

Bargaining-in-the-Age-of-High-Inflation

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SPEAKERS

Chris Casillas, Shannon Phillips, Sarah Lorenzini, Debbie Brookman



Chris Casillas 00:09

Recent headlines during the summer of 2022 have been dominated by news of rising inflation, with many media outlets reporting on the CPI or consumer price index, hitting a 41 year high in June. Some regional CPI indices for instance, the Seattle CPI-W outpaced the national average and hit 9.5% in June 2022. This reality is impacting both employees who are experiencing various hardships as their purchasing power is eroded. And for employers who may be struggling to find resources to compensate their employees at levels commensurate with inflation. For several decades now, one of the pillars of many negotiations for collective bargaining agreements, when it comes to wages, is to track if not outright peg wage adjustments to the CPI index. But what options are available to parties in negotiating wage adjustments in an environment where the CPI is not only outpacing its historic average by considerable amounts but also reaching levels not seen in the last 40 or more years. At a recent monthly Lunch and Learn session hosted by the PERC Negotiation Project, we were fortunate to be joined by four different advocates on both the management and labor side who work across the state in a range of different sectors to discuss what they're seeing at bargaining tables. As parties confront the dramatic rise in CPI. Our expert panel was able to provide some insights into how they have been navigating bargaining in the age of high inflation, what solutions they were working on to best address the situation and some common misconceptions on both sides of the table around the impacts stemming from exceptionally high inflation. The PERColator Podcast was fortunate enough to have several members of that panel join us for a follow up conversation on the topic of CPI and bargaining in an effort to share both some observations they made during the lunch and learn session, but also some additional insights coming out of that earlier conversation, and share that with a broader audience. Please join me here in welcoming Debbie Brookman with Thurston County, Shannon Phillips with Summit Law and Sarah Lorenzini with PROTEC17 to the PERColator Podcast as we continue this important conversation sure to be top of mind for most negotiators out there today.



Chris Casillas 02:37

Hello, and welcome to the PERColator Podcast. My name is Chris Casillas with the Washington State Public Employment Relations Commission. And I am excited to bring to you our next episode of the PERColator, which is going to focus on a topic that's probably top of the mind for many of you these days in the summer of 2022. As you're out in bargaining, negotiating labor contracts, probably one of the biggest issues that we're hearing from folks and that we're engaging with folks, at least from our vantage point as neutrals and mediators, is the topic of inflation and CPI and how that is impacting your bargaining process. So we thought it would be a timely topic to bring to the podcast. And I am excited to be joined on the podcast by a few experts in this area, who are out in the world of practitioners doing this on a regular basis and negotiating these contracts and trying to find solutions to this thorny problem of inflation and how to manage it within the confines of your labor relations. And before I introduce each of the speakers for today, I just want to give some context to how we came to this topic. About a month ago, we did one of our lunchtime sessions, where we were joined by our speakers and had a really great turnout. And a lot of folks asked if we could share the content from that lunch zoom. And while we don't record those sessions, several of our speakers were willing to come on for the podcast and share some of their thoughts and perspectives. So we really appreciate that. And for those of you if you've been maybe living under a rock the last few months, not paying attention to the inflation situation. Just to give a little context to what we're seeing out there these days, just within the last week or two. The Seattle CPI figures came out and we saw a staggering 9.5% on the CPI index for the CPI-W for Seattle to come out which is the highest reading we've seen in that index. So in at least the last 40 years. And so this is, as I said, kind of top of mind for many of us, and we want to know what's happening out in the world, how are people managing this? What's working? What's not working? What are some of the challenges and points of confusion that you're confronting. So, without further ado, let me introduce our guests and then call upon them to offer their wisdom and experience in handling this complex topic. So first, I have Shannon Phillips. Shannon is a partner with the Summit Law Group. She works a lot with various transit agencies throughout the state of Washington, in terms of doing bargaining on their behalf and is a very experienced negotiator, in that respect, in addition to her many other duties and responsibilities with Summit. We are also joined today by Debbie Brookman. Debbie is a labor relations negotiator with Thurston County. For those of you who are not familiar with Thurston County, it's one of our larger employers within the state. And Debbie has the distinct honor of negotiating on behalf of the County with a number of different groups, including law enforcement, and general government. And then finally, last but not least, by any means, Sarah Lorenzini. Sarah is a union representative with the PROTEC17 organization which is based out of Seattle, but represents a a number of unions throughout the state of Washington, and several large jurisdictions, including at the state level, where I think Sarah does quite a bit of her work, but also some employees in Oregon as well. So please join me in welcoming our three guests. And, Shannon, I'll start with you, and maybe ask you just kind of initially here if you could offer some observations, or thoughts or any reflections you had on our conversation from a few weeks back in the lunchroom relative to this topic of inflation and how it's impacting the bargaining process.

S

Shannon Phillips 07:12

Thanks, Chris. And thanks for putting this together, and Sarah and Debbie, for joining. Well, obviously, this is a very different time. We, you know, we came through a pandemic. And I think what we saw during the pandemic, were lots of people saying, oh, my gosh, we don't even know how to deal with this, so let's just do a one year deal to get us through this. But obviously, now, we're coming out of that enough that people will say, we have to deal with our contracts. And so, you know, it's it's just a lot of uncertainty still. And so we have these incredibly high

inflation numbers. And those are on people's mind, and they're on the forefront. And yet, we're trying to negotiate, often the goal is like a three year contract. And while I don't think anybody thinks this will continue for three years, we don't know what's going to happen. So I just think it's a very challenging time. And it was interesting talking last week to hear about all of the different ways people are trying to address that.

C Chris Casillas 08:23

Yeah, thanks, Shannon. And we'll get into some more details there about how you and others are trying to address that. But let me continue the conversation and open the floor up next to Debbie to maybe offer some perspectives out of Thurston County. And kind of what she's seeing are some of her takeaways from our recent conversation, Debbie?

D Debbie Brookman 08:44

Thanks, Chris. It's first of all, let me just say thank you, and it's humbling to be here, and I appreciate the opportunity. You know, I've been bargaining contracts for quite a few years now, and every time I go into a new bargain, I think to myself, Oh, my gosh, there's so many challenges, this is going to be a really tough one. But I have to say, from my perspective, at least, the bargaining environment that we're in right now is probably, well it is, the most challenging that I've ever had to face. I mean, it's not just CPIs, which are unprecedented, at least in my professional experience, but it's also recruitment and retention. You know, everybody's looking for another job. Because I bargain with law enforcement, you know, just the morale in general issues that law enforcement professionals as well as those who manage them, and those of us who tried to negotiate contracts with them are dealing with. It's just a really difficult time right now to be in the negotiation game, so to speak, and I have a great deal of respect for all of the practitioners out there that are trying to deal with this. Especially on the CPI front. It's really difficult right now.

C Chris Casillas 09:55

Yeah, I think that's the name of the game and the theme of things these days. is a difficult, challenging, a lot of terms that I hear regularly here. So, Sarah, do you want to offer some of your kind of initial thoughts and observations on this important topic?

S Sarah Lorenzini 10:12

Yeah, thanks, Chris. And I similarly appreciate being on with this group and having us for this podcast, it was a good discussion at the lunch and learn. So yeah, I mean, I'll echo a lot of what Shannon and Debbie have said, I think it's time to get creative. Everything's on the table. And that's, that's what I'm seeing, that's what I'm really seeing out there is that it is really time to get creative with not just, you know, cost of living increases, or general wage increases as the the state refers to it. But other other ways of essentially, you know, getting money from employers. As a result of the pandemic, there's a lot of recruitment and retention issues. There's also some proposals on the table that I'm seeing that are kind of a consequence of

what happened, some of the things that happened during the pandemic. So, I mean, this is really, really an unprecedented time from my perspective. So, you know, that leads to different opportunities, but challenges as well.

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Chris Casillas 11:29

Yeah, I like those terms, creativity and challenges, but opportunities. And on that front, I've heard, you mentioned a few different things. But I'm wondering if each of you could maybe, to the extent you can kind of offer some specifics, and in terms of thinking about some of the challenges and how to be creative. I think, Shannon, you mentioned the fact that, you know, while in these inflationary numbers right now, are are just, you know, gargantuan, they're huge. I mean, unprecedented, at least in the last four decades or so. You're also bargaining contracts for the next 2, 3, 4 years. And I think you accurately said, you know, who knows what's going to happen two years from now? Let alone six months from now? So how are you managing those kinds of really competing forces when you're bargaining, any thoughts there?

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Shannon Phillips 12:28

Well, I might have to say, tune in for a later episode. Only because I'm in the midst of a lot of bargaining. And I know, you know, for the employer, this is a case where the employer wants certainty. You know, we're seeing unprecedented proposals from the side of the employees or the unions for formulas tied to the CPI. And the employer, you know, doesn't feel as good about that, certainly, if it weren't limited by a floor or ceiling, because that does create so much uncertainty. So I think that what I'm seeing is employers are trying to address the very real concerns that employees are having now, but still give them that certainty with known wage increases in the out years. And, and the ways I'm seeing those kind of proposals come forward are things like retention bonuses, or market adjustments in the first year of the contract, but then having the out years based on a more modest, increase that is a set amount, I think that's at least what I see employers trying to achieve.

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Chris Casillas 13:42

Interesting, interesting. Sarah or Debbie, any additional thoughts there?

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Debbie Brookman 13:48

Well, you know what Shannon says is absolutely right. I can't speak for all the jurisdictions out there. But I know Thurston County right now is a little bit cash rich, between the ARPA funds that we got from the federal government to respond to the pandemic, and sales tax revenue. We have some funds available to us right now that we don't expect that we'll have available to us in the future. And so that's allowed us to consider things that we've not previously put on the table, such as substantial lump sum payments, just some way to get some money into the pockets of our employees. So that first of all, they want to stay with us. And second of all, they actually have some money on hand to deal with rising prices, when we really can't afford to give cost of living adjustments, you know, the 10.1%, or whatever that last CPI-W figure was. And, you know, the unions, at least the ones that I work with, they understand this, they

understand that as a public employer, we really can't give, because we've always tried to in the past, but right now, we really can't afford to give COLAs, cost of living adjustments that match those CPI numbers. And so really appreciate the union's understanding that and working to find alternative ways is to get money into the pockets of their members without bankrupting us as a jurisdiction. We haven't gotten too creative. You know, I've seen some settlements in some of the other counties that we look at as comparables where we, you know, where I've seen, for example, people or contracts representing things such as you know, moving people up within the the existing pay ranges, like instead of a COLA will go ahead and give you an additional step increase, or an additional two step increases, or something like that. We've we've not done that deep for creative solutions, we really focus more on a reasonable cost of living adjustment, maybe we'll bump up some longevity, especially in our law enforcement areas where we're interest arbitration eligible. And we have to kind of keep in the back of our mind what our comparable counties are doing, so that we don't end up having to go to arbitration or something like that. But really focusing on one time only costs that are acceptable to everybody. And that's really, while we haven't offered a lump sum or negotiated that to all of the contracts that we've settled up late, that is something that we consider a viable alternative right now, where we wouldn't have in the past.

S

Sarah Lorenzini 16:07

Yes. So I'll I'll respond to something that Debbie said. Yes, Debbie, we, we are conscious of the fact that we're not going to get 10%. But that doesn't mean we're not going to ask for it. So, so yeah, and we're doing a lot of, and we're also conscious of the fact that there is, the state in the state is included, and one of the in the jurisdictions who are kind of, they're not claiming poverty right now. But you know, they're they're also very conscious of, and we, we negotiate on the biennium, so we're negotiating for a contract that starts basically a year from now, or a little less than a year from now. Um, so so they're also, you know, we anticipate as response to our compensation proposals, them bringing up a potential of a recession coming up. So we're conscious of that, while we're not, lump sums are never our favorite thing. It's certainly, you know, something that we anticipate potentially being passed across the table in lieu of some of the, you know, in lieu of some of the larger increases that we're asking for. But there's, there's so many other ways that we can get money into the pockets of our members. You know, geographic pay is one, there's, you know, certain specialties pay or assignment pay, I know, there's different jargon in different jurisdictions, incentives, bonuses, like Shannon, and Debbie said, front, kind of front loading the increases. And I think there's a little bit more interest-based bargaining happening out there. So yeah, just lots of lots of different ways that that aren't necessarily committing to, you know, huge cost of living increases for the duration of the the contract, I think, are are really what, that's what I'm saying.

C

Chris Casillas 18:05

Yeah, wow. Fascinating. Well, thanks for that insight. I know all of you don't work directly in, you know, every sector in every part of the state. But are you experiencing, are you hearing that inflation and CPI is kind of hitting certain certain types of jurisdictions or certain types of positions more than others? Or is it or is it in contrast, kind of just more of a, a universal problem that everybody's kind of facing equally? Thoughts?



S**Shannon Phillips 18:40**

Well, we law enforcement, obviously, from my colleagues, you know, that we've all heard about, you know, different jurisdictions having concerns about their staffing, recruitment. So I do think and and, of course, law enforcement also have the challenge that they have new state requirements that everyone has to adjust to, and, you know, there's some potential value in trying to get people to come and participate. So we are seeing the highest numbers with law enforcement, probably fire as well. I mean, those public safety ones are often the first priority. But in other jurisdictions like transit, I think, you know, as has been mentioned earlier, there is a challenge of making sure they can recruit the people they need to have doing the work and retain people. And so I think you're going to see high rates there as well, though, perhaps not as high as law enforcement.

D**Debbie Brookman 19:37**

Yeah, law enforcement is the worst. Here in Thurston County, the other areas where we're also seeing a greater impact are areas where, I don't know it's competitive. For example, some of the classifications in our in our court system. There are other jurisdictions such as the State of Washington and that hire similarly qualified employees. And the state has negotiated some pretty good contracts with some of their unions over the last few years to bring some of those positions up. And so we have to be careful, because we don't want to lose, you know, too many people to, for example, the state because, you know, then we can't run our operations effectively. So basically anywhere where we're facing competition from other jurisdictions for similarly experienced and qualified people. We're hearing from both employees, but also for managers that we really need to get our game on when it comes to compensation in light of the CPI right now. Attorneys is another area that's really competitive right now. So yeah, there's lots of areas and of course, generally speaking across our entire county, you know, public works, the auditor's office, you know, everywhere, everybody's feeling it, even here in HR, we're feeling it a little bit, so.

S**Sarah Lorenzini 20:55**

We represent obviously, statewide, statewide groups, and as Chris mentioned, Portland, so it, it is, I mean, the state, generally speaking, does pay quite a bit less than some of the other jurisdictions, especially in King County and the surrounding counties. So people leaving for other jurisdictions has always been a problem, but I think the CPI is, is, you know, exacerbating that along with, you know, the way the market is, I don't know, what people are doing. But you know, there's more jobs than there are people out there. And then on top of that, like the others have been saying recruitment and retention has always been an issue again, at the state because, because the pay just isn't quite as competitive as some of the surrounding areas, for the most part, and just in general, so. So yeah, I think it's, it's, it's things have just kind of been exacerbated by an already bad situation has become worse by some of these factors that are out there. And the inflation is one of those factors.

C**Chris Casillas 22:11**

Yeah, so, so complicated, but interesting in in how this is so intertwined with with other things, it's not just what I hear all of you saying, it's, it's not just about high inflation, but that's, that's kind of getting swept up with some other really big forces at play in terms of general

kind of getting swept up with some other really big forces at play in terms of general recruitment, issues, retention issues, the pandemic, unique issues with certain job classifications, like in law enforcement, and, you know, there's the new requirements around there. And it's all, it's all so intertwined, which, which makes it all the more challenging to deal with, and all the more valuable to have conversations like this. Well, I would love to spend the next like, four hours talk talking to the three of you and picking your minds about all this, you just have so many wonderful things to say, and it's such a value for our listeners. But I will, I will end our conversation by asking each of you, maybe if you could share kind of one, one parting thought or one kind of wrap up comment in terms of, you know, what, what you wish, either your own kind of team members, or maybe, you know, your partner's on the other side of the table could better understand from your vantage point about what's happening with the current inflationary environment? Is there, if you could kind of like, you know, take that one kind of thing that really frustrates you, that you feel like, you know, the other side doesn't understand or if you were kind of giving a quick TED talk on this topic or something, the one takeaway point about kind of how CPI is impacting bargaining these days, and thinking about how you might explain that to your own team team members or to the partners on the other side, I wonder if you could kind of each leave us with one parting thought there.

S

Shannon Phillips 24:13

Okay, I'll I will go first. So for the unions, I think an important thing I would want them to understand is, you know, the inflation is not associated with any public sector funding sources generally. So the fact that costs are up does not mean that the public agency has some increase in their revenue to deal with it. And then I think the second thing is that, you know, while while a union or the members might look at the employer and say, Wow, they've got a lot of cash right now, they got a lot of money. You know, a lot of the funding that came during the pandemic was cash, its cash there, and maybe it can be used, but again, it's not an ongoing revenue source. So it doesn't mean two or three years out, that they will have that same money. And I think on the management side, I think what I would want my team to know is, you know, this is not a case of, you know, the unions being greedy, like, oh, look, we supported the employees through the pandemic, and now they're being greedy and they want 10%. I think it's that it's, it's very real, that people are feeling it. And obviously, the lower your level of income, the more you are feeling this inflation, and the unions are just not going to be able to get a deal by their membership, if it doesn't really address what people are feeling in their kind of pocketbooks.

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Chris Casillas 25:33

Great. Thanks, Shannon. Debbie?

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Debbie Brookman 25:36

Oh, Shannon did a great job of summing it up. I think the one area where the unions often disagree with the employer, and I wish we had a shared understanding of it is, you know, we don't want to set ourselves up so that if we do go into a recession, that we have to lay people off. You know, it might happen that way, but I, I would really love to be able to explain to the union and have them understand and share the thought that while it might happen, if there's anything that we can do through our economics negotiations, to reduce the likelihood of it, we

all come out in the end. And that requires a leap of faith and some patience and belief that when times get good again, we will do our best as an employer to make it up to them. And I think that, you know, as an employer, and as a bargaining team for, you know, on the employer side, we don't want to overstate that. But it is something that I wish that we would hold closer to our hearts and be able to express with all honesty and integrity, and that the unions would work with us to try to make that happen. I might be I'm sounding a little bit idealistic. I have that tendency. But you know, we're all in this together, and in the long run, I don't think anybody's well served by setting us up so that we do have to face the possibility of layoffs, if things do get much worse, instead of at least a little bit better in the future.

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Chris Casillas 27:10

Thanks, Debbie. Sarah?

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Sarah Lorenzini 27:12

Yeah, so I'm taking a lot of notes here. I have learned something from my employer counterparts. Honestly, I think, and I agree with everything that Debbie and Shannon have said on that front, but I think if you're doing it right, they do understand, I think if you're having the right conversations with your counterparts, you know, you understand and things might look a little bit different at the bargaining table, for you know, a variety of reasons. But, but we do understand, like Shannon said, that you know, just because the CPI is up doesn't mean that there's revenue attached to that. And, you know, we don't want to get into a situation that there's, that leads to layoffs, because we've seen that before. And, you know, we don't want to go back there. So, but I think generally, if you're doing it right part of part of the process and having a decent relationship with your counterparts, this isn't the private sector. For me anyways, it's not the the private sector, it's not, you know, the haves versus the have nots. We're talking about taxpayer money here in the public sector. So if you're having those, those those conversations, and everybody is reasonable, I think things go, things go pretty smoothly.

C

Chris Casillas 28:33

Wonderful, wonderful. Well, we will leave the conversation there as much as I'd like to continue this on. So much said already, and I really appreciate the three of you taking the time to talk to me about this, this subject and in turn to our listeners. One of our goals here with the Negotiation Project at PERC, of which the PERColator Podcast is an extension of, is to create a space in which we can come together as as a community of negotiators, and learn from one another and try and enhance those skills and in turn, create hopefully more more positive outcomes for everyone. And I can say for certain that the three of you have really contributed in important ways to that goal here today. So thank you very much for your time. And it's been a pleasure hearing from you and learning from you. And good luck out there to the three of you. I know this is a trying period. But I take solace in the fact that we have some really excellent minds at work on this tough issue like yourselves, so thank you.

D

Debbie Brookman 29:53

Thanks Chris

Thanks, Chris.

 Shannon Phillips 30:01
Thanks, Chris.

 Sarah Lorenzini 30:02
Thanks, Chris.