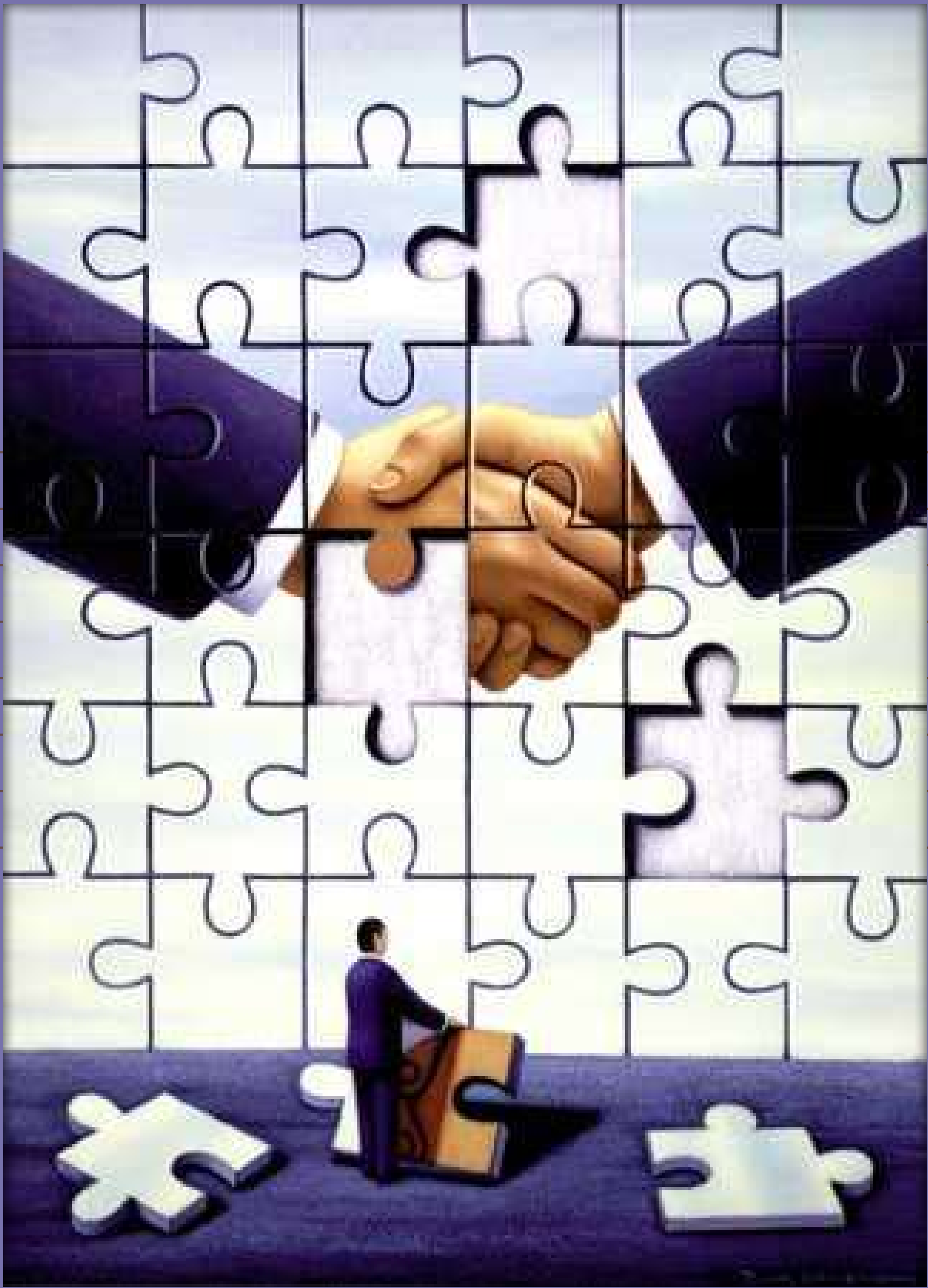

Maximizing the Finance Officer's Role in Labor Negotiations

BY JOSEPH P. ERIOLE

To some extent, the government finance officer's role in labor negotiations is self-evident: The finance officer is meant to understand the fiscal impacts of the costs of labor-driven line items as they relate to both the present collective bargaining agreements and the budget projections and goals of the administration. Ideally, the finance officer is also part of a cooperative long-term financial planning process among all stakeholders within the jurisdiction. The negotiating team should use that knowledge to achieve the proper balance between labor peace and fiscal responsibility in its collective bargaining agreements.

DRILLING DEEPER

However, such generic statements are not necessarily useful in assessing the finance officer's role in the context of his or her specific institutional structure. For instance, the term "finance officer" is broad in scope, and can be applied to an appointed budget director, a commissioner of finance, or to a comptroller. Each of these players can have vastly different perspectives on the finances of a government unit, all equally valuable. Moreover, a jurisdiction's comptroller may be appointed or elected, and if elected, may have a formalized role in such areas as fiscal policymaking and control over investments including pension funds — or the role may be limited in the charter documents to primarily audit and control. The formal and informal stake of these "finance officers" in their institutional framework can greatly affect their opportunity to contribute to the process and the effectiveness of that contribution.

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This article will focus on the finance officer's self-assessment of his or her stake in the labor negotiation process, and identify some specific areas of focus for making a positive impact on that process based on this self-assessment.

TAKING THE FIRST STEP

The step most often forgotten in any self-assessment is, notably, the first step. A sense of familiarity with one's role in any environment tends to lead to certain assumptions about the basis for that role. This is not a weakness limited to the public sector by any means, despite a perception that it is more common there: "We do things a certain way because that's the way we do things." Engaging your staff in a review of the charter documents which dictate your office's role in government can be a refreshing experience, and one that will invariably lead to the identification of missed opportunities and misplaced energies. The idea is to literally read the enabling documents that describe your office's role. In a state or federal government context, this means starting with the constitution; at the local level, it may mean the county charter, or the town or village code, read in conjunction with the state law governing the establishment of local governments. One should also review the history of local laws the governing legislative body policy has adopted and the executive department's standard operating procedures. It may even be prudent to engage your own legal counsel, if your office has a contract budget line.

KNOW THYSELF...

This will not be a mere academic exercise, although it is a worthy endeavor in and of itself. There is meaning in every word of these enabling provisions, so important nuances will be uncovered. Empowerments and limitations that you thought you understood may take on new meaning with a fresh look. Inconsistencies will undoubtedly be found among the enabling documents, or empowerments that have been underutilized or minimalized, either by your own practice or by political or administrative pressures within the institution.

At the very least, you will obtain a firm grasp of your office's intended leverage in certain areas. For instance, if your office is charged with developing investment policies and/or actually determining how to invest government interests in the market, you must assert yourself as a key player in labor policy as well, since you are directly responsible for preserving the long-term fiscal soundness of labor-related interests such as pension funds. If your office is charged as the chief accounting officer, or with the authority to prescribe accounting procedures, you should consider precisely how those empowerments can be used to affect labor policy and related fiscal planning.

THE NUTS AND BOLTS

For instance, industry trends in benefit packages need to be tracked proactively; terms and conditions of employment which affect payroll expenditures should be tracked on an ongoing basis, and opportunities should be identified in writing as labor negotiations approach. Creative and practical approaches to the size of employee contributions to health-care benefits policies, vesting schedules, limits on the number of days or payouts of accumulated time, defined contribution versus defined benefits plans, etc., should be considered at all times. All of these topics are generally known to be "hot button" issues by most professionals involved in labor negotiations, and thus finance officers may feel it unnecessary to reiterate the general principles to the negotiating team. But the finance officer can do more than perhaps any other player to quantify the real value of each such concept in his or her government structure. Finance officers are uniquely trained to make sure the team understands precisely what is given up and what is gained by any trade at the table.

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SHINING A LIGHT

What if, however, you are a finance officer whose role is limited largely to the audit function, without institutional leverage in the labor negotiation or budgeting process? In that case, you may not be able to insinuate yourself into the conference room (indeed, your participation may be resisted). Nevertheless, you do have a powerful tool for bringing key issues to the fore: the ability to conduct fiscal and performance audits, which highlight red flags for lawmakers and the public. In addition to the direct influence the findings should have for management, such reports also become part of the public discourse and may positively influence the behavior of your labor team in negotiations.

A number of reviews can be useful in this context. The finance officer can review and report on the fundamental differences among collective bargaining agreements to which management is bound. Where there are significant differences in benefit structures, compensation practice, or other terms and conditions, the incidence of human error in calculating such payouts is greatly increased and can be costly. For instance, suppose your government has four different union contracts, and each contract has a different method of calculating the accrual of sick or personal time, different rules as to an employee's entitlement to a payout for unused time at separation of employment, or different definitions of payout events. Department heads and payroll units are being asked to track multiple types of accumulation and payout policies for employees in different bargaining units over the course of many years. Bargained in a vacuum, the terms of each contract may seem reasonable to the bargaining team, but from an audit and control perspective, the variances in terms create and increase risk. Your public officials and union negotiating team should be advised of these variances and urged to bargain for consistency.

You can also review budgets year over year to identify downward or upward trends in labor-related expenditures. In addition to the basic result of identifying major cost centers, even trends in less significant areas allow you to identify where trade-offs with the union can be strategic wins. In other words, if the cost of providing uniforms is steadily rising, is there another labor-related expense that might be appealing to the union membership, which is steadily decreasing in the marketplace, and can the two be played off each other in negotiations?

Also, review contracts and trends in labor agreements in your region or state to determine where your government's contracts differ. Are you missing opportunities at the negotiating table? The union representatives will likely know very well where their leverage is strong and weak, based on practice in the region. Your team ought to be just as well-versed, and may well be. But as a finance officer, you should be a leader in ensuring that everyone is aware of these issues and opportunities, and identifying them for your team.

Regularly analyze the sources of payroll costs which are most difficult for the budget officers to accurately project, such as overtime and wage increases based on ad hoc assignment of employees to duties out of their pay scale (e.g., increased pay for having to operate a forklift). Better solutions to the causes of such pay spikes might be found.

Finally, consider regularly producing a report that presents and analyzes the labor-related costs by line item as a means of "forcing" (upon yourself and other stakeholders) systematic analysis of trends and opportunities. The raw data and your analysis of it may be a very useful tool to the bargaining team.

HOW MANY COOKS ARE IN THE KITCHEN?

Another factor in establishing your role in the context of labor negotiation is that you may not be the only finance officer in your governmental unit. For instance, your institution may have a finance director or commissioner, a treasurer, a comptroller, and/or a budget director. Each branch of government may have its own on-staff or consulting finance officers or analysts. Again, a fresh and thorough examination of the laws, rules, and codes in play will lead to a better understanding of each actor's part in the play and may spark a useful dialogue in coordinating efforts to inform the bargaining team.

If the multiple finance officers operate at the behest of different governmental stakeholders (in other words, the budget director or finance commissioner operate directly under the authority of the executive branch, while another finance officer operates as an independently elected official, or under the control and authority of the legislative branch), the practical reality may be that there are competing interests among them. In highly politicized environments, not all "finance officers" within the institution will be afforded the same level of access to the bargaining table.

If this is the case, clearly understanding the lines of legal demarcation among the stakeholders is even more critical to properly carrying out your mandate. The government finance officer's duty is to exercise and urge good fiscal judgment. Where you have leverage, you should use it to directly influence the outcome of labor negotiations. And where you do not, you should nevertheless announce and record those judgments in the hopes that your position will be borne out by its soundness. Each time, your participation will be seen as intellectually honest and thus gain the clout it merits, over time.

LEVERAGING COLLECTIVE WISDOM

Similarly, it is a good idea to formally and regularly confer with finance officers of similar position in other units of government to see where they have identified opportunities to manage labor costs. Innovation requires inspiration, and your colleagues may have insights that could unlock significant success at the bargaining table.

GETTING TO KNOW THE COMPETITION

An additional means of gaining fresh perspective is to attend and send your team to conferences on labor negotiations and trends that are sponsored by professional organizations outside the government finance field. Attending seminars put on by bar associations, labor organizations, other professional organizations, and universities can provide you with an enlightening viewpoint on issues new and old, as well as knowledge of the strategies and priorities of the other professionals at the bargaining table. Self-assessment is where we started; knowledge of the tactics and goals of our counterparts is where we should end.

CONCLUSIONS

Too often, labor negotiations are a matter of dusting off the previous collective bargaining agreement and marking up the wage and benefits sections in accordance with perceived market realities. The end result is understood to be something between the first positions of management and labor on those issues. Finance officers have the ability — in fact, the duty

— to drill much deeper. By doing so, you'll arm your government with key knowledge and benefit constituents through fiscal responsibility.

Finance officers must not allow their role in labor negotiations to be defined by others, or by institutional tradition. This role must be developed proactively by finance officers themselves. We must develop a sound understanding of our formal position within the institution, the practical limitations imposed upon us by tradition and political pressures from within and without the institution, and an ever-expanding knowledge of the range of solutions we can offer our government and our constituents in the file of labor relations. Where we are invited to the table in a meaningful fashion, we must be leaders in presenting solutions and innovations, and where our participation is resisted, we must observe and report with an eye not toward vindication, but good government and labor peace.

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