



Collective Bargaining Trends

NIU Financial Forecast Forum

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ATTORNEYS AT LAW

Agenda

- Economic Indicators (for bargaining)
- Contract Settlement Trends
- Interest Arbitration Trends



Leading Economic Indicators

Unemployment:

Non-farm Job Openings Remain High

- December 2019: 6,741,000
- November 2023: 8,800,000

There Are Far More Job Openings Than Job Seekers
(5.7 MIL)

Bureau of Labor Statistics, Dec. 2023



The Labor Market's Persistent Strength

- “Economists keep saying the labor market will start to really cool off any second now. But not this second”
- *The Fed expected a trade off between stable prices and a weakening labor market. Slow the economy to drive up unemployment and reduce inflation, so the theory goes and decades of economic history suggest.*
- It may be different this time. Chair Powell said on September 20, 2023, “Really, what we have been seeing is progress without higher unemployment.”
- “Policymakers have been aiming to bring the economy in for a soft landing that likely would feature modest growth, a sustainable pace of wage increases and inflation at least receding back to the Fed’s 2% target.”
- *CNBC 12/8/23; Barron’s 10/2/23; Wall Street Journal, February 3, 2023; BLS*



“

“I don't think it is unavoidable' that joblessness will have to rise significantly for inflation to return to target. . . . I think there is a possible path there. But the most important thing is that we stay focused on restoring price stability, and I think that will require some rebalancing in the labor market.”

Dallas Fed President Lorie Logan
Reuters 10/11/2023



Unemployment

- April 2020: Record **high** unemployment rate: 14.8%
- January/April 2023: Record **low** unemployment rate: 3.4%
- Most recent rate is 3.7% (Nov 23)
- Labor force participation rate still below pre-COVID levels (Currently at 62.5% (Dec 23)
 - Some have left the workforce and will not return
- Nonfarm Payroll employment increased by 199K in November 2023 (below prior 12-month average of 240K monthly gain, but above the October gain of 150,000).

Bureau of Labor Statistics, Sept. 2023; CNBC (12/8/23)

Police Hiring Challenges Continue

Police Departments cannot hire officers fast enough to replace those retiring or resigning

Police Executive Research Forum survey of approx. 200 agencies showed nearly 50% more resignations in 2022 than 2019, and 20% more retirements

Total sworn police staffing has dropped nearly 5% over past 3 years

<https://www.policeforum.org/staffing2023>; WSJ 4/8/23



“Illinois sees staggering drop in paramedic force, driven by ‘burnout’ and violence against first responders”

- Illinois has seen a 77% decline in the number of paramedics statewide in recent years, noting a startling drop-off from 36,000 employees in 2019, to 8,200 employees in 2021.
- Some FDs are dropping the pre-hire requirement that the candidate have their EMT Basic certification.

Fox News February 14, 2023



Retention

Employee quit rate is high:

- December 2019: 3,530,000
- November 2022: 4,173,000
- November 2023: 3,500,000

Layoff and discharge rate increasing :

- December 2019: 1,780,000
- November 2022: 1,327,000
- November 2023: 1,500,000

BLS January 2023, December 2023



THE WALL STREET JOURNAL.



In This Economy, Getting Fired Takes Hard Work

Companies are putting up with poor performers in a tight labor market because there's no guarantee of finding someone better

May 19, 2022

Federal wage increases

- Average Hourly Earnings for private sector workers grew 4.2% from a year earlier.
- Federal sector employees received an average 4.6% increase for 2023
- President Biden signed executive order implementing 5.2% increase for 2024

Concerns of a wage price spiral—rising wages cause higher prices

Wash. Post 12/24/22; BLS; WSJ February 4, 2023; Federal Times (10/10/23); Executive Order

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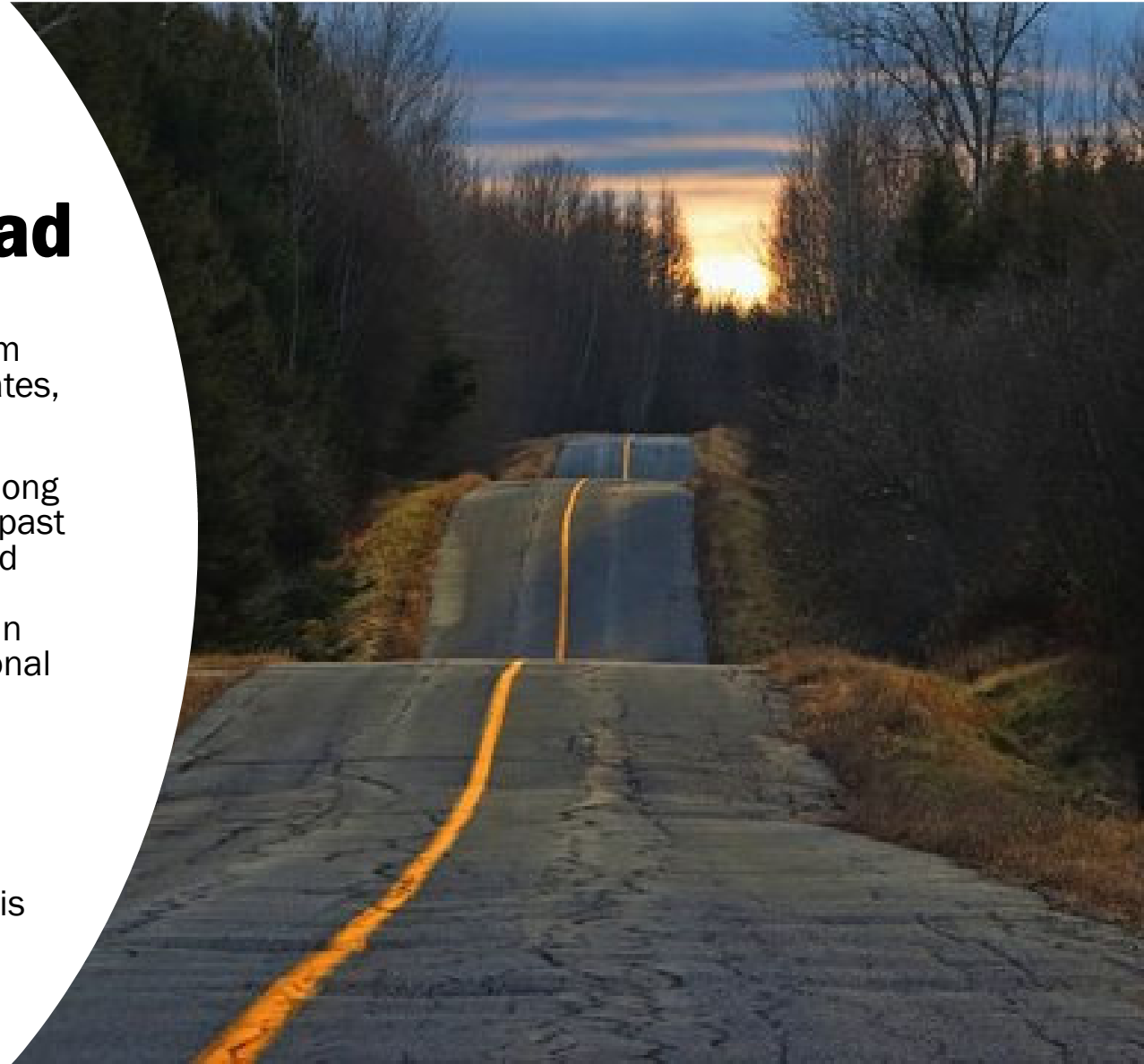


Expect a Bumpy Road

- An inverted yield curve, in which short term interest rates are higher than long term rates, can be a sign of a coming recession.
- “That is, short rates are now higher than long rates and they have been for most of the past year. This is concerning because past yield curve inversions have reliably predicted recessions, that is, sustained downturns in economic activity, as defined by the National Bureau of Economic Research (NBER)”

“There is a relatively high probability of recession in the next 12 months. But no forecast is certain.”

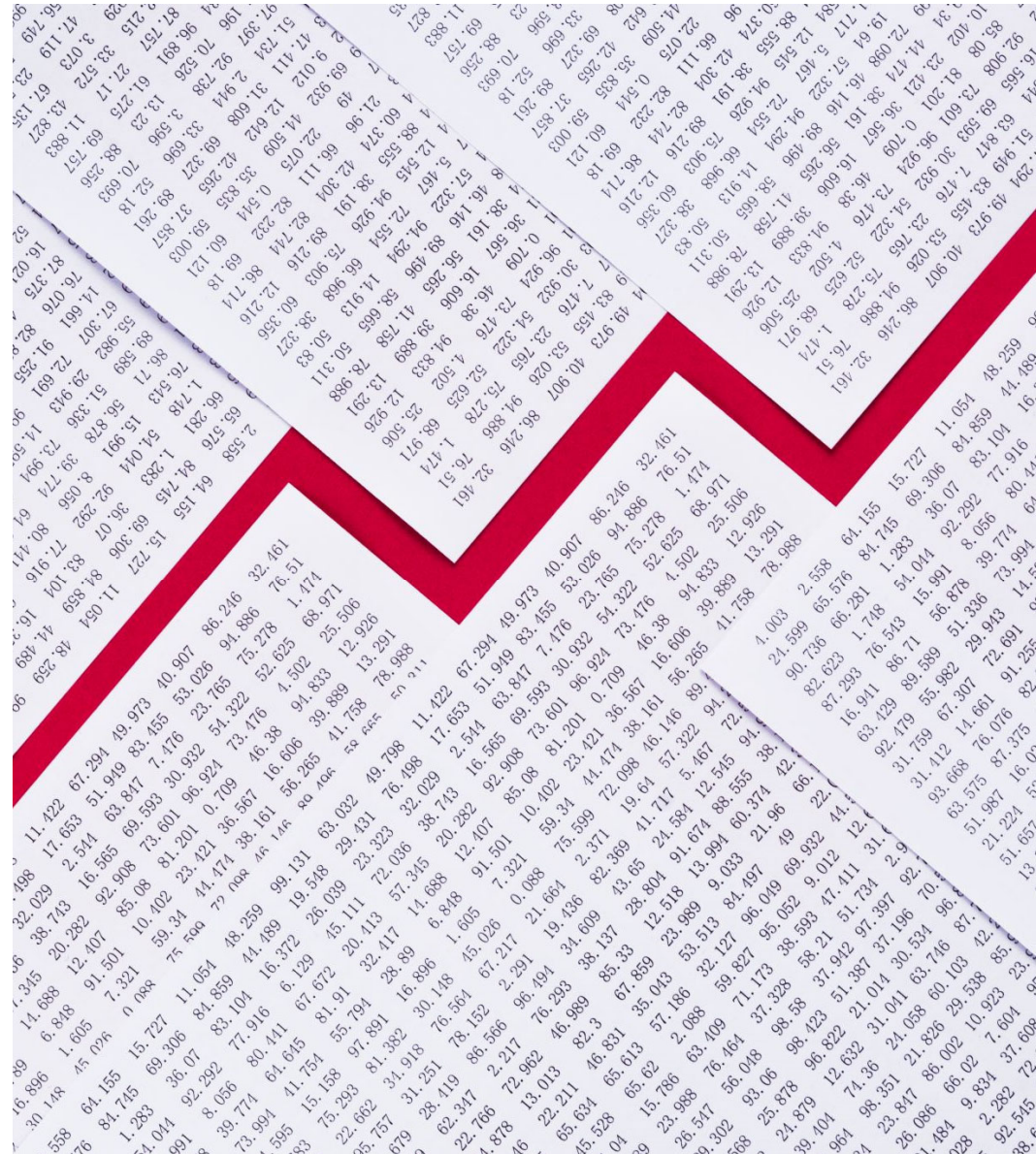
Sept. 7, 2023 Fed Reserve Bank of St. Louis

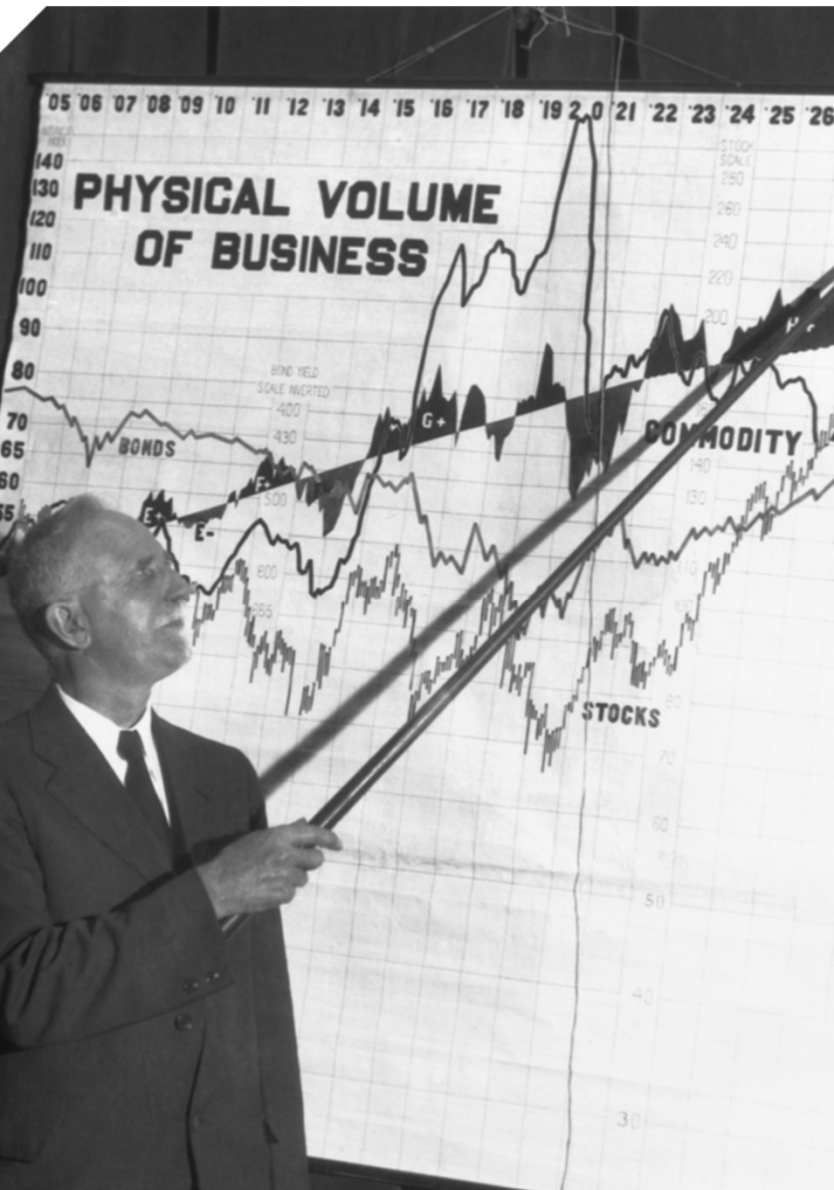


So . . . Is 2024 the year of the Recession?

- Starting 2023, nearly unanimous predictions of a looming recession.
- Forecasters are optimistic that it will be avoided, predicting a soft landing (or a mild recession)
- According to the National Association of Business Economics, 76% of economists “believe the chances of a recession in the next 12 months is 50% or less.”
 - 40% believe it will happen in Quarter 1
 - 34% believe it will happen in Quarter 2

CNBC 12/27/23





Survey of Professional Forecasters

“The outlook for the U.S. economy looks somewhat better now than it did three months ago”

“On an annual-average basis, the forecasters expect the unemployment rate will increase from 3.7 percent in 2023 to 4.0 percent in 2026.”

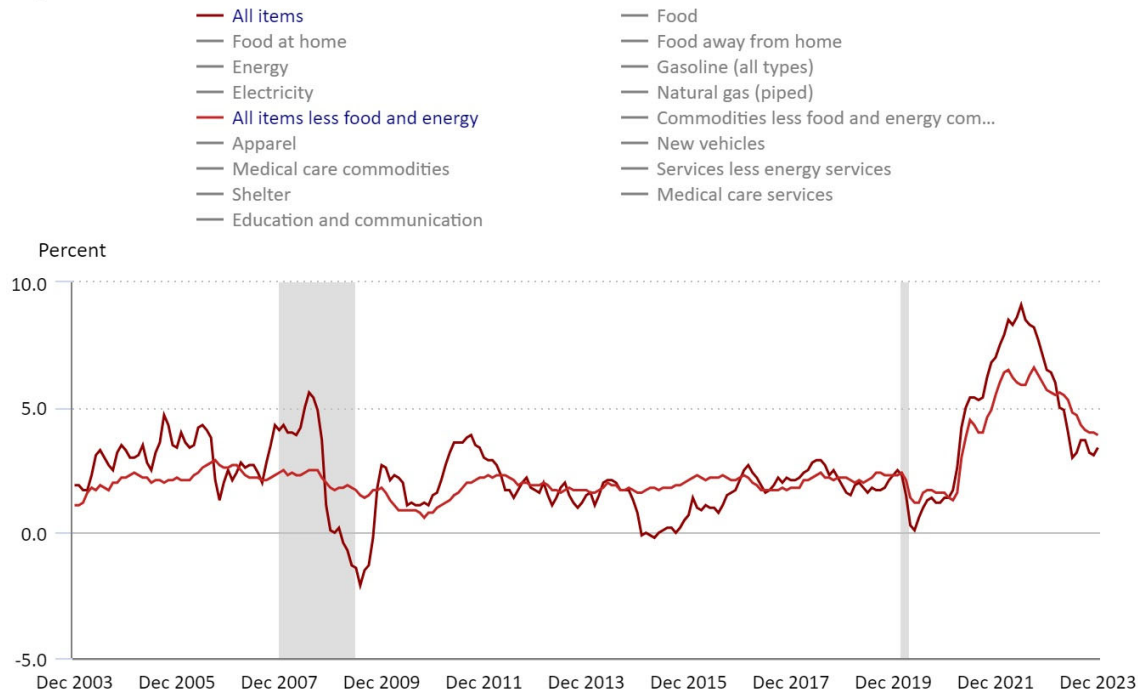
“Over the next 10 years, 2023 to 2032, the forecasters expect headline CPI inflation to average 2.40 percent . . .”

Source: Research Dept., Federal Reserve Bank of Philadelphia Fourth Quarter 2023 Survey (11/13/23)



The Cost-of-Living Factor

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.



Leading Economic Indicators--Inflation Is Moderating

- January 11, 2024, Rept. CPI-U Increased **3.4%** over last 12 months
 - Down from 9.1% peak in June, 2022
 - Down from 6.0% in February, 2023
- Core inflation, less food and energy, now stands at **3.9%**

BLS News Release 1/11/24

Cost of Living

- How do arbitrators respond to higher cost of living numbers in interest arbitration cases?



Wayback Machine

Late 2022: Arbitrator Marvin Hill awarded the FOP's final wage offer: 7.5% (2022); 2.5% (2023); 2.5% (2024); and 3.0% (2025).

"Bottom line here, while not dispositive of the outcome in this case, trends in the CPI clearly favor acceptance of the Union's offer. The Union is not only dead last relative to the comparables, but is experiencing a high cost of living, the worst of both worlds."

Union attorney: "... this is an unusual case in the sense that we have both a high cost of living and a very, very, very low, in the comparability they're dead last, they're not even close."

Illinois Eastern University and IL FOP (Hill, Arb., 11/12/22)



Wages - Vill. of Bartlett and MAP (Edwin Benn 3/16/23)

Union proposed 4% (2021), 4% (2022), no offer (2023);
Village proposed 3% (2021), 3% (2022), reopener
(2023).

“[T]he total 8% and 6% offers made by the Union and the Village respectively do not tell an accurate story. That is because, like savings accounts, wage increases compound and, in addition to that compounding effect, there will be employees who will make varying numbers of step movements during the life of a collective bargaining agreement. . . . [T]he focus has to be on the ‘real money’ yielded by the respective wage offers.”



Wages - Vill. of Bartlett and MAP (Edwin Benn 3/16/23)

“Determining the “real money” received by the employees becomes even more complicated because there are periods of the Agreement under both parties’ proposals that are yet to come, so we don’t have hard Consumer Price Index (“CPI”) information.”

“In the present economic times there is an overbearing elephant in the room – inflation. Therefore, in my opinion, the Section 14(h) factor that must be given determinative weight in this case is the Section 14(h)(5) factor looking at ‘[t]he average consumer prices for goods and services, commonly known as the cost of living’ – i.e., the CPI. For this case, at this time, that factor is the driving ‘applicable’ factor for selection of the wage offer for this Agreement.”



Wages - Vill. of Bartlett and MAP (Edwin Benn 3/16/23)

Arbitrator reviewed the CPI-U for Chicago-Naperville-Elgin, and the data from May 2021 through February 2023 (the months for which CPI data exist reported for Chicago in the BLS database).

For the out years, he reviewed the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters as it "is the oldest quarterly survey of macroeconomic forecasts in the United States."

"At this economic time that is plagued by inflation, the Union's wage offer which places the employees closer to the increases in the CPI is adopted."



Retention Bonus—City of Chicago and FOP (Benn, Arb. 6/26/23)

- In this interim award, FOP proposed a retention bonus of \$2K for all police officers on September 1 of each year after their 20th year of service
- Arbitrator noted 12.9% decline in police officers from 2019-2023 due to resignations and retirements
- This has caused cancellation of days off, low morale and reduced service levels
- High inflation has caused a substantial loss of buying power and has made it attractive for officers to take pensions and leave department
- Awarded FOP Final Offer



Wage Settlement Trends



Recent AFSCME Settlement

- In October, AFSCME signed a new contract covering Pennsylvania State employees, retro to 7/1/23, which provides increases over 4 years that compound to 22.1%
 - New CBA also includes increased meal allowances, expanded vacation buyback and improved overtime provisions
 - Increase over the prior CBA will reportedly cost Penn. Taxpayers \$83.7 million, excluding larger pension payments
- This follows a State of Illinois AFSCME settlement covering approx. 37,000 State employees providing base pay increases of 17.95% over 4 years, including 4% retro to 7/1/23, and expanded parental leave to 12 weeks.
 - Governor Pritzker said Illinois is a “pro-worker state”

AFSCME Council 13 Release (10/10/23); WSJ October, 2023; Illinois.Gov Press Release 7/25/23

NATIONAL FIRST YEAR NEGOTIATED WAGE INCREASES – STATE AND LOCAL GOVT. EMPLOYEES (W/O LUMP SUMS)

YEAR	WEIGHTED AVERAGE	AVERAGE	MEDIAN
2013	1.1%	1.6%	1.8%
2014	2.2%	1.8%	2.0%
2015	2.8%	2.2%	2.0%
2016	2.3%	2.4%	2.3%
2017	2.2%	2.1%	2.0%
2018	2.6%	2.8%	2.3%
2019	2.9%	2.8%	2.6%
2020	2.4%	2.8%	2.8%
2021	3.8%	2.8%	2.5%
2022	3.2%	3.6%	3.0%
YTD 2023	9.0%	8.0%	8.0%
YTD 2024	6.2%	6.3%	5.5%

2024 National First Year Negotiated Wage Increases State and Local Govt. vs. All Employees Less Construction & Govt.


	State and Local Government	All Other Employees	Difference
Weighted Avg.	6.2%	10.9%	4.7%
Average	6.3%	7.6%	1.3%
Median	5.5%	7.0%	1.5%

Responding to High Wage Demands at the Table Based Upon Inflation

- Take credit for step increases
 - And the invisible paycheck (pensions, insurance, time off, OT, roll up costs)
- If prior wage increases outpaced low-level inflation, be sure to show that
- Cite recent market wage settlement trends, often well below current CPI
- Inflation is trending lower
- Cost of living is just one factor
 - Internal comparability matters
 - External comparability counts
 - So does your hiring and retention record
- If you have to pay more than you want, get something back



Illinois House Speaker's staff could test limits of Workers' Rights Amendment

PETER HANCOCK Capitol News Illinois Sep 14, 2023  0

- General Assembly members are exempted from the Illinois Public Labor Relations Act and could not organize.
- The Illinois Legislative Staff Association is testing the limits of the Constitutional Amendment.
- The issue? The starting salary for Democratic House staffers is around \$43,000 annually, which he said is significantly lower than comparable jobs in the Senate or even for House Republican staff.

Source: The Pantagraph

Increase in Union Organizing

NLRB Election Data Shows Significant Union Gains in the Private Sector

According to Bloomberg Law, private sector unions won 662 NLRB-administered secret ballot elections from January through June 2023, which is the largest number of first-half elections “wins” since 2005. These election victories have resulted in approximately 58,543 new unionized employees. Overall, unions have won approximately 80 percent of all NLRB-administered secret ballot elections during the first 6 months of 2023.

Bloomberg Law (Aug. 21, 2023)

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Increase in Union Organizing

Be sure you remain an employer of choice--Audit your wages and benefit structure, including overtime

Train your Supervisors

Make sure your EEO polices are followed

Listen to your employees

There has never been a more important time for you to know how to bargain a management-oriented CBA, with competitive wages and benefits, while retaining your right to set the mission and manage the workforce

Do not give away management rights!



If You Believe a Recession May Be Coming in the next 12 months

Consider . . .

- Shorter term CBA or a reopener
- Avoid locking in inflationary based increases on a long-term basis
- Audit your CBA's to confirm management rights to address an economic downturn
 - Especially the right to
 - Reorganize, outsource, attrit
 - Reduce workweek, furlough
 - Layoff
 - Use non-bargaining unit employees
- Avoid minimum staffing clauses
- Avoid minimum hours guarantees
- Have an impasse contingency plan - just in case

