You’d think negotiations couldn’t get any harder than during the Great Recession. Your nightmares about falling revenues have just started to fade, with the details of layoff implementation replaced in your dreams by how to survive the Pokémon GO app. After all, the economy is on its way back, and the budget is looking, dare we say, o.k. Time to sleep soundly knowing labor negotiations will be easy, right?

Not so fast. Sure, the bottom line has improved, and wage increases will be offered. But, boy, unions, our finances aren’t that much better!

Mr. Union Rep, I do believe you when you say that employees have been doing more with less, but we also have citizens clamoring about the pot holes in the roads and that “Death Intersection” near the high school. Respectfully employees association president, no one is saying your work is not valued, but economists believe the next recession is only a few years off, and our reserves remain dangerously low. And yes, Firefighters, your pay has fallen a bit compared to other firefighters in the area, but we did still have three hundred applicants for our most recent opening. And, you know, the board/council is pushing hard to restore services and adopt new programs.

Sound familiar? While the negotiations of the recent past were tough and even unpleasant at times, they also were fairly straightforward. The message to unions was simple – we’ve got no money for wage increases. To be effective in bargaining now, you’ll need to be more prepared, more nuanced, and more thoughtful than ever before.

**New Realities**

There are some reasonable arguments for larger wage increases. Revenues are improving and agencies have balanced budgets and perhaps even projected surpluses. Unions and employees understand that health and pension cost sharing is here to stay, and PEPRA should help contain pension costs further in the long run. And for some, the redevelopment agency challenges of the recent past have been addressed, new projects are coming on line, and hiring freezes have cautiously been lifted.

On the other hand, pension costs continue to rise, unfunded liabilities remain, and many agencies still project deficits down the road. Though revenues are returning, reserves are generally low, with a backlog of capital and infrastructure projects. Electeds now feel comfortable pursuing their special projects, with a general desire to re-instate prior service levels. For some special districts, the climate simply isn’t right to ask citizens to absorb further rate increases. And, PERB and litigation liabilities from the Great Recession linger, leaving unknown economic obligations and often strained labor relations.

**Come to Negotiations Prepared**

Thus, your wage offer undoubtedly will be less than unions and employees expect. To be effective, you’ll need a thoughtful and nuanced presentation, backed-up with facts and council/board support. It’s one thing to explain why the agency can’t pay. It’s quite another to explain why the agency is choosing not to pay (or at least not pay at a particular level).

So, be prepared. Know the status of your reserves and learn about applicable reserve policies and industry standards … and come ready to explain. Share charts showing the millions of dollars of back-logged capital projects and the citizen concerns and liabilities if capital improvements are not made. The reality is that many of the employees at the table have been clamoring for some of these very same repairs and new equipment.

Come with the number of frozen or unfilled positions, and show the impacts of decreased staff and furlough hours on service levels and overtime costs. Indeed, a common union argument these last five years has been that employees should be paid more because the agency has refused to hire enough staff. Increasing staffing may well be a “win-win” for both agency and union.

Though most were happy to see PEPRA become law, unions need to understand why PEPRA’s impact will not be seen for years, with unfunded liabilities and increasing pension costs continuing in the near term. Don’t just talk generally about the agencies’ health and pension costs. Bring the finance director and a benefits person and anyone else needed to help you explain the actual and projected costs of health and retiree health benefits. Unions understand these costs are real, and relevant, and promoting a greater common understanding and being specific may help unions accept a lesser wage number.

Employees like to say how they’ve waited and now is the time for them to “get paid.” And to an extent, this may be true. But, evaluate whether and where recruitment and retention challenges actually exist, even at current pay and benefit levels. Other agencies after all have just come through the same recession. And for agencies with large and expanding benefits packages, an agencies’ total compensation offer may still be competitive even with just modest wage increases. Again, evaluate these issues in advance, and come prepared to justify why competing costs justify a given wage offer.

Further, legal challenges continue to influence negotiations. The Ninth Circuit just issued a decision in Flores...
v. City of San Gabriel that threatens higher overtime costs. The impacts of the Affordable Care Act remain unknown, with other legal questions related to treatment of cash in lieu and leave cash-out practices looming. Don’t learn of these developments from the union at the table. Work with legal and other advisors in advance to evaluate which of these legal developments apply to you, and are relevant to your wage and other proposals.

For special districts, the financial presentation should be even further developed. Often, unions will simply point to the district’s ability to increase rates and thus conclude the money is there for big wage increases. You will need to review the history of ratepayer increases, the economic challenges still faced by the district you serve, and the competitive position (if applicable) of your employees taking into account all benefits rather than simply wage. Finally, spend some time evaluating what other proposals make sense to advance now. The answer for each agency will be different, but don’t come with a list of “wants” just because you can, and it’s negotiations time.

Instead, be thoughtful about your proposals. Is now the time for big “merit” increases for management or for board/council members? Decide whether now, when large wage increases may be on the table, is the time to trade those wage increases for long-desired operational changes and improved management rights language. Maybe it is, or perhaps now is exactly the wrong time for such proposals. Similarly, really scrutinize whether now, rather than a year or two or three from now, is the time for that multi-million dollar construction project. It may well be, and labor negotiations obviously shouldn’t hold up projects essential to safety and serving the community. But, optics sometimes matters, and labor relations clearly do matter, so pushing a project out a bit to reward employees with a wage increase now may be the better approach for some.

**Conclusion**

Most of us believe union representatives are reasonable people who simply want the employees they represent to be treated fairly. This is typically an agency goal as well. After all, with happy unions and employees comes better labor relations, better recruitment and retention, and quality employees serving the citizens of your agency.

By spending time evaluating how best to spend your available dollars, and truly demonstrating to your unions the need to spend some of those available dollars on competing needs, you are much more likely to walk away from negotiations with deals that won’t derail your economic recovery as well as greater mutual understanding with labor going forward. Good luck!