectedly respond to contract provisions, good or bad.
- People can be unpredictable (and crafty), so costing out hidden costs frequently involves guesswork, assumptions and identifying trends quickly!

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Hidden Costs

- Examples of hidden costs can include:
- Requiring employees who use any sick leave to get a signed doctor's note. As a result, employees now have to pay an office visit co-pay, which increases usage and employee costs. Over time, employees come in sick more often, so even more employees get sick and/or they are out on sick leave longer.

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Hidden Costs

- In that example, where are the hidden costs?
- Why are they “hidden”? Could these costs have been anticipated? Could they have been avoided?
- How would you go about calculating these hidden costs in future contracts?
- How would the district mitigate these costs in future negotiations?

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Hidden Costs

- Another example: Sick Leave Banks
- What are their real purpose?
- Who benefits from these banks?
- Who actually pays the costs?
- What are some Hidden Costs?

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Hidden Costs

- Two other examples: Grievances and Abuse of Sick Leave
- Grievances can lead to arbitrations, so costs are direct and indirect, but what are some hidden costs?
- How do you control grievances?
- How do you go about costing the time involved in processing grievances?

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Hidden Costs

- Abuse of sick leave can be proven, but how?
- Consider the hidden costs related to having substitutes instructing students and the possible effects on lower learning, remediation, student achievement, ratings/rankings and public relations.

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Hidden Costs

- Are there any other hidden costs in contracts? Consider the basics: salary and insurances!
- What about the whole process of negotiations? What are some of the hidden costs inherent with collective bargaining?

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Hidden Cost(ing)

- Difficult, but not impossible
- It is a matter of applying logic to human nature and following the “consequences”
- Admittedly, some of the hidden costs aren’t all money-related...
- Treasurers are very good with predicting finances, but uncovering hidden costs should be a team event

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Conclusions

- Direct costs vs. Indirect costs vs. Hidden costs – know the differences
- Hidden costs are the most difficult to calculate as they may not be strictly financial
- Often, hidden costs greatly conflict with or frustrate district goals more than any other type of costs
- Hidden costs can also be the most difficult to “fix”!

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Thank You

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