Labor and Employee Relations Committee Update

Presenters:

Brandon Fitzsimmons, Shareholder and Labor and Employment Attorney, Flaherty & Hood, P.A.

June 27, 2023

COALITION OF GREATER MN CITIES

Agenda

- Committee Business
- Employment Update
- Q&As

COALITION OF GREATER MN CITIES

Committee Business

COALITION OF GREATER MN CITIES

People

- Shaunna Johnson, Co-Chair, City of Waite Park City Administrator
- Shawna Boomgarden, Co-Chair, City of New Ulm HR Director
- Flaherty & Hood, P.A.
  - Brandon Fitzsimmons, Shareholder Attorney,
  - Christina Petsoulis, Associate Attorney
  - Nico Lara Lisle, Associate Attorney
  - Paola Maldonado, Associate Attorney
  - Humberto Ochoa, Associate Attorney
  - Rachel Parker, Human Resources Analyst
  - Ethan Rundquist, Data Analyst
  - Pang Yang, Administrative Assistant
  - Casey Teichert, Administrative Assistant
  - Cassandra Stein, Administrative Assistant

COALITION OF GREATER MN CITIES

2022-2023 Accomplishments

- Newsletters (3)
- Webinars – around 500 registrants!
  - More Unfair Practices Claims against Public Employers Coming Soon
  - Unemployment Insurance Tips and Tactics
  - Public Labor and Employment Law Update
  - Work-Related Injury and Disability Landscape
  - Public Employer Workforce and Compensation Tools
- Coordination and Advocacy
  - PERA duty disability
  - Paid leave bills
- Labor committee meeting
  - 2022 Fall Conference
  - 2023 Summer Conference

COALITION OF GREATER MN CITIES

2022-2023 Accomplishments

- Settlement and arbitration updates
- Databases
  - Arbitrators, arbitration awards, settlements, and cluster analysis (demographic) data updated
- Labor and employment templates and outlines
- Administrative services
- Individual consultation services
- 2023-2024
  - Likely same work plan

COALITION OF GREATER MN CITIES

Individual Services Available

- Individual city can receive legal consultation and representation on labor, employment, and human resources matters at reduced rates

Proposed 2023-24 Policies

1. In labor negotiations, emphasize the following:
    a. Expenditures and inflation increasing at substantially higher rate than revenues increasing
    b. Economy declining and volatile and uncertain
    c. Public employment turnover is high and constrained in monetary tools versus private sector
    d. Total compensation of employees and impact of proposals
2. Duration
    a. Contracts of 2 to 3 years depending on total package

COALITION OF GREATER MN CITIES

Proposed 2023-24 Policies

3. Wages
   a. 2.5% to 3%+ increase per year to base wage ranges
   b. Consider market adjustments for recruitment and retentionbase pay structure modifications for external and internal equity
   c. Same general % increase for essential and nonessential and nonunion employee
   d. Provide more flexibility for starting base pay amount and step increases for employees
   e. Step increases or other pay range movement based on performance and more progressive
   f. Establish base ay solely based on employer's base pay structure

COALITION OF GREATER MN CITIES

Proposed 2023-24 Policies

4. Health insurance
   a. Employer contribution to health insurance premiums that is:
      i. Minimal portion of health insurance premium increases
      ii. Identical for all employees employer-wide and with same coverage
      iii. Stated in dollar amounts - not %s
   b. Consider establishing and contributing to tax benefitted health accounts
   c. Reduce overall health insurance costs through plan changes and/or increased employee contributions
   d. No references to plans, coverage, or benefits that must be provided
   e. Expressly allow for any changes to benefits, including reductions
   f. Require reopener if premiums increase by certain %

COALITION OF GREATER MN CITIES

Proposed 2023-24 Policies

5. Other benefits
    a. Establish and then inform unions of or unilaterally implement if authorized new or enhanced benefits city-wide, such as allowance and reimbursements, work flexibility, and paid leaves
    b. Exclude or limit language addressing benefits so that city can rely on policy

COALITION OF GREATER MN CITIES

Proposed 2023-24 Policies

6. Language changes to contract that:
    a. Strengthen management efficiency and flexibility through
        i. Clear language on management's authority
        ii. Eliminating or limiting language on organizational, staffing, job classifications, work, policies and procedures, and operational issues
    b. Provide a limited ~~understandable~~ framework for labor relations not undermining ~~, supplemented by~~ personnel policies
    c. Narrowly define employees included in the bargaining unit
    d. Restrict economic provisions to calendar years
    e. Remove provisions providing for contract continuation after contract expiration

COALITION OF GREATER MN CITIES

Proposed 2023-24 Policies

7. Establish statistically supportable comparable cities for use in negotiations and arbitration using prior cluster analysis prepared by Flaherty & Hood, P.A. for CGMC members and update

Employment Update

COALITION OF GREATER MN CITIES

General Wage Increases and Ranges Greater MN City

	2023		2024		2025	
Averages	2.95%		2.99%		3.00%	
Ranges	#	%	#	%	#	%
0%	0	0.00	0	0.00	0	0.00
.01-.99%	0	0.00	0	0.00	0	0.00
1.00-1.99%	2	2.53	1	2.04	0	0.00
2.00-2.99%	27	34.18	11	22.45	1	33.33
3.00%+	50	63.29	37	75.51	2	66.67

COALITION OF GREATER MN CITIES

Interest Arbitrations
All MN Local Gov't Law Enforcement

CBA Year	# of Awards	Union Position (Avg.)	Employer Position (Avg.)	Arbitrator Award	
				Avg.	Range
2022	10	3.35%	2.18%	2.35%	1.50% - 4.00%
2023	5	3.60%	2.35%	2.80%	2.25% - 4.00%
2024	5	3.60%	2.35%	2.80%	2.25% - 4.00%

COALITION OF GREATER MN CITIES

Health Insurance Contributions
Greater MN City

	Er Contribution				HRA/HSA/VEBA	
	Single		Family		Single	Family
	%	$	%	$	$	$
2023 AVERAGES	85.20	748.66	79.74	1,525.06	1,349.52	2,437.50
2024 AVERAGES	90.40	742.13	83.06	1,609.30	1,574.82	3,092.43

State of MN Wages

- Tentative agreement with largest unions for 10s of thousands of employees
- FYs 2023-2025 (2 years)
- 5.5% general wage increase 23-24 and 4.5% general wage increase 24-25
  - Average additional step increase: 3.5%
- Raise minimum wage to $20/hour (vs. $10.59/hour under state law)
- Expand telework terms
- Expand paid leaves for temporary unclassified employees and parental leave
- Student loan reimbursement placed in contract
- Expand numerous health insurance benefits
- Healthcare will only increase 2.5% that is non-negotiable
- Increase meal reimbursement
- Pilot programs for multilingual pay differential, phased retirement, and equity adjustments extended

Contract tentative agreement overview, MAPE

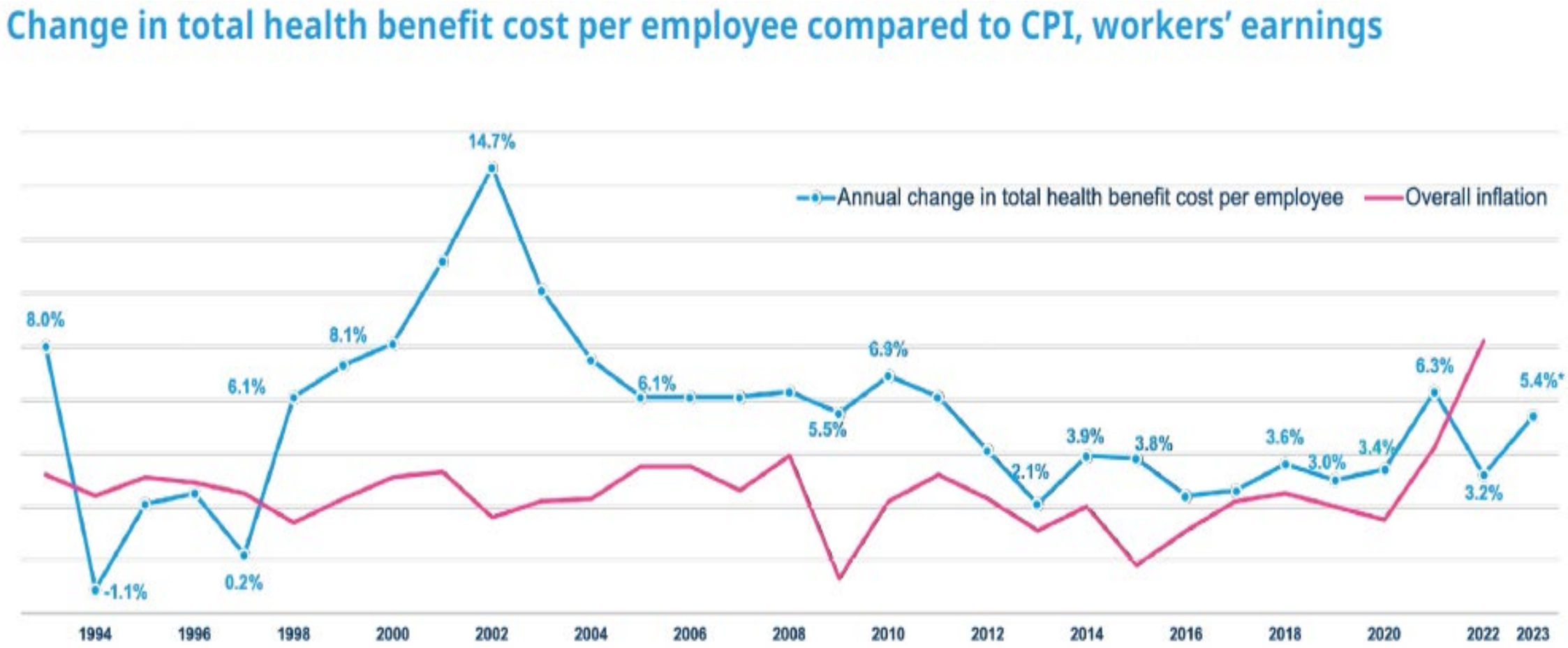
COALITION OF GREATER MN CITIES

Federal Wages

- 2023: 4.6% base pay increase plus .05% increase to locality pay (via executive order)
- 2024: 5.2% base pay increase (proposed by Biden)

Biden Officially Proposes an Average 5.2% Pay Increase for Federal Workers and the Military in 2024, Government Executive

Health Insurance



Health & Benefit Strategies for 2024 Survey Report, Mercer

COALITION OF GREATER MN CITIES

Health Insurance

- Expect that wage increases and higher supply costs in the healthcare sector will result in higher prices over the next few years as provider contracts are renewed
- Employers projected an average cost increase of 5.4% for 2023, and we should be prepared for continued accelerated cost growth in 2024 and beyond
- Nearly two-thirds of employers they are planning to make enhancements to their health and well-being offerings to support attraction and retention and better meet employee needs

Health & Benefit Strategies for 2024 Survey Report, Mercer

COALITION OF GREATER MN CITIES

Health Insurance

- Over a quarter made enhancements within the past two years
- The survey also asked about plan changes that would shift more cost to employees through higher deductibles, copays, or out-of-pocket limits. While about half may make small increases, only 3% say that they will shift enough cost through plan design changes to lower their projected cost increase, and 45% will not increase cost-sharing at all.
- With significant cost-shifting off the table for most employers, they will have to get creative to meet the challenge of offering benefits that employees want and need, and healthcare they can afford, while also managing cost growth.

Health & Benefit Strategies for 2024 Survey Report, Mercer

COALITION OF GREATER MN CITIES

About the Economy

- Growth (55% probability)

	Feb. 2023	July 2023	
2022F	2.1%		Change
2023F	+.07%	+1.8%	+1.73
2024F	+1.6%	+1.2%	-.4
2025F	+2.0%	+1.5%	-.5
2026F	+1.8%	+1.7%	-.1
2027F	+1.6%	+1.8%	+.2

Revenue and Economic Update, July 2023, MMB

COALITION OF GREATER MN CITIES

About the Economy

- 25% probability - more pessimistic scenario
  - Banking sector turmoil leading to credit tightening that, in turn, slows credit-dependent consumer spending
  - Real personal consumption expenditures decline in the second half of 2023, contributing to two quarters of real GDP contraction this year
  - The unemployment rate rises to 6.4 percent by mid-2025.
  - Real GDP grows 1.1 percent in 2023 and 0.4 percent in 2024, compared to 1.5 percent and 1.3 percent in the June baseline scenario.
- 20% probability – more optimistic scenario
  - Banking sector turmoil settles without spreading, allowing credit to grow and support the economy
  - The Russia-Ukraine conflict is assumed to end, bringing down energy prices.
  - The impact of the Infrastructure, Investment, and Jobs Act is greater in this scenario than in the baseline
  - Consequently, real GDP grows 1.9 percent in 2023 and 2.1 percent in 2024. The optimistic scenario received a 20 percent probability

About the Economy

- Federal Funds Rate Changes (3 years)

Date Change	Rate	Change
Aug. 2019	2.25%	
March 2020	1.25%	-1.00
April 2020	0.25%	-1.00
March 2022	0.50%	+.25
May 2022	1.00%	+.5
June 2022	1.75%	+.75
July 2022	2.50%	+.75
September 2022	3.25%	+.75
November 2022	4.00%	+.75
December 2022	4.50%	+.5
February 2023	4.75%	+.25
March 2023	5.00%	+.25
May 2023	5.25%	+.25
July 2023	5.50%	+.25

About the Economy

- Federal Funds Rate:
  - "Recent indicators suggest that economic activity has been expanding at a moderate pace," the policy-setting Federal Open Market Committee said in a statement announcing the action.
    - In June, the committee had called it a "modest pace," which implies a very slight upgrade to their assessment of conditions after a run of strong economic data.
  - "Job gains have been robust in recent months, and the unemployment rate has remained low," the committee said, repeating past language, while also noting again that "inflation remains elevated."
    - Between the lines: There were only the slightest of changes to the committee's June policy statement, and no hint that the Fed might react to benign inflation data in recent weeks by suspending its interest rate hikes.
  - As of June, most policymakers envisioned raising interest rates two more times in 2023. The absence of new language to the contrary implies that the plan is still operative, which would mean one more rate hike in the months ahead.
  - By the numbers: The last time the federal funds rate was this high was early 2001

Fed hikes interest rates to 22-year high, July 27, 2023, Axios

COALITION OF GREATER MN CITIES

About the Economy

- Federal Funds Rate:
  - This marks the Fed's 11th rate hike since March 2022, and comes as inflation has receded from recent highs of around 9% last year to 3% for the 12 months ended in June.
  - The decision was unanimous.
  - What's next: Speaking to reporters, Fed chair Jerome Powell indicated that the central bank would embrace a "meeting by meeting" approach in determining whether it will raise rates further.
  - It is "certainly possible" the Fed would raise rates again in September, before adding it's also "possible that we would choose to hold steady at that meeting.“
  - Catch up quick: The June Consumer Price Index report showed a sharp drop in overall inflation. Other data has suggested that while the labor market remains tight, the pace of hiring is slowing. All of that aligns with what the Fed wants to see to help bring inflation back to its 2% target.
  - Of note: Powell said the Federal Reserve staff economists were no longer forecasting a recession this year, "given the resilience of the economy recently.“

COALITION OF GREATER MN CITIES

About the Economy

- Consumer Price Index (CPI) changes

- 2020: 1.3%
- 2021: 4.7%
- 2022: 8.0%
- 2023 (projected): 4.1%
- 2024 (projected): 2.7%
- 2025 (projected): 2.2%

Budget and Economic Forecast, Feb. 2023, and Revenue and Economic Update, July 2023, MMB

COALITION OF GREATER MN CITIES

Employment

Unemployment Rates	June 2023	May 2023	June 2022
Minnesota			
Seasonally Adjusted	2.9%	2.9%	2.4%
Not Seasonally Adjusted	3.4%	2.9%	2.7%
United States			
Seasonally Adjusted	3.6%	3.7%	3.6%
Not Seasonally Adjusted	3.8%	3.4%	3.8%

COALITION OF GREATER MN CITIES

Employment

- The unemployment rate has ranged from 3.4 percent to 3.7 percent since March 2022. The BLS reports
- Roughly 6.0 million people are unemployed, only 0.2 million more than in February 2020.
- U.S. nonfarm payroll employment rose by 209,000 in June.
- Employment has grown by an average of 278,000 per month over the first 6 months of 2023, a slower rate than the average of 399,000 per month in 2022.
- U.S. employment is now 3.8 million above its February 2020 level.
- The number of long-term unemployed (those jobless for 27 weeks or more) is 1.1 million, the same as in February 2020.
- Expects that the U.S. unemployment rate will gradually climb from a low of 3.5 percent in the second quarter this year to 4.8 percent in mid-2026, before declining in the second quarter of 2027.
- The U.S. labor force participation rate was 62.6 percent in June, 0.4 percentage points higher than one year prior, but 0.7 percentage points lower than in February 2020

Revenue and Economic Update, July 2023, MMB

COALITION OF GREATER MN CITIES

State and Local Government Workforce 2023

- Recruitment and retention continue to be significant challenges
- Hard-to-fill positions (around/over 60% report these city jobs)
  - Police
  - Engineering
  - C.D.L. drivers
  - Skilled trades
  - I.T.
  - Mtce. Work/labor

State and Local Workforce: 2023 Survey Findings. Mission Square Research Institute

COALITION OF GREATER MN CITIES

State and Local Government Workforce 2023

- Strategies
  - Hiring bonuses
  - Raising salaries
  - Amending degree requirements and JDs
  - Expand recruiting methods
  - Offer non-traditional benefits
- Most successful initiatives
  - Competitive pay
  - Conduct compensation studies
  - Support and expand employee training and development
  - Promote from within
  - Promote employee engagement
  - Structure internships, apprenticeships and college programs

COALITION OF GREATER MN CITIES

State and Local Government Workforce 2023

- Obstacles and opportunities
  - Fiscal constraints
  - Offering competitive pay is priority
  - Emphasize
    - Value of benefits
    - Organizational culture
    - Public service satisfaction

COALITION OF GREATER MN CITIES

New Laws

- July 1 2023
  - PERB
  - Staffing as negotiable items
  - Easier union formation
  - Broader union dues rights
  - More union access to nonpublic data
  - More rights to union to access to new employees and facilities
  - Repeal compensation cap
  - Nursing mother and pregnancy employee rights
  - Broader parental leave eligibility
  - Prohibit requirement to provide past wages and social media inquiries
  - No captive audience meetings for political or religious purposes
  - Protection based on gender identity and hair
  - More claims and remedies for discrimination, retaliation, and whistleblower claims
  - Cannabis use protections
  - Expansion of psychological duty disability process and reimbursement
  - Juneteenth paid holiday
- January 1 2024
  - Earned sick and safe leave rights
- January 1 2026
  - Paid family and medical leave

COALITION OF GREATER MN CITIES

Q&A's

COALITION OF GREATER MN CITIES

Resources

- **CGMC Labor and Employment Webinars**

  https://greatermncities.us9.list-manage.com/track/click?u=38ac2b7a0c325202f27b07b62&id=12889268b8&e=b2fc9c11e3

- **CGMC Compensation Survey**

https://docs.google.com/forms/d/e/1FAIpQLSdfKFRZZVia_pCDTZAH_foR_gvkCYfaDCfnEia4yQCV
lgcQ/viewform?usp=pp_url

Contact

Brandon M. Fitzsimmons
Shareholder Attorney

Christina C. Petsoulis
Associate Attorney

Nicholas K.C. Lira Lisle
Associate Attorney

Rachel T. Parker
Human Resources Analyst

Flaherty & Hood P.A.
525 Park Street, Suite 470
Saint Paul, MN 55103
Phone: (651) 225-8840

Email:
bmfitzsimmons@flaherty-hood.com
ccpetsoulis@flaherty-hood.com
nkcLiraLisle@flaherty-hood.com
rtparker@flaherty-hood.com

Thank you!

COALITION OF GREATER MN CITIES