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KERN ECONOMIC JOURNAL is a quarterly publication (February, May, August, November) of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions. Sources of funding for this journal include university contributions and sponsorship and subscription fees.

Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for consideration of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in electronic copy. Individual authors are responsible for the views and research results.

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Kern Economic Journal



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Economy at a Glance!

2022 FOURTH QUARTER
BY DR. NYAKUNDI MICHIEKA
& DR. RICHARD S. GEARHART III

National Economy¹

U.S. GDP increased at an annual rate of 2.7 percent in the fourth quarter of 2022. In the third quarter of 2022, real GDP increased by 3.2 percent. The increase in fourth quarter GDP (compared to the third quarter) reflected an upturn in inventory investment and increased consumer spending, offset by a decrease in housing investment.

The increase in **real GDP** in the fourth quarter reflected an increase in private inventory investment, consumer spending, nonresidential fixed investment, federal government spending, and state and local government spending. These were offset by decreases in residential fixed investments and exports. Imports also decreased this quarter.

Current-dollar GDP increased by 6.7 percent (annual), or \$421.1 billion in the fourth quarter to a level of \$26.15 trillion.

Current-dollar personal income increased \$388.1 billion in the fourth quarter. This increase reflected increases in compensation (salaries and wages and government social benefits).

Real disposable personal income which is adjusted for inflation and taxes, increased by 4.8 percent.

Personal saving was \$755 billion in the fourth quarter. The BEA derives the personal saving rate by calculating personal saving as a percentage of disposable personal income.

Personal saving rate – personal saving as a percentage of disposable personal income – was 3.9 percent in the fourth quarter.

The Conference Board's Index of Leading Economic Indicators – a measure of future economic activity – decreased by 0.3 percent in January 2023 to 110.3 (2016=100), following a 0.8 percent decline in December.

The University of Michigan's Consumer Sentiment

¹U.S. economic numbers were obtained from the Bureau of Economic Analysis "U.S. Economy at a Glance". This is found at <http://www.bea.gov/newsreleases/glance.htm>.

The information for the Index of Leading Economic Indicators is found at <https://conference-board.org/data/bcicountry.cfm?cid=1>.

The University of Michigan Consumer Sentiment Index is found at <http://www.sca.isr.umich.edu/tables.html>

Index decreased from 56.1 in the third quarter of 2022 to 58.8 in the fourth quarter of 2022. The value of the index in the fourth quarter of 2021 was 69.9, and 79.8 in the fourth quarter of 2020.

State Economy²

In California, the unemployment rate dropped by 0.1 percent to 3.8 percent in the fourth quarter of 2022, compared to 3.9 percent in the third quarter of 2022. At the county level, Alpine (4.9), Colusa (9.9), Fresno (6.2), Imperial (15.9), Kern (6.6), Kings (6.6), Madera (5.9), Merced (7.0), Plumas (6.0), San Joaquin (5.3), Stanislaus (5.3), Tulare (8.2) and Yuba (5.5) had unemployment rates above the state average.

Counties with the lowest unemployment rates include Marin (2.3), Placer (2.6), San Francisco (2.1), San Mateo (2.0) and Santa Clara (2.2).

California's labor force decreased by 70,533 in the fourth quarter of 2022. During this period, civilian employment decreased by 90,567 from 18.56 million to 18.47 million. Nonfarm enterprises hired 96,200 more workers while farming employment increased by 200. The mining and logging sector hired 33 more workers while the construction sector hired 167 less workers. The manufacturing sector added 6,067 workers. Service sector employment increased from 15.40 million to 15.49 million between the third and fourth quarter of 2022. The state government lost 3,467 workers while local government added 1,800 workers.

Local Economy

The local economy witnessed an increase (1,000) in the labor force from 389,900 in the third quarter of 2022 to 390,900 in the fourth quarter of 2022. Civilian employment increased by 667 from 364,600 in the third quarter to 365,267 in the fourth quarter. Nonfarm employment increased by 6,467 while farm employment dropped by 2,100.

In Bakersfield, nonfarm employment changed in the following manner: mining and logging lost 67 workers; construction lost 367 workers; manufacturing added

² The California economic numbers were obtained from the Bureau of Labor Statistics "Local Area Unemployment Statistics Map". This is found at <https://data.bls.gov/map/MapToolServlet?survey=la&map=county&seasonal=u>.



100 workers while service lost 6,800 workers. Within the service sector, trade, transportation and utilities added 1,200 workers; financial activities lost 200 workers, professional and business services added 167 workers; education and health services added 1,100 workers while leisure and hospitality added 333 workers. Within the government, the federal government lost 233 workers; state government added 233 workers and local government added 4,167 workers.

Total salaries and wages in Kern County increased from \$346,967 in the third quarter of 2022 to \$351,567 (1.3 percent rise) in the fourth quarter. Compared to four quarters ago, salaries were higher by \$11,700 or 3 percent.

The rate of unemployment varied considerably across cities, ranging from 2.8 percent in Ridgecrest to 14.47 percent in Delano. All cities in Kern County showed a mild increase in the unemployment rate compared to last quarter. The biggest quarter to quarter rise in the unemployment occurred in California City where it surged from 8.74 percent to 12.9 percent. In Bakersfield, the unemployment rate was 4.97 percent in the fourth quarter of 2022 compared to 3.28 percent in the third quarter. In Kern County, unemployment was 6.60 percent in the fourth quarter of 2022 compared to 6.50 percent in the third.

In the fourth quarter of 2022, the median home price in Bakersfield was \$386,248 compared to \$378,333 in the third quarter of 2022. Home prices are \$30,915

higher than they were four quarters ago. Within the region, median home prices in Taft were the lowest at \$209,000 compared to \$425,583 in Tehachapi.

The weighted price index for the five publicly traded companies doing business in Kern County (Sierra Bancorp, Tejon Ranch Company, Chevron Corporation U.S., Granite Construction, and Wells Fargo Company) increased by 15.7 percentage points from \$91 to \$105.2 (quarter to quarter). The index is 1 percentage point less than it was four quarters ago. All companies gained/lost as follows: Chevron (increased 24.9 percent quarter-over-quarter), Tejon Ranch (increased 30 percent quarter-over-quarter), Granite Construction (increased 20 percent quarter-over-quarter), Wells Fargo (increased 2.7 percent quarter-over-quarter) and Sierra Bancorp (increased 7.5 percent quarter-over-quarter).

The average retail price of gasoline decreased by \$0.45 to \$4.95 a gallon (quarter to quarter). Gas prices are 10 percent higher than they were four quarters ago when they averaged \$4.50 a gallon. The unit price of California's Class III milk was \$20.81 in the third quarter of 2022 compared to \$21.11 in the fourth quarter of 2022. The Index of Farm Price Parity in the fourth quarter of 2022 (0.97) was the same as that of the third quarter of 2022 (0.97).

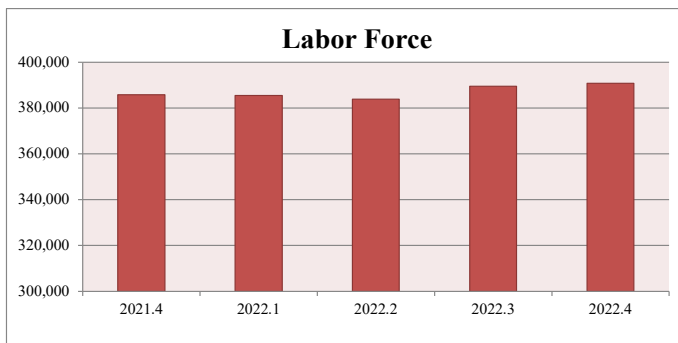
Tracking Kern's Economy¹

DR. NYAKUNDI MICHIEKA &
DR. RICHARD S. GEARHART III
2022 FOURTH QUARTER

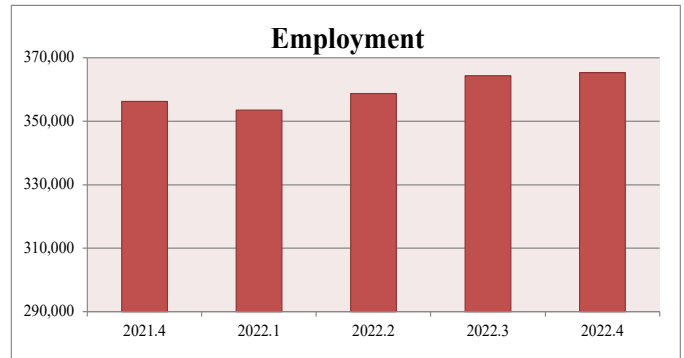
Labor Market

We adjust published data in three ways. First, we average monthly data to calculate quarterly data. Second, we recalculate quarterly data to take into account workers employed in the “informal” market (i.e., self-employed labor and those who work outside their county of residence). Finally, we adjust quarterly data for the effects of seasonal variations.

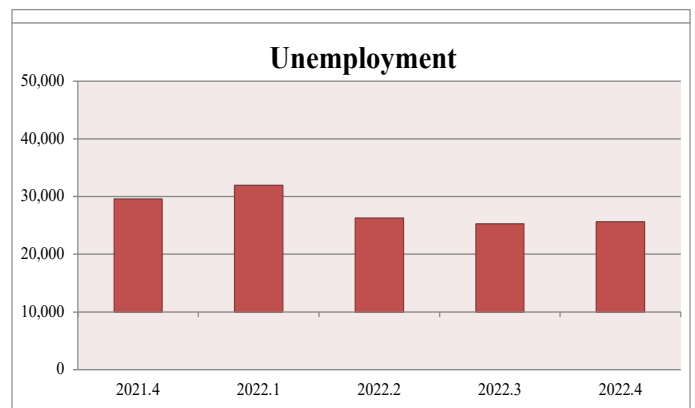
Labor Force - The civilian labor force increased by 1,333 members, from 389,567 in the third quarter of 2022 to 390,900 in the fourth quarter of 2022. The labor force estimates were similar to the pre-pandemic levels (fourth quarter of 2019) where they averaged 394,000. The labor force numbers continue to grow over the last four quarters. The Bureau of Labor Statistics defines the labor force participation rate as the proportion of the working-age population that is either working or actively looking for work. Recessions tend to push labor force participation down.



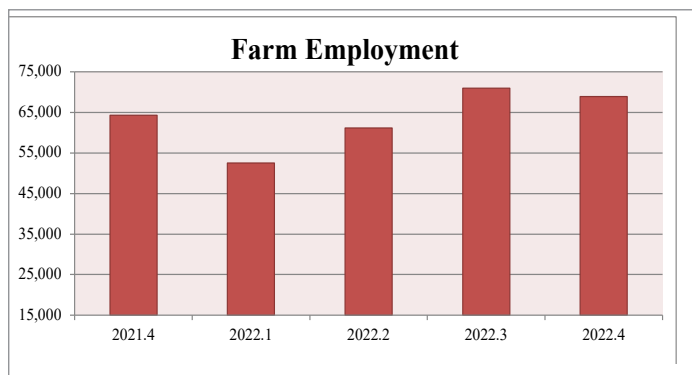
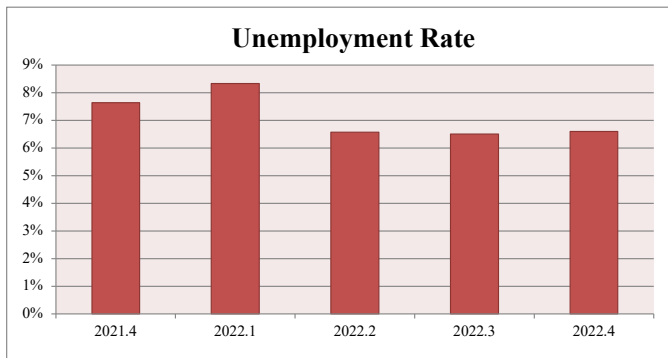
Employment - In the fourth quarter of 2022, Kern County hired 1,033 more workers as total employment increased from 364,267 to 365,300. This is a 2.6 percent increase in employment compared to the fourth quarter of 2021, when 356,200 persons were employed. Last year (2021), third to fourth quarter employment increased by 5,400.



Unemployment - In the meantime, quarter to quarter unemployment decreased by 1,000 as the number of jobless workers dropped from 26,300 to 25,300. The number of unemployed workers is 32 percent lower than it were four quarters ago. In the third quarter of last year (2021), there were 37,233 unemployed workers compared to 25,300 this quarter.



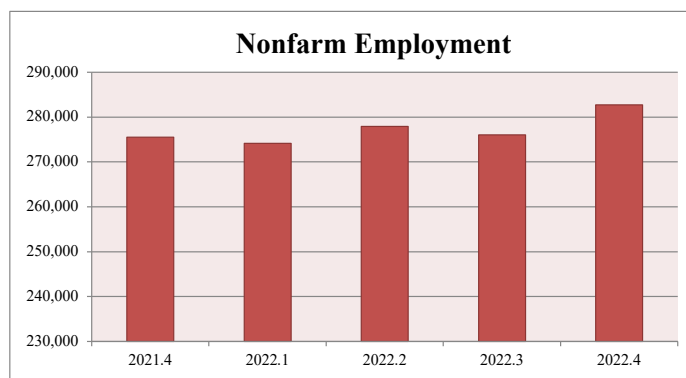
Unemployment Rate - Kern County's year-to-year unemployment rate dropped by 13.5 percentage points from 7.6 percent in the fourth quarter of 2021 to 6.6 percent in the fourth quarter of 2022. The unemployment rate in the fourth quarter of 2022 was 0.1 percent lower than that of the third quarter of 2022. Kern County's unemployment rate was 6.5 percent in the third quarter of 2022 compared to 6.6 percent in the fourth quarter of 2022. Kern's unemployment rate is higher than that of California which is 3.8 percent.



The unemployment rate varied considerably across cities, ranging from 2.8 percent in Ridgecrest to 14.5 percent in Delano. The quarter-to-quarter unemployment rate increased in all cities in Kern County. The biggest increase in the unemployment rate occurred in California City, where it increased from 8.7 percent to 12.9 percent. In Bakersfield, the unemployment rate was 4.97 percent in the fourth quarter of 2022 compared to 3.28 percent in the third quarter.

Nonfarm Employment – Local nonfarm industries employed 6,700 more workers in the fourth quarter of 2022 as the number increased from 276,000 to 282,700. The industries hired 7,167 more workers compared to four quarters ago (2.6 percent more). The fourth quarter estimates of the number of nonfarm workers surpass the 2019 (fourth quarter) figures.

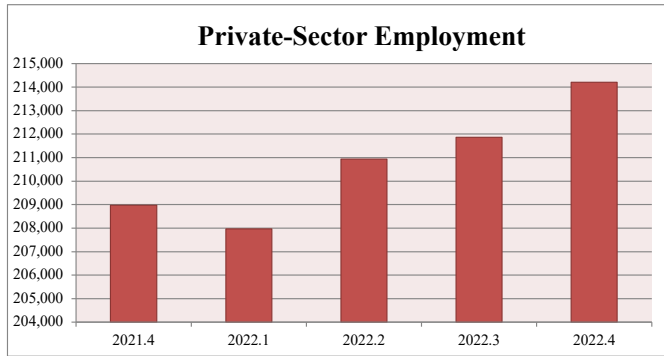
Unemployment Rate of Cities			
Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
KERN COUNTY			
Arvin	6.90	McFarland	11.10
Bakersfield	4.97	Mojave	8.37
California City	12.90	Oildale	10.33
Delano	14.47	Ridgecrest	2.80
Edwards	9.80	Rosamond	9.40
Frazier Park	6.20	Shafter	6.50
Lake Isabella	9.53	Taft	3.93
Lamont	5.73	Tehachapi	7.70
		Wasco	11.43
Note: City-level data are not adjusted for seasonality and “informal” market workers.			



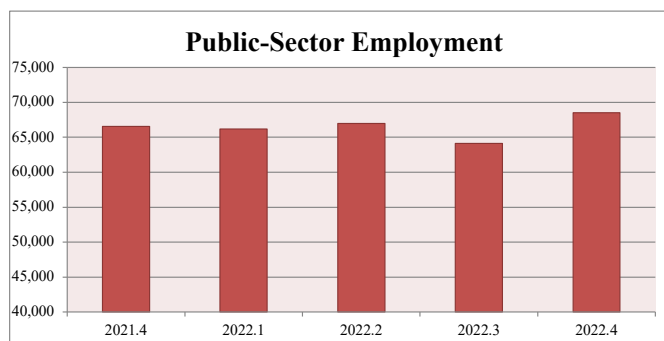
Farm Employment – In the fourth quarter of 2022, Kern County hired 2,100 less farm workers. As a result, farm employment decreased from 70,967 in the third quarter of 2022 to 68,867 in the fourth quarter of 2022. The year-over-year number of farm workers decreased by 4,533 to 68,867 (compared to 64,333 last year).

In Bakersfield, nonfarm employment changed in the following manner: mining and logging employment lost 433 workers; construction lost 367 workers; manufacturing employment added 100 workers while the service sector added 2,633 workers. Within the service sector, trade, transportation, and utilities added 1,200 workers; financial activities lost 200 workers; professional and business services added 67 workers; health services added 1,000 workers while leisure and hospitality added 333 workers. The federal government added 4,400 workers while the state government added 233 workers and local government lost 100 workers.

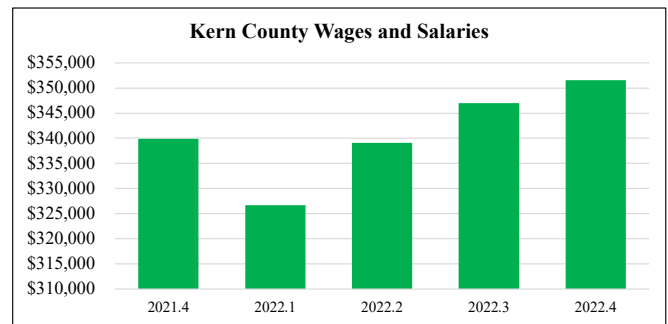
Private-Sector Employment - Nonfarm employment is comprised of private- and public-sector employment. In the fourth quarter of 2022, private companies hired an additional 2,333 workers compared to the third quarter of 2022. They also hired 2.5 percent more workers this quarter than they did four quarters ago. Today, the private sector employs 214,200 individuals.



Public-Sector Employment - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the fourth quarter of 2022, government agencies hired 4,367 more workers, as employment increased from 64,133 to 68,500 – a 6.81 percent increase. Compared to last year, 2.9 percent more workers were hired in the public sector.

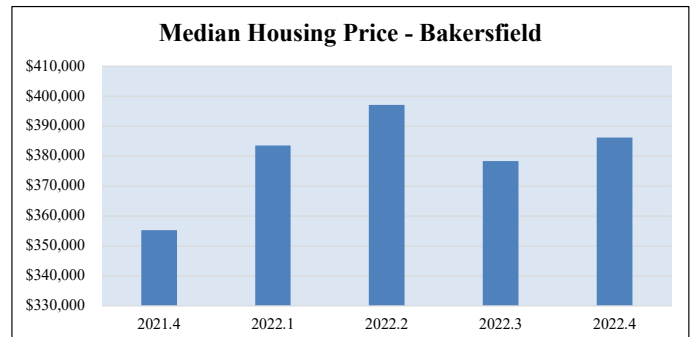


Salaries and Wages - Total salaries and wages in Kern County increased from \$346,967 in the third quarter of 2022 to \$351,567 in the fourth quarter of 2022 – a 1.3 percent increase. Compared to four quarters ago, salaries were \$11,700 (or 3 percent) higher.

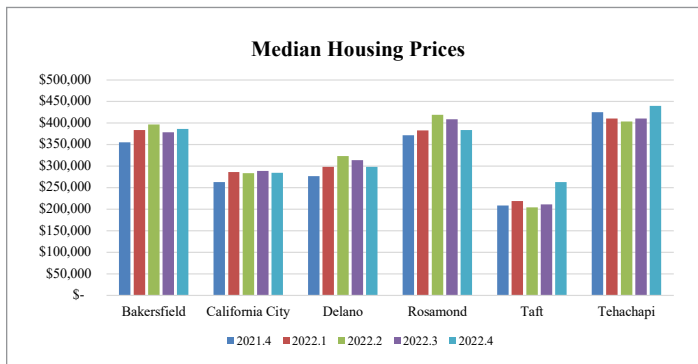


Housing Market

Housing Price - In the fourth quarter of 2022, Bakersfield’s housing prices were up by \$7,915 (2.09 percent) compared to the prices in the third quarter of 2022. The median home price averaged \$386,248 in the fourth quarter of 2022 compared to \$355,333 in the fourth quarter of 2021. Prices were \$30,915 higher than they were four quarters ago.



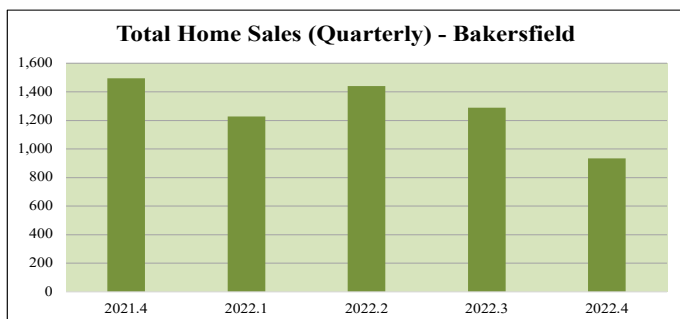
Regional Housing Prices – Changes in housing demand in Bakersfield are likely to spillover to surrounding cities as individuals who are on the margin of buying or selling are likely not located in the Bakersfield Metropolitan Statistical Area (MSA) directly. An assessment of third to fourth quarter (2022) changes in median sales price indicates that home prices rose in Bakersfield, Taft and Tehachapi while prices decreased in California City, Delano and Rosamond. Rosamond recorded the largest drop in prices (-\$24,750) while Taft recorded the greatest rise in prices (+\$51,833). The average price change was +4 percent across all regions in the county (i.e. some regions witnessed price increases while others witnessed a decrease in prices). The median home price across all regions averaged \$342,736 in the fourth quarter of 2022 compared to \$335,383 in the third quarter.



The year-to-year home prices changed as follows: Bakersfield (+8.7 percent), California City (+8.1 percent), Delano (+7.8 percent), Rosamond (+3.4 percent), Taft (+26 percent) and Tehachapi (+3.3 percent).

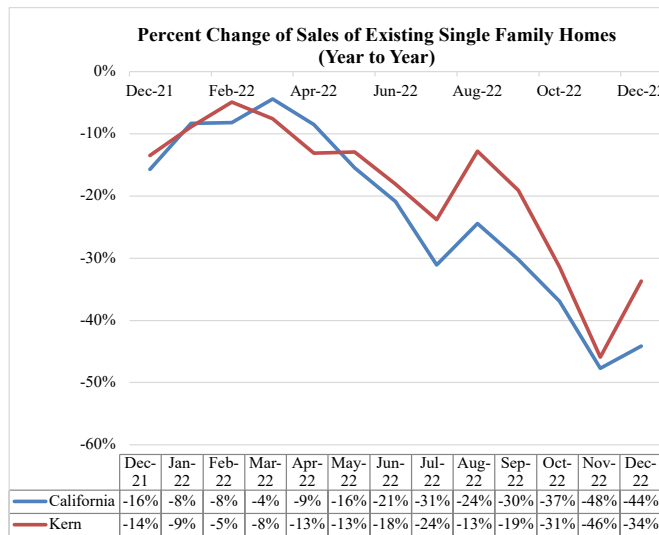
Location	Median Price	Median Price	Price Change (\$)	% Price Change
	2021.4	2022.4	(Annual Change)	(Annual Change)
Bakersfield	355,333	386,248	30,915	8.70%
California City	263,333	284,667	21,333	8.10%
Delano	276,667	298,333	21,667	7.83%
Rosamond	371,667	384,167	12,500	3.36%
Taft	209,000	263,333	54,333	26.00%
Tehachapi	425,583	439,667	14,083	3.31%
Averages	316,931	316,931	25,805	9.55%

Home Sales – In Bakersfield, quarter to quarter sales of residential units decreased by 354 units, from 1,289 in the third quarter of 2022 to 935 in the fourth quarter of 2022. An average of 559 less homes were sold in the fourth quarter (of 2022) compared to the fourth quarter last year (2021).

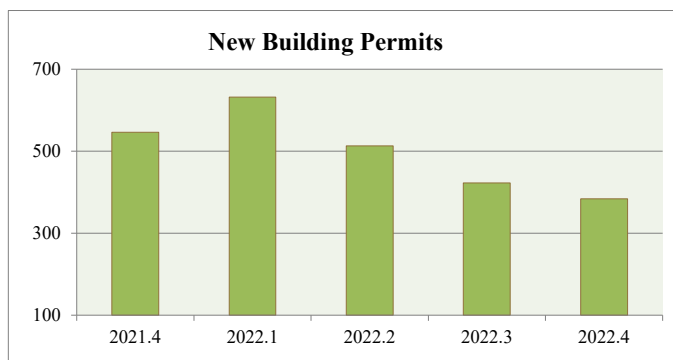


Growth in Housing Sales – We compare growth in sales of existing single-family homes in Kern County with growth in sales in California. Positive values indicate that more homes were purchased this year compared to last year. In December 2022, 44 percent less homes

were sold in Kern County compared to December 2021. In California, sales were 34 percent lower. The average growth in home sales in California between December 2021 and December 2022 were – 18.9 percent while the number was -22.8 percent in Kern County.

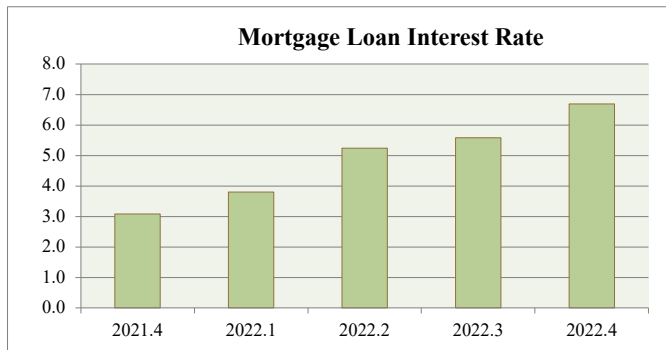


New Building Permits – In the fourth quarter of 2022, Kern County issued 39 less permits for construction of new privately-owned dwelling units compared to the third quarter of 2022. A total of 384 permits were issued this (fourth) quarter compared to 546 in the fourth quarter of last year (2021). This decrease indicates a drop in construction plans in Kern County. Over the last five years, the average number of permits issued in the fourth quarter of every year is 488.



Mortgage Interest Rate - In the fourth quarter of 2022, the interest rate on thirty-year conventional mortgage loans increased to 6.69 percent from 5.58 percent (compared to the third quarter). The thirty-year mortgage interest rates continue to rise over the last

four quarters. The interest rate in the fourth quarter of 2021 was 3.08 percent.

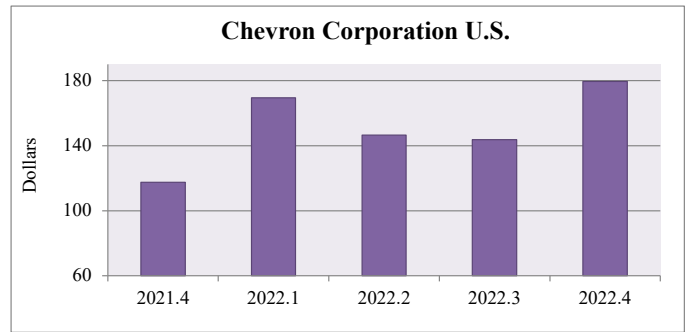


Stock Market

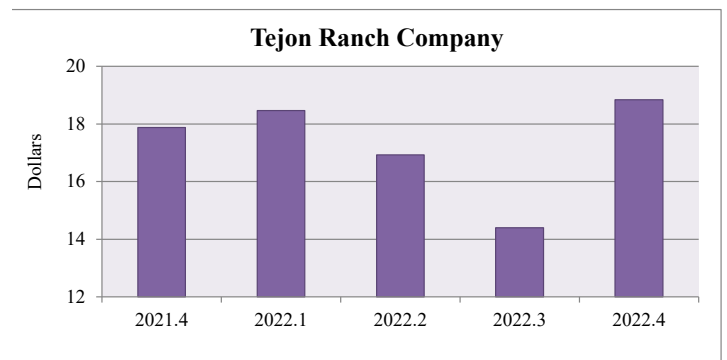
In the fourth quarter of 2022, the composite price index (2014.1=100) of the five publicly traded companies doing business in Kern County increased by \$14.26, from \$91 to \$105.2 (quarter to quarter change). The index is 1 percentage point lower than it was four quarters ago. Average “close” prices were measured for five local market-movers: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



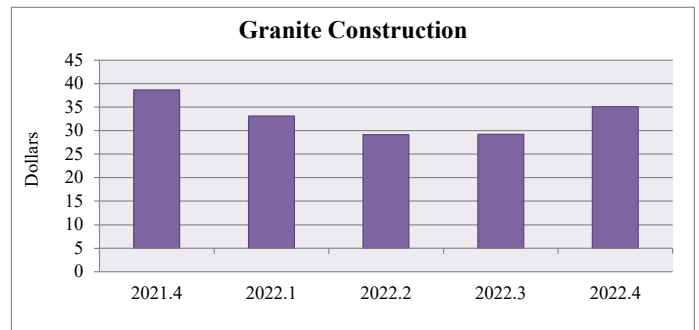
Chevron Corporation U.S.: Compared to last quarter, CVX gained \$35.82 (or 20.1 percent) per share as its price increased from \$143.67 to \$179.49. Relative to the fourth quarter of 2021, CVX was up \$62.14 (or 53 percent).



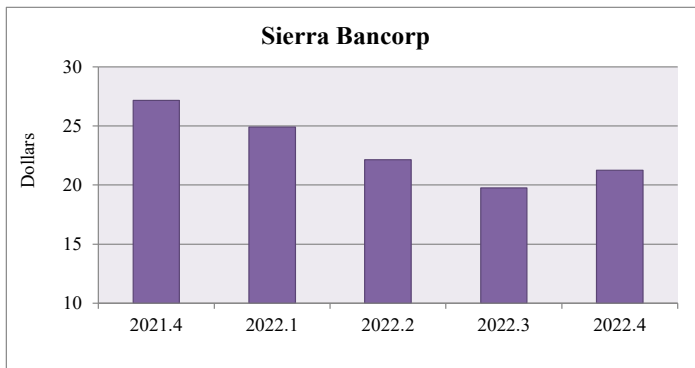
Tejon Ranch Company: TRC gained \$4.44 (or 30.8 percent) per share as its stock price increased from \$14.40 to \$18.84, between the third and fourth quarter of 2022. Compared to last year, the TRC stock price was up \$0.96 (or 5.4 percent).



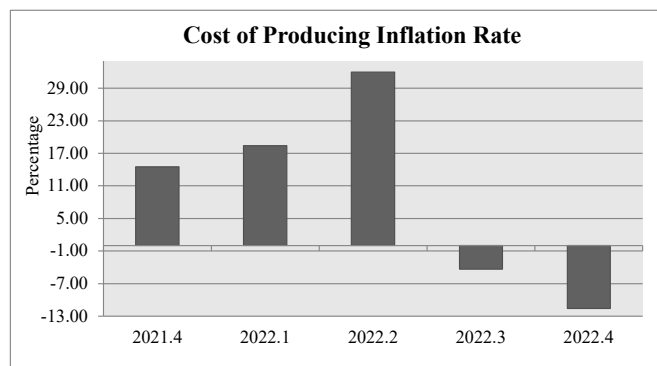
Granite Construction: GVA gained \$5.86 (or 20.1 percent) per share as its stock price increased from \$29.21 to \$35.07 between the third and fourth quarter of 2022. GVA lost \$3.63 (or 9.4 percent) over the last four quarters.



Wells Fargo Company: WFC gained \$1.07 (or 2.7 percent) per share as its stock price increased from \$40.22 to \$41.29 between the third and fourth quarter of 2022. Relative to one year ago, WFC was down \$6.69 (or 13.9 percent).



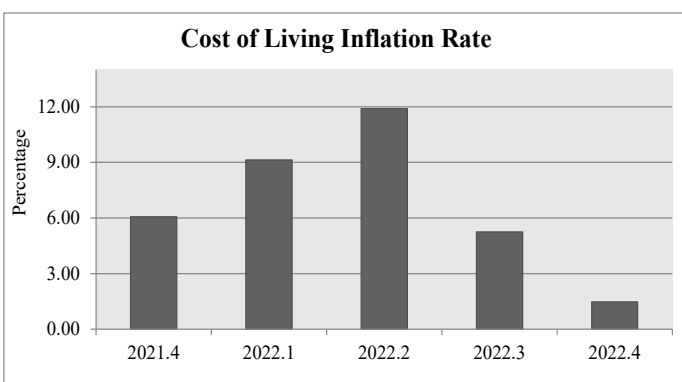
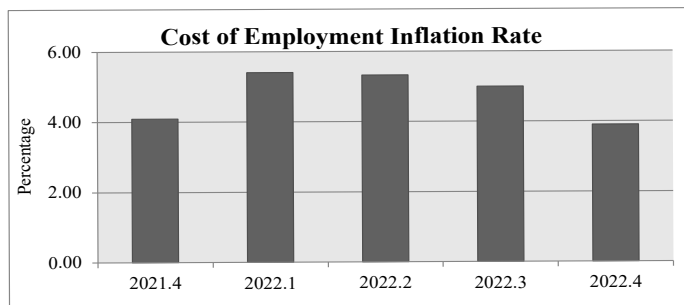
Sierra Bancorp: BSRR gained \$1.49 (or 7.5 percent) per share as its price increased from \$19.75 to \$21.24. Similar to GVA and WFC, BSRR lost \$5.91 (or 21.8 percent) this quarter compared to the fourth quarter of 2021.



Cost of Employment - The Employment Cost Index (December 2005 = 100) for all civilian workers increased from 154 in the third quarter of 2022 to 155 in the fourth quarter, causing employment inflation to rise by 3.90 percent.

Inflation

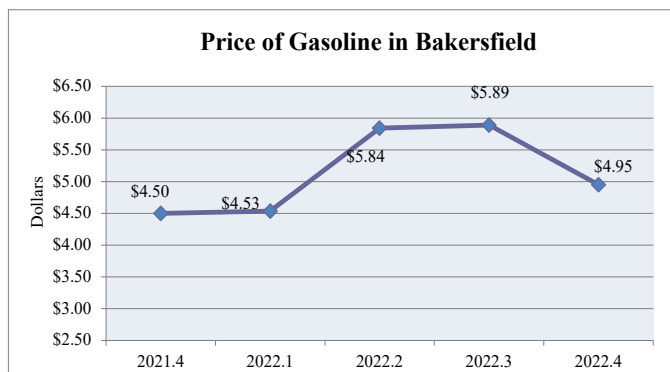
Cost of Living - In the fourth quarter of 2022, the Consumer Price Index for all urban areas (1982-84 = 100) increased from 296.42 to 297.51. As a result, inflation for the cost of living accelerated at an annual rate of 1.47 percent. The index was 277.78 in the fourth quarter of 2021.



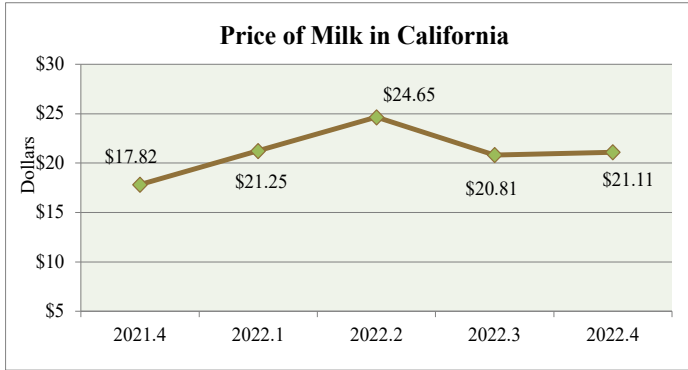
Cost of Production - The Producer Price Index for all commodities (1982 = 100) decreased between the third and fourth quarter of 2022 from 269.97 to 262.15 percent. The inflation rate for the cost of producing decelerated at an annualized rate of -11.59 percent. The cost of production inflation rate was 241.63 four quarters ago.

Commodity Prices

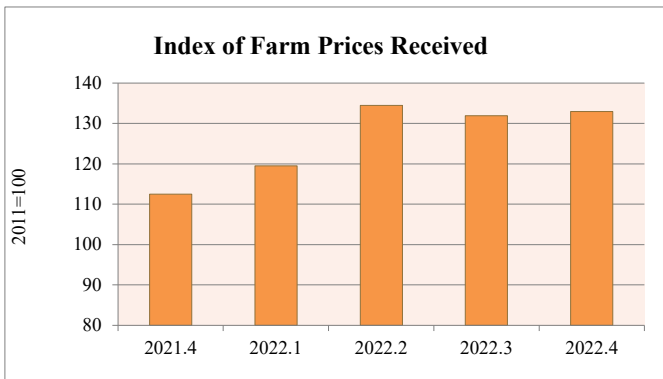
Price of Gasoline - In the Bakersfield MSA, the average retail price of gasoline decreased by \$0.94 to \$4.95 from \$5.89 between the third and fourth quarter of 2022. Average prices were 10 percent higher than they were a year ago.



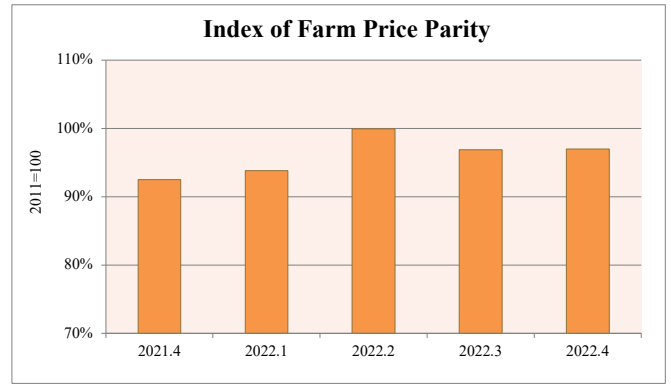
Price of Milk – The unit price of California’s Class III milk increased in the fourth quarter of 2022 by \$0.29, to \$21.11 from \$20.81. Noticeably, milk prices levelled after peaking in the third quarter of 2021. Prices are 18.4 percent or \$3.28 higher than they were four quarters ago.



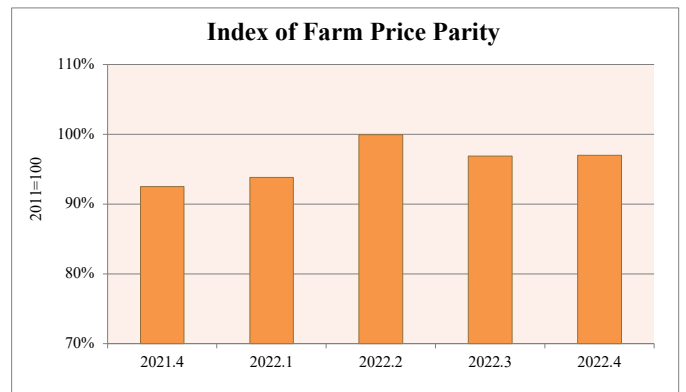
Farm Prices – In the fourth quarter of 2022, the National Index of Prices Received by Farmers for all farm products (2011 = 100) increased by 1.1 points to 133 compared to the 131.9 in the third quarter of 2022. This is a 20.5 point increase from the 112.5 points recorded in the fourth quarter of 2022.



Meanwhile, the National Index of Prices Paid by farmers for commodities, services, interest, taxes, wages, and rents increased by 0.66 percentage points compared to last quarter. This means that farmers are worse off this quarter compared to last quarter.



We measure the Index of Farm Price Parity as the ratio Index of Prices Received to the Index of Prices Paid. In the third quarter of 2022, the Index of Farm Price Parity was 97 percent compared to 97 percent this quarter. Four quarters ago, the price ratio was 93 percent.



¹ Source – Online databases: <http://www.labormarketinfo.edd.ca.gov>; www.usda.com; www.bakersfieldgasprices.com; www.bea.gov; www.car.org; www.trulia.com; www.census.gov; <https://www.redfin.com>; <https://www.cafmno.com>; www.bls.gov

Egg Prices: A Shock to Your Breakfast

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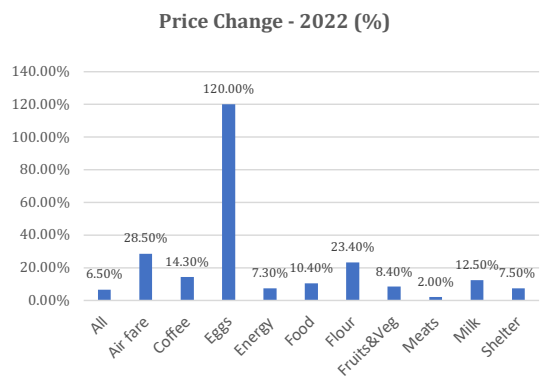


Figure 1

The year 2022 ended with an annual inflation rate of 6.5%, which was a slight decrease from the annual rate for 2021 (7%). While various agricultural commodities saw an increase in the price level, very few commodities increased in prices as much as eggs. Figure 1 displays the increase in prices for various commodities. As can be seen, most agricultural products, with the exception of meats, saw an increase in price greater than the inflation rate. No commodity however increased in prices in 2022 more than eggs, which ended the year more than double what they cost in December 2021.

The average price for a dozen Grade A, large eggs increased from \$1.78 in December 2021 to \$4.28 by December 2022, an increase of 120% (see figures 1 and 2). The dramatic increase in the price of a

dozen eggs started in March of 2022.

In February of 2022, the first instance of the avian influenza was detected in egg-laying hens in the state of Delaware when approximately one million birds were affected and had to be destroyed to prevent its spread. The disease results in mortality of the birds. By August 2022, the influenza had spread to the Midwest and eventually led to the destruction of approximately 40 million egg-laying hens in the US by the end of 2022. In 2021, there were an average of 390 million egg-laying hens. During 2022, this average dropped by approximately 5% due to the avian influenza. Egg production in 2022 decreased by 3% compared to 2021, from approximately 7.9 billion dozen to approximately 7.7 billion dozen (see figure 3). Part of the reason the egg production did not drop further is that the average hen had been laying an increasing number of eggs per year over the last couple of decades, from 264 per hen in 2000 to 296 eggs per hen in 2020.

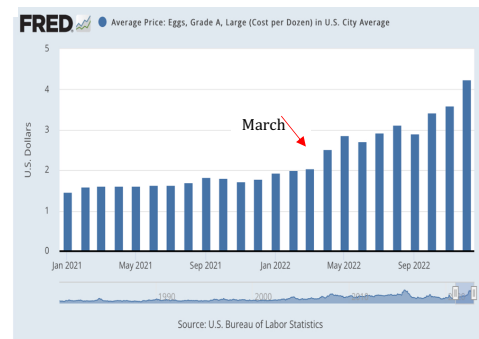
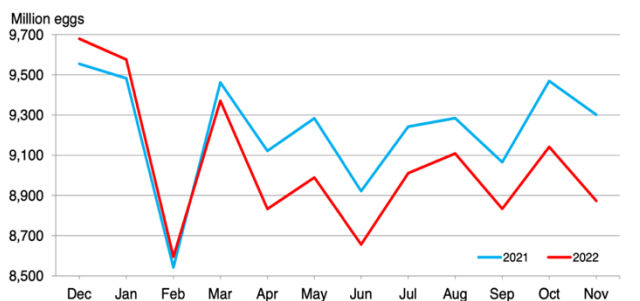


Figure 3



Figure

The cost of production is another factor impacting the increase in the prices of eggs. Chicken feed prices increased approximately 20% in 2022. This increase, along with the general increase in fuel and transportation costs also contributed to the higher price of eggs. Figure 3 displays the total egg production for 2022 and 2023 by month. As egg-layers were being destroyed, there was a corresponding decrease in egg production as well (see figures 3 and 4). Based on the price sensitivity of eggs (elasticity), one would expect a 3% decrease in availability to lead to a 30% increase in its price. Also adding in the increase in production costs



Average Layers During the Month – United States

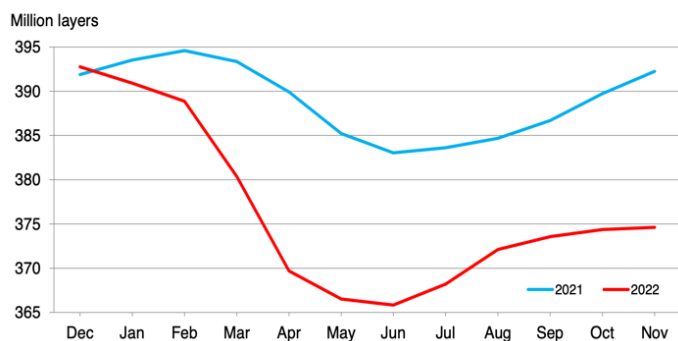


Figure 4 M

average price of chicken to increase by 30% as a result of a 5% decline in production. The elasticity of demand for eggs is more inelastic (less price responsive) than chicken due to the lack of good substitutes for eggs.

Another factor leading to higher prices of eggs over the last few years has been changes in regulations, particularly in California. In 2018, California voters approved Proposition 12 which completely banned the sale of eggs produced

would explain the additional increase in price of eggs of 120%. Concurrently, the per capita demand for eggs, however, has not decreased during the pandemic. In fact, the per capita annual consumption of eggs is fairly stable at 38 pounds (IBIS world), which translates to roughly 300 eggs.

Given the increase in the cost of chicken feed, fuel and the avian influenza, one would also expect a similar increase in the price of chicken. However, the price of chicken increased by less than 20% in 2022. The price elasticity of chicken is approximately 0.6, so one would expect the

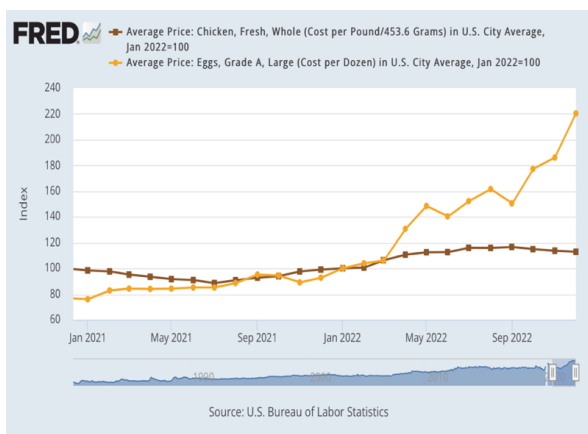


Figure 5 Average price for eggs and chicken

in any type of cage by the end of 2021, extending the 2015 ban on the use of battery cages. Studies have estimated that the 2015 restrictions increased egg prices in California by approximately 33% – 70% over prices that would have existed before the battery cage ban. In addition, estimates indicate that production and the number of egg-laying hens was approximately 35% lower after the 2015 ban. Although little research has been conducted in the price effects of the complete ban, recent estimates indicate that previously conventional egg prices would rise 60-65%, while prices of eggs from current cage-free chickens would have small declines (Oh and Vukina, 2022).

While Proposition 12 may help explain why California egg prices are higher than in most other states, it does not appear to contribute to the overall nationwide increase in egg prices during 2022. The combination of avian influenza, increases in input costs, and inelastic demand appear to be the primary drivers of the price spikes in eggs in 2022. As flocks are replenished and input costs decrease (a process already underway), we can expect egg prices to fall to a more normal level.

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Corrective Counsel in the Workplace

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Experienced managers know that there will be times when employee correction is necessary. This is not the design of the workplace and many efforts are made so that the work setting is a positive and productive environment for all. Nevertheless, there will be occasions when employee attitude, behavior or communication does not meet the professional standard called for in the work site.

Generally, there are two levels to these types of situations – the more serious circumstance that calls for formal action protocols and then the less serious where informal strategies can be used. The language for these more difficult occurrences is called progressive discipline and the less intense but still upsetting disruptions is called positive discipline. Business policies, professional ethics and state and federal laws as well as any employee union work agreements dictate the steps used in the more serious formal progressive disciplining procedures. But, for the less intense disruption - positive disciplining actions using in house steps are usually taken.

Positive discipline is used under two circumstances - when the misbehavior is less serious and management looks at that employee, their past contributions and current attitude and conclude that this employee has long term value to the organization. It is believed that the inappropriate behavior taken by the employee was not reflective of the true character of that employee. Steps are taken to needfully correct the situation and to build long term rapport with the employee believing in their future quality potential.

Example in need of Progressive Discipline	Example in need of Positive Discipline
An employee becomes upset at another employee, shouts at that employee with a loud voice using abusive words throwing a desk top object on the floor in anger.	An employee becomes upset with another employee and speaks in a harsh tone using words that are generally not acceptable in the work setting.

How do we professionally and properly take corrective action – that is give corrective counsel using positive disciplining techniques? Again, formal, union and legal based protocols are to be used in the more serious progressive discipline situations but the manager might be left on their own to resolve these less serious but still disruptive circumstances that call for positive corrective actions.

There are two essential and fundamental actions taken first. Determine if the employing organization does in fact have a positive discipline procedure. This will be very helpful in determining what actions are to be taken and how. This company policy takes precedence. Unfortunately, few organizations deal with positive discipline in a formal way unlike policies that will most likely be in place for progressive disciplining. The second fundamental is of course gathering the facts of the situation. It is essential that the manager has clear, undisputed and detailed facts – or evidence – of the full dynamics of the situation. Rumor, hear say, differing interpretations and accounts make this process of correct disciplining very unstable. Every appropriate and professional effort should be exercised to assure both the content and the intent of the parties involved in the event are correctly known. In most cases where the employee is professional but has made a mistake, they will be forthcoming with the details usually in a regrettable fashion. If this is not the case and facts are hard to come by then perhaps the more formal progressive discipline protocol will be necessary.





Here are the additional and basic steps in the informal but very necessary positive discipline process:

Managerial authority: the manager has the right and the obligation to correct misbehavior in the work setting – it cannot be ignored. If corrective actions are not taken even with minor infractions an unhealthy work culture may be the result. Staff expect management to address and correct both serious and less serious issues but do assume that the reaction of management will be proportional and appropriate. If an employee rejects management authority than a greater and additional issue is now in play – progressive discipline would now become the better procedure.

Preparation: the manager must prepare themselves for taking the corrective action by asking the following questions [1] asking yourself, what is this person's ability to use this counsel? Are they sufficiently mature, professionally committed and understand their responsibility as a citizen in the work place [2] is the setting appropriate and the timing, right? Of course, private correction is best and corrective involvement close to the time of the infraction is necessary, and [3] before offering counsel – ask yourself, what will be my voice tone, my body posture, facial expression – how can I use these facets to draw out the best in this situation?

Correction: the manager must make it clear to the employee that a corrective action is taking place. Even though it will be approached in a positive, less intense way with encouragement as one of the discussion elements, the employee should understand what the improper workplace issue was and its associated ramifications. Corrective counsel is facilitated best when the receiver expects the counsel. It is possible that timing of the correction is just as important as the content of the conversation – immediacy is key if possible.

Some additional considerations include [1] do not give counsel to punish or to meet one's own ego [2] our counsel should be proportionate to the seriousness of the issue [3] consider on-going counsel to help with more difficult course correction, and [4] counsel is best given when we have listened. There may be an underlying context that we were not aware.

Records: the keeping of a written record of an informal discipline action is a delicate matter. Some company policies require records of only formal discipline actions, and those records are placed in the employees personnel file and perhaps for a set and limited period. Union based work agreements and some state and federal laws also speak to the issue of formal discipline record keeping. However, our discussion has been about informal, more minor, and hopefully quickly resolved situations. A written record should still be kept so if another minor issue comes about with that same employee - a pattern can be noted. This record should be placed in the managers informal file that can be consulted if for some reason another issue arises. This circumstance would suggest a move to a formal progressive discipline process.

Corrective counsel is a valuable management tool when used in the correct way, seeking the best result.



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