Understanding our COLA clause

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This past summer marked the 50th anniversary of postal collective bargaining. In our first contract, we negotiated a very modest cost-of-living adjustment (COLA) clause that accounted for just 12 percent of that agreement's overall wage increase, because it was capped at a fixed amount. In the following 1973-1975 contract, we negotiated an improved COLA clause that remains in our contract to this day. It provided twice-a-year inflation adjustments that made up slightly more than half the wage increases provided by that agreement—which protected us against a spike in inflation caused by an unforeseeable war in the Middle East that disrupted world oil markets.

By the end of the 1970s, the COLA clause really proved its value to NALC members when the country experienced inflation averaging 10.7 percent annually between 1979 and 1981. COLAs accounted for more than 70 percent of our total pay increases in the 1978-81 National Agreement. All told, COLAs account for about half of all of the wage increases we've earned since 1971.

I give you this little history lesson because most active members have never experienced that kind of inflation and may not have fully appreciated the COLA clause in our contract—until now. Over the past 12 months, prices in the United States have increased by 6.2 percent, triggering the largest COLA adjustment (in dollar terms, though not percentage terms) in our bargaining history: $1,934 annually, effective Aug. 28, 2021. Once again, the COLA clause has protected us against the impact of external events beyond anyone's control.

The COVID-19 pandemic has so disrupted the global economy (and the international supply chains that make it work) that prices for oil, semiconductors, foodstuffs and shipping services have soared. In the latter case, the cost of sending a single container of goods or parts from Asian manufacturing hubs to the United States has increased from $3,000 last fall to $25,000 today. Making matters worse, there are widespread labor shortages in the trucking and warehousing industries, causing a pileup of containers in our ports and a backlog of ships waiting offshore to unload their cargoes. The lack of parts for domestic companies is causing a shortage of all sorts of goods, but especially of cars and other manufactured goods. So as our economy has recovered—we've added 5 million jobs this year and unemployment has plunged to below five percent—demand for goods is far outstripping supplies. That means higher prices for virtually everything.

When we were bargaining for a new contract in 2019, the rate of inflation was hovering around 2.0 percent annually. Since then, it has tripled. Based on our long collective-bargaining history, we knew two years ago that this kind of unexpected development can happen. So, as we have for 50 years, we fought to defend and extend Article 9, Section 3 of our National Agreement—the COLA clause—during the 2019 interest arbitration. Then we renewed the clause when the arbitration was halted and bargaining for a voluntary agreement resumed.

Although we value COLAs, we do not welcome high inflation for two reasons. First, currently a fifth of our active membership—non-career city carrier assistants (CCAs)—do not receive COLAs. Since 2013, CCAs have received an extra 1 percent general wage increase instead of COLAs—which only works well when inflation is modest. Second, while our COLA clause protects all career city letter carriers against inflation, it is applied proportionally by Step, and it does not offset 100 percent of inflation. It usually offsets about 55 percent of general price increases. For these reasons, we are generally better off with low inflation.

But the bottom line of 15 rounds of collective bargaining is clear: The regular combination of negotiated general wage increases and flexible COLA adjustments, which serve to take the sting out of unexpected inflation and to prevent sudden losses of purchasing power, has served the membership and the Postal Service well.

Our experience over the past six months demonstrates in stark fashion not only the value of COLA clauses, but also the value of collective bargaining itself. It gives workers a way to protect themselves against unforeseen developments such as a pandemic. Without a COLA clause, a surge in inflation could significantly damage the standard of living of letter carriers.

In this, our 50th year of collective bargaining, let us celebrate the power it gives us to have a seat at the table so we can help shape our working lives. And as we navigate another period of high inflation, let us recognize the importance of the humble COLA clause in our National Agreement.