



Future Trends in Employment and Labor: Collective Bargaining

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NIU and ILCMA Financial Forecast Forum

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As Inflation Rises, Unemployment Falls and Jobs Go Unfilled

- Expect higher wage demands and more potential strikes or interest arbitration cases if demands are not met.
 - In Moline, IL, 10,100 **John Deere** workers represented by the UAW went on strike on October 15, 2021, demanding higher wages and benefits. Deere reportedly offered raises of 5-6% this year, 3% in 2023 and 2025, and lump sum bonuses in other years
 - **Kellogg** strike idled 1400 workers, 50,000 **Kaiser Permanente** workers authorized a strike during “Striketober”
- Many workers complain about excessive overtime
 - A key factor cited in several recent major private sector strikes



Longer Shifts Fuel Labor Unrest

- Restive workers weary from the COVID-19 pandemic have a new demand: **“Give me back my free time”**.
- Deere & Co. employees on strike cited mandatory overtime that can stretch their shifts to 12 hours
- At Kellogg, the striking union cited the toll of seven-day workweeks
- At Frito-Lay, workers on strike for 19 days challenged what they called “suicide shifts”, being made to leave late and come in early, with only 8 hours of turnaround time. The strike settlement guaranteed 1 day off per week.

Washington Post, 7/26/21; Bloomberg Law 10/25/21

Hiring and Retention Challenges

- Are you having difficulty filling vacant jobs?
- Some employers
 - Offer hiring bonuses
 - City of Aurora, IL website notice for police officer lateral hire:
 - Lateral new hires will receive a signing bonus of \$20,000.
Signing bonuses are contingent upon a two-year commitment to the Aurora Police Department.
 - Retention bonuses
- Do you have a lateral hire program?
- Does your CBA allow you to pay experienced new workers above the regular starting rate? What about vacation time?

“CHICAGO TEACHERS UNION’S ILLEGAL STRIKE IS OVER, BUT PARENTS SUE TO STOP NEXT ONE”

ILLINOIS POLICY INSTITUTE, JAN. 14, 2022



Inflation Measure -- Consumer Price Index

CPI INDEX	MOST RECENT 12 – MONTH CHANGE ENDING JANUARY 2021	MOST RECENT 12 – MONTH CHANGE ENDING DECEMBER, 2021
CPI – U U.S. City Average, All Items	1.4%	7.0%

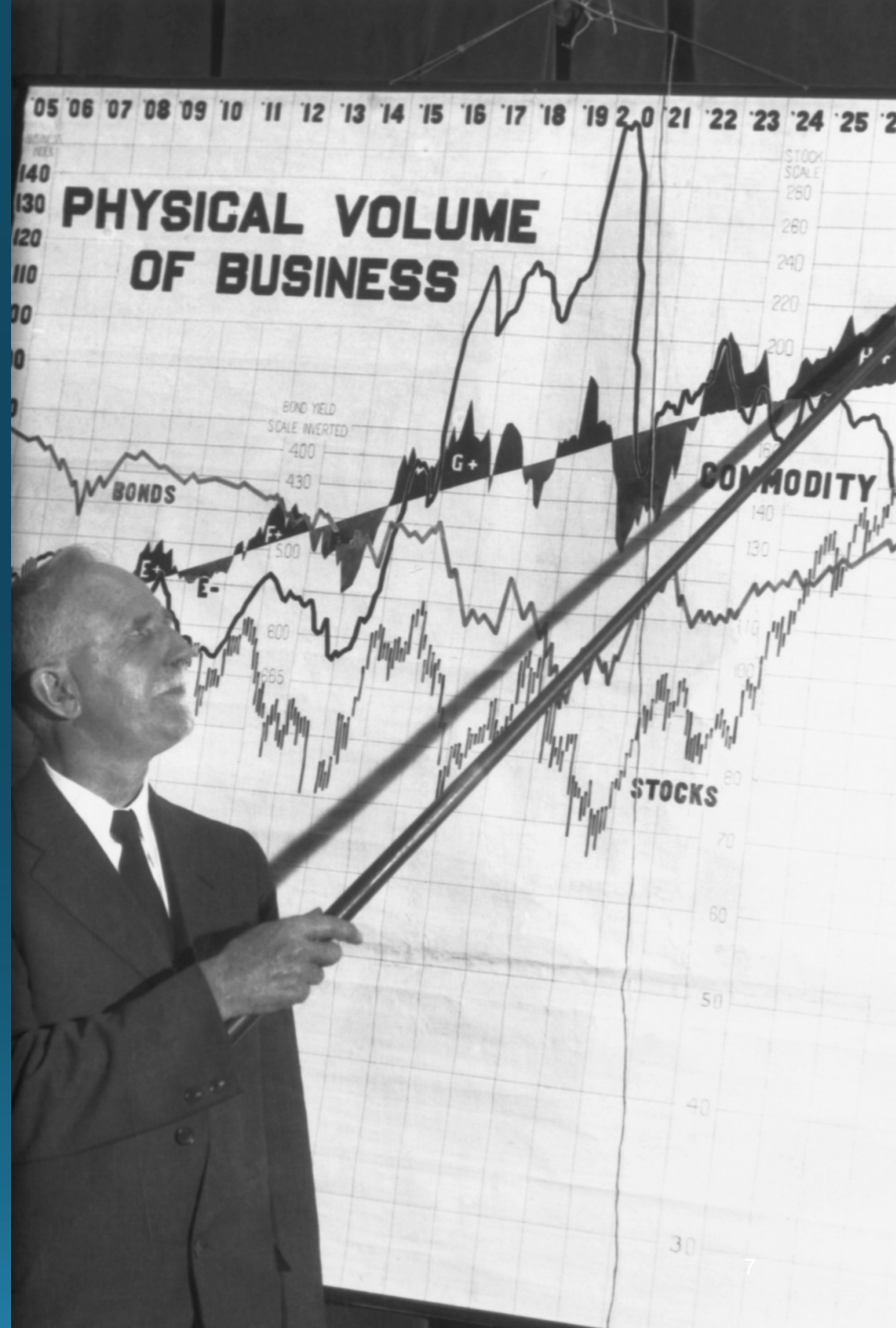
BLS News Release January 12, 2022

Survey of Professional Forecasters

“Over the next 10 years, 2021-2030, the forecasters predict headline CPI inflation will average 2.55 percent at an annual rate.”

Source: Research Dept., Federal Reserve Bank of Philadelphia

Release Date: Nov. 15, 2021



About the Philadelphia Fed Quarterly Survey...

Village of Skokie/FOP IA Award (11/27/2020)– Arbitrator Sinclair Kossoff:

“With regard to the future inflation rate, we have only forecasts, but many arbitrators give important weight to expert forecasts since they are not merely wild predictions by lay people but learned estimates based on scholarly principles. ... As Arbitrator Benn noted, the Survey of Professional Forecasters, published by the Federal Reserve Bank of Philadelphia, is a highly respected publication.”

Addressing Inflation Based Wage Demands At the Table

- Inflationary uptick is transitory
 - Federal Reserve Chair “expects a recent surge in inflation to fade over time” *WSJ* 8/28/21
 - As supply of goods improves, prices will moderate
 - The economy remains volatile
 - Fed will raise rates to slow it down
 - More recently: time to retire the word “transitory,” and it appears that “factors pushing inflation upward will linger well into next year.” *WSJ* 12/4/21
- Cost of Living is **just one factor** to consider

Addressing Inflation Based Wage Demands

- Cite actual settlement trends
 - Well under most recent CPI Measure
- Internal Comparability Matters
 - Particularly if there is a history of parity
- Your financial condition counts
- Consider Total Compensation, such as step increases, built in overtime, roll ups and pension costs
- Consider wage reopeners or shorter-term contracts as opposed to locking in inflationary based wage increases on a long-term basis

Sample Exhibit

Consumer Price Index (CPI) and Police Cost Of Living Increases

	<u>CPI-U</u>	<u>COLA</u>
2014	.8%	2.5%
2015	.7%	2.5%
2016	2.1%	2.5%
2017	2.1%	2.5%
2018	1.9%	2.5%
2019	2.3%	2.5%
TOTAL, 2014-2019	9.90%	15.00%
2020	1.4%	2.5% (City Proposal)
2021		2.5% (City Proposal)
2022		2.5% (City Proposal)

Sample Parity Chart

Year	Fire % Increase	Police % Increase
2007	4.0%	4.0%
2008	4.0%	4.0%
July 2008	0.5%	0.5%
2009	4.0%	4.0%
July 2009	0.5%	0.5%
2010	4.5%	4.5%
2011	0.0%	0.0%
2012	2.0%	2.0%
2013	2.5%	2.5%
2014	2.5%	2.5%
2015	2.5%	2.5%
2016	2.5%	2.5%
2017	2.5%	2.5%
2018	2.5%	2.5%
2019	2.5%	2.5%
2020	2.5%	2.5% (City Proposal)
2021	2.5%	2.5% (City Proposal)
2022		2.5% (City Proposal)



Public Sector Settlement Trends

National First Year Negotiated Wage Increases – State and Local Govt. Employees (w/o lump sums)

YEAR	WEIGHTED AVERAGE	AVERAGE	MEDIAN
2012	0.8%	1.1%	1.0%
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%

**2021 YTD National First Year Negotiated
Wage Increases
State and Local Govt. vs.
All Employees Less Construction & Govt.**

	State and Local Government	All Employees	Difference
Weighted Avg.	2.6%	4.5%	1.9%
Average	2.6%	4.1%	1.5%
Median	2.5%	3.0%	0.5%

Illinois Police Annual Percent Wage Increase

	2020	2021	2022	2023
Mean	2.49%	2.54%	2.54%	2.64%
Median	2.50%	2.50%	2.50%	2.50%
Mode	2.50%	2.50%	2.50%	2.50%
Number of Agreements	192	123	59	10

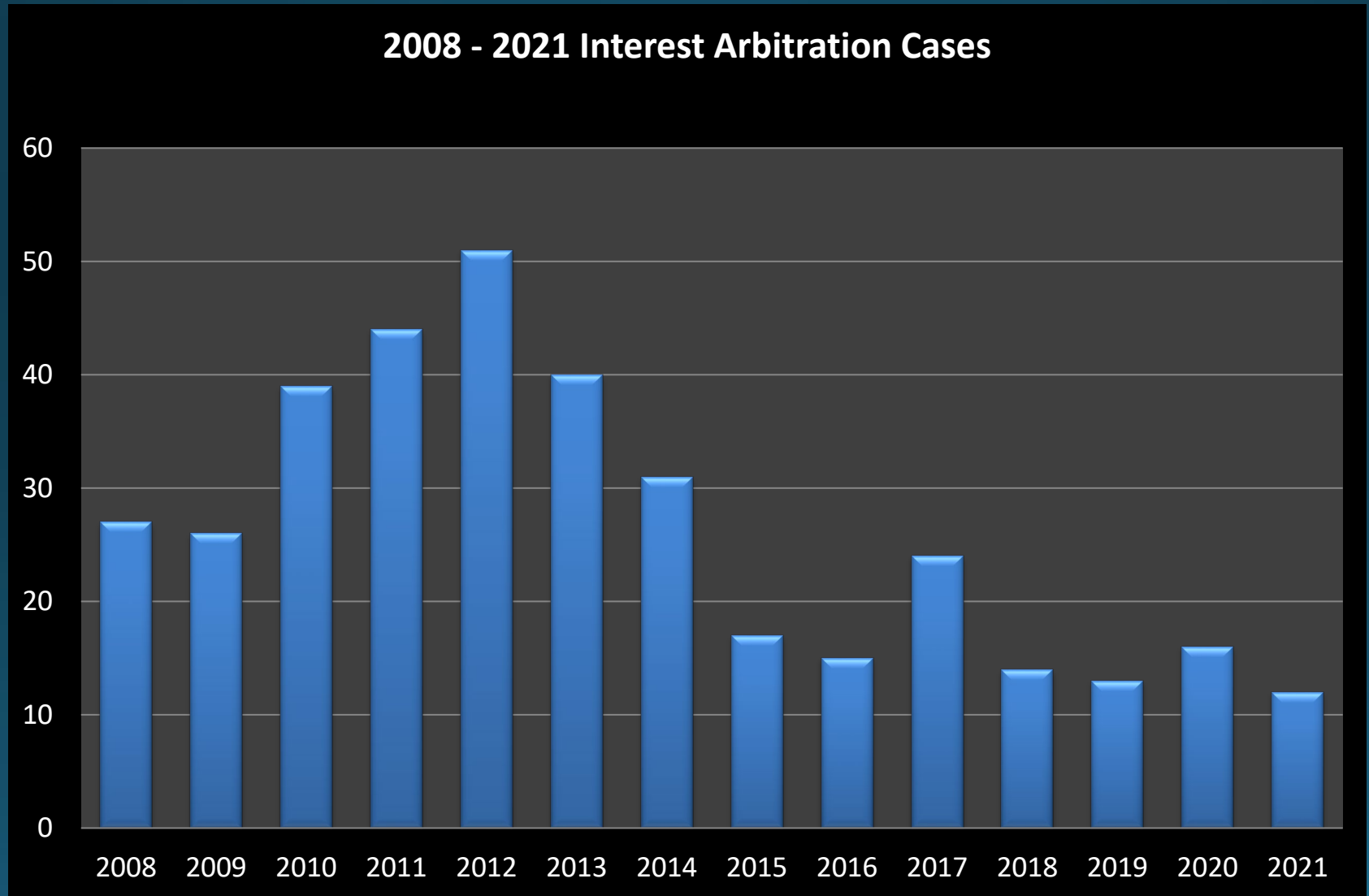
*Note: Some Settlements Reached Before COVID-19;
Most Before Inflation Skyrocketed*

Illinois Municipal Fire Department Annual Percent Wage Increase

	2020	2021	2022
Mean	2.36%	2.34%	2.33%
Median	2.50%	2.50%	2.50%
Mode	2.50%	2.50%	2.50%
Number of Agreements	81	52	26

*Note: Some Settlements Reached Before COVID-19;
Most Before Inflation Skyrocketed*

2008-21 Illinois Interest Arbitration Total Awards



CPI vs. External Comparability

Village of River Forest/FOP IA Award (6/1/2021)– Arbitrator Ed Benn:

“Try as I have to attempt to explain how useless, arbitrary and unfair that reliance upon external comparability is for setting contracts - especially because it is an irrelevant wild card that can hurt both sides and prevents parties from directly focusing upon their specific needs as the results from other communities are pounded into their contracts - examination of ... interest arbitration awards shows that parties and arbitrators continue to give heavy weight to external comparability.”