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The Labor-Savvy Leader

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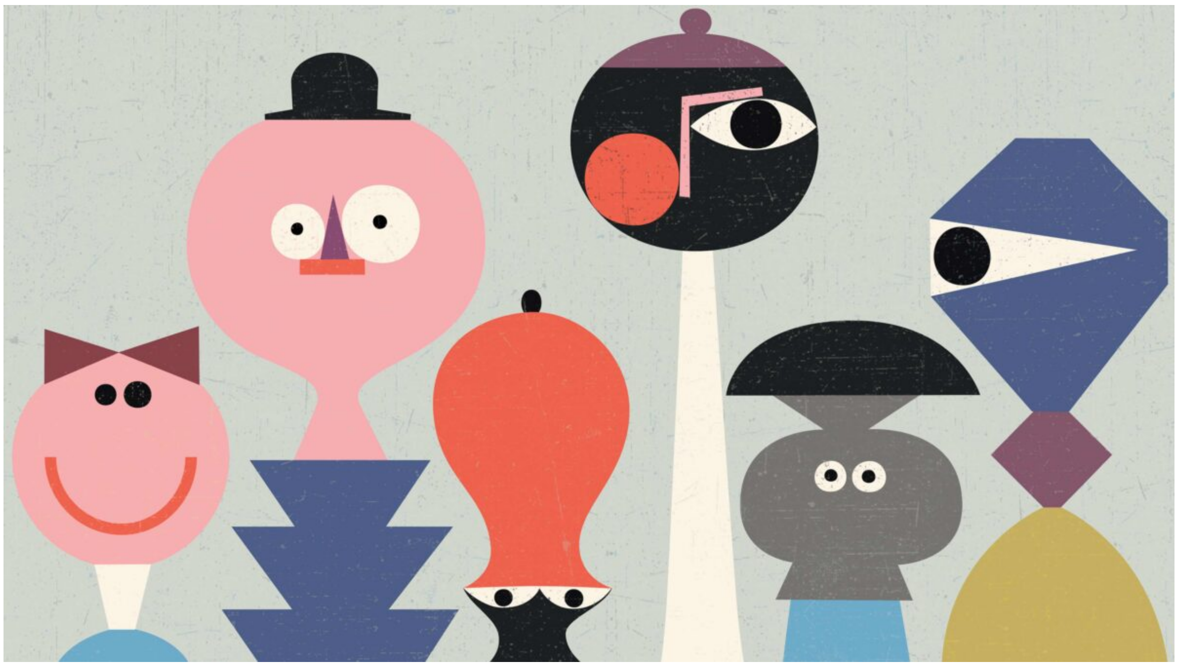

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Summary. For much of the past century, U.S. companies feared that unions would hurt shareholder value and innovation, so they responded to organized labor with one strategy: Fight, at all costs. This was brutally effective. Companies perfected the skill of union... more

Business leaders today are confronting labor challenges of the greatest consequence. Because of inflation and the pandemic, workers feel less secure in their jobs and uncertain about whether they can afford a decent life—trends that have been mounting for decades. At the same time, they want more from their jobs: In addition to higher pay and dignified working conditions, they expect their employers to reflect their values.

Thanks to social media, employees are able to communicate their expectations, experiences, and grievances in new ways. They can share privately with one another and widely with the public, in real time. They can connect with and enlist customers and other stakeholders as allies more easily than ever, making it harder for employers to suppress their voices. Given all these forces, it's not surprising that a growing number of workers, across a wide range of industries and roles, are organizing.

In fact, worker interest in joining a union is at its highest in decades—and in the United States public support for unions is as high as it was in 1965. Urged on by a new generation of labor leaders, many workers actually see organizing as an expression of care for their companies. We expect this trend—which includes unions (organized by occupation, company, or otherwise) and many other forms of organized labor, from informal employee petitions and walkouts to more-formal structures such as mutual aid groups and worker cooperatives—to intensify in the years ahead.

Most companies aren't prepared for this new wave of organized labor. For much of the past century, when workers organized to demand change, companies' knee-jerk reaction was fear that unions would hurt shareholder value by raising labor costs or slowing innovation. CEOs responded with one strategy: Fight, at all costs. This was brutally effective. In the last half of the 20th century, with companies perfecting the skill of union busting and labor laws too weak to deter it, unions lost much of their power and influence—so much so that most business leaders now have little experience with organized labor.

If companies continue to assume that organized labor destroys value and to reflexively fight all collective-action efforts, as has been happening at Starbucks, Amazon, and elsewhere, they run an enormous—even existential—risk. They may permanently disenchant their workforce and stamp out employees' investment in their company's success. They also risk harming their brands: U.S. consumers now consider the treatment of workers to be the most important of environmental, social, and governance issues. Even some shareholders are starting to look positively at organized labor.

Business leaders can choose a different path: They can start working to reinvent corporate America's relationship with labor so that more people can share in the rewards and companies can compete and grow in new ways. Choosing that path will require leaders to learn how to work with, rather than against, labor. Indeed, in the next 20 years, the skill of leading an organized workforce—or leading as if your workforce is organized, regardless of its union status—may well become the critical leadership skill.

To be sure, the unions' old playbooks need updating, too. In conversations with labor leaders, we've heard that the societal shifts that challenge companies also prompt disruption and soul-searching among traditional labor organizations. Both must evolve.

In this article, building on insights from a roundtable we host with the Aspen Institute's Economic Opportunities Program and MIT's Institute for Work and Employment Research, we lay out a more collaborative—and effective— approach to leading the organized, and organizing, workforce. We'll focus on the U.S. landscape in this article, but we'll also highlight approaches that work in Europe and around the world. Ultimately, we hope to build a foundation for overdue discussions about how business and organized labor need to modernize, and how to bring about changes in the law to accommodate new realities.

The Balance of Power

Every step of the labor-organizing process presents an opportunity to build trust and act in the interest of long-term success—or to hamstring progress. If companies and unions forge successful relationships, workers and companies reap benefits. These include better employee satisfaction (and retention), training opportunities (union apprenticeships are some of the best training available), improved customer service, new ways of introducing technology, and more.

While not every union representative will be a willing partner in a constructive relationship, the workers they represent generally want respectful engagement from both sides. Stakeholders—including employees, customers, investors, and others—may look to the party with more power to set the standard. Despite what it may feel like to a CEO during an organizing campaign, companies typically have much more power than their workers do. So we recommend that employers lead by taking the high road, whether or not their organized labor counterparts start there.

Leaders have many choices in responding to organizing—choices that respect workers' rights and result in a stronger company. Options range from voluntarily recognizing the union without requiring a National Labor Relations Board–administered election (an increasingly popular approach), to remaining neutral and leaving your employees to decide whether to organize (as Microsoft recently did), to respectfully communicating why you don't think organizing is the answer to employee concerns.

Ironically, the labor organizations likely to be most valuable to business will be the strongest ones. Good partnerships require partners with balanced power. Strong unions cultivate deep relationships with workers and are their legitimate, democratically elected representatives. A labor organization capable of deploying a full range of methods—collaborating, yes, but also building coalitions with customers, community leaders, and investors; seeking a role in corporate governance; and, as a last resort, striking—might be exactly the balance of power that will serve business best in the long run.

If your employees do organize, how do you build a relationship that serves your needs for flexibility and productivity and also meets workers' new demands? Companies need to take an active role in relating to organized labor, rather than passively accept whatever a worker organization wants. A good relationship requires two attentive, powerful parties. Traditional arm's-length labor-management relations and collective bargaining fail to meet workers' expectations for a greater voice and impede business opportunities for flexibility and productivity.

Getting to a Contract

The foundation of most union work in the United States is collective bargaining: reaching a contractual agreement between a company and its workforce as represented by a union. Contract negotiations can go well or poorly depending on how the company and the union manage them. Here are some guidelines for getting started.

Assume that you don’t understand your own workers. Many companies argue that a union is a “third party” that has ulterior motives—for example, building its own membership regardless of potential harm to companies or even some workers. Companies use that assumption as an excuse to ignore valid worker concerns.

That’s a damaging starting point. Every organized group of workers has asks. Your first step is to learn what they are—and the way to do that is to pose questions and listen. Invite elected leaders to spell out their asks and the underlying problems that give rise to them. Most executives know surprisingly little about what life is like for their workers. To really understand what they want, you also need to get out to the front lines and engage workers directly in conversation.

While many union leaders want to see companies succeed, some are indifferent to causing a company harm. In that case, you’ll need to figure out who else at the union you can appeal to. Build relationships with union representatives who recognize that when companies thrive, their workers also thrive.

Invest in training. Given how long unions have been in decline, your company may lack the leadership skills necessary to build a relationship with a labor organization. If that’s the case, invest in training.

Consider Kaiser Permanente, which, when it started building a labor-management partnership 25 years ago, teamed up with union leaders and invested in training managers, supervisors, union representatives, and all new hires in how to collaborate successfully with one another. That investment paid off—for example, in avoiding job loss when the company transitioned to electronic medical records. Prior to forming the partnership with the unions, Kaiser had suffered a decade of losses; since the partnership, it has managed two decades of strong returns while paying industry-leading wages. At times, relationships with the unions have been fraught, like any partnership—and that's OK.

To help steer your company through negotiations, whether smooth or rocky, you should consider sending union and management representatives to offsite training programs together, to develop everybody's skills while strengthening their relationships.

Seek advice from an expert who shares your goals. Some companies retain an outside lawyer or consultant to negotiate with their workforces. Rule out anybody associated with a firm that specializes in "union avoidance." No matter what lip service those firms pay to the idea of partnership with the other side, they often delay or avoid reaching an agreement, damage company reputations, and fail to build a productive relationship with labor.

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If you hire a consultant, make sure that the person has a successful track record in negotiating first contracts, always a challenging task, and understands the importance of laying a foundation for an innovative and trusting relationship. Steer clear of contract language that protects "management prerogatives" by minimizing the union's influence. Remember that while your negotiator will represent you, you're the one who has final say. Successful high-road negotiations require senior management to get directly involved and to avoid overdelegating to consultants.

Whether or not you hire an outside negotiator, you'll need an internal negotiating team staffed with managers from a variety of departments who understand your approach and share your goals. Your toughest discussions may not be with the union team across the table but within your own team, so do everything you can to find and empower internal allies. Even if your company had a hostile posture toward unions in the past, you will find people eager to turn over a new leaf and collaborate.

Set the ground rules. This involves "bargaining over how to bargain." Meet early with union representatives to define rules for the negotiations—for example, when and how to use sidebar caucuses, the frequency of meetings, how both sides should communicate with the media and constituents, and whether to use subcommittees. Working out these rules can make it much easier to get started and can shape how later, more-substantive negotiations will fare.

This process can be difficult. As we've seen at Starbucks and at some universities, many younger workers demand open negotiations in which the outside world can experience events at the bargaining table in real time—via Zoom, Twitter, or the like. Old-school labor negotiators may pull their hair out at the thought, but remember: Management needs to experiment to discover new solutions.

Set the tone yourself. Many unions fear that companies' management teams aren't interested in negotiating in good faith and would prefer to delay and confuse matters for as long as possible. That fear is valid, given the traditional playbook of many newly unionized companies, so reassure your union representatives right from the start. An appropriately senior member of your management team, even the CEO or the head of the relevant business unit, should set the tone in the opening session by expressing a sincere desire for frank, civil discussions in which people listen actively, ask lots of questions, and introduce ideas with a collaborative "What if we…?" framing.

Guides to negotiation—among them the classic *Getting to Yes*—encourage participants to focus on the other side's interests rather than their own demands. That's good advice for labor negotiations.
How does this look in practice? Consider how Dennis Rocheleau, a retired head of labor relations at General Electric, once opened negotiations:

> We are not so naive as to believe that our mutual interest in a peaceful, equitable settlement will automatically produce a consensus on how such an agreement should be defined. If we both see the world in precisely the same relief and hues, one of us is probably unnecessary. We recognize that the world is wide, and there is room enough in it to accommodate an expansive range of opinions and attitudes…listen to others' perspective on an issue, explore many alternatives, eschew a reflexive retreat to the homey confines of your preconceived ideals or traditions.

Bargaining is emotional, and flare-ups, walkouts, and showboating on both sides of the table are common. Expect this. Tolerate some of it. But call out personal attacks or actions that violate the norms and rules of the game that you agreed to at the outset.

Decide what to bargain over. Labor law mandates only a few topics for bargaining—notably, wages, hours, and working conditions. However, workers today interpret "working conditions" to include not only physical safety but also voice and respect, company values, climate change, and other social policies. Whether or not the law requires you to bargain over these issues, you're better off addressing them head-on if you want a process that builds trust.

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DEI has figured prominently in recent negotiations in many industries, as in provisions negotiated by SEIU Local 1199NW (a union of nurses and service workers) and Seattle-based Swedish Hospital, and in the wind-farm industry, where union agreements often include explicit provisions for recruiting a diverse workforce.

Another increasingly important bargaining topic is how to introduce technology into the workplace, especially given shifts in manufacturing technologies and advances in artificial intelligence. Unions like SAG-AFTRA in the entertainment industry and UNITE HERE in hospitality are negotiating with companies like MGM Resorts, Caesars, and others to get advance notice of technological plans and to create opportunities for worker input in the design of new technologies.

Ask yourself: What's good for *everybody?* The holy grail in labor negotiations is a contract that gives workers what they want and strengthens the company. If you see a negotiation as a zero-sum game where any gain for workers costs you, then you'll miss opportunities to invest in worker success that will benefit the company. There are no cookie-cutter approaches here, so you and the union have to innovate to find shared wins. (And if you've built a healthy negotiation process, you'll find it's easier to innovate from a place of trust.) Eventually, yes, labor negotiations come down to tough trade-offs. Experiment where you can, and make sure you know your limits.

If you're concerned that the union will protect weak performers, say no to contract terms that do that (for example, allowing for promotions based on seniority); in exchange, provide more for workers in other areas (for example, adding more pay based on performance, as some independent Canadian unions have negotiated).

As in any negotiation, each party will look for ways to gain advantage. That's normal. Just make sure you set boundaries that prohibit behavior that's either wrong (like researching union leaders' personal lives and embarrassing them, a surprisingly common tactic recommended by "union avoidance" consultants) or destructive to your goal of a productive relationship with your workforce.

These practices will help you get off on the right foot, but deadlocks or strikes are always possible, even in well-structured, good-faith negotiations. That's why you need to do more than just negotiate a contract.

Beyond the Contract

As in any constructive business relationship, you should follow a no-surprises principle to engender trust. Engage your labor-leader counterparts in an ongoing dialogue and keep them informed about business developments. You'd rather that labor leaders hear about a change from you than have them read it in the press or hear it from a disgruntled union member.

Consider creating teams that bring together management representatives with workers and labor leaders to problem-solve in an ongoing way. These teams can improve the operations of your company and give workers a more direct voice in their work. Kaiser Permanente has nearly 4,000 such teams, which it (and some other health care organizations) calls "unit-based teams." Similarly, Harley-Davidson, Ford, and others have made extensive use of continuous-improvement teams at the plant level.

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Companies achieve the best returns on investments in new technology when they merge implementation with complementary changes in work processes, employee training, and worker input. Labor can help with this, too. The United Brotherhood of Carpenters union, for example, has created an expansive training center in Las Vegas that offers courses to its members on the latest technologies and state-of-the-art leadership techniques that are as good as those that elite business schools provide. The center brings in prototypes of new materials and production techniques from companies as diverse as Lincoln Electric, 3M, Duke Energy, and others. It both trains members, so that they can return to their jobs and train others, and offers vendors feedback on their products. It's a modern way of practicing what Japanese carmakers like Toyota said years ago: It is workers who give wisdom to the machines.

Through negotiated provisions in collective bargain-ing agreements, unions run some of the largest training institutions in the country. These are often governed collaboratively—by labor-management trusts, apprenticeship programs, and internal company training programs. One of the most highly respected union training programs is UNITE HERE's Culinary Academy, also in Las Vegas. The program trains workers for newly emerging jobs in hospitality, allows them to move from one occupation to another (for example, from housekeeping to restaurant positions), and serves as a one-stop center for supporting immigrant workers, teaching English as a second language, and referring workers at risk of or experiencing layoffs to new jobs.

Beyond the American Model

So far, we've focused on the legacy American model of the relationship between unions and management. But there are other models, notably in Europe, and some companies will need to embrace them. That's the case for the growing number of companies whose workforce includes many independent contractors, or other types of workers—middle management, domestic workers—whom current labor law ignores or excludes. And, of course, there are occupations where workers organize without a union—as in professional associations in law and medicine, or local worker centers.

However strong your company's culture and communications may be, and whether or not your employees are unionizing or unionized, you can make your firm's relationship with its workforce even stronger by affording your workers as much direct agency as possible over the issues that matter to them most.

Consider creating joint management-labor teams that can advise on such issues as safety and health; diversity, equity, and inclusion; and technological innovations. Many companies already have in place employee resource groups (ERGs) that provide a forum to people of color, women, LGBTQ+ employees, and allies; ERGs with an expanded remit could serve as a model for other advisory teams.

Some companies put a worker-elected representative on their board of directors, as software company Honeycomb does. In many countries, especially in Europe, this “codetermination” is common. A worker with a fiduciary duty to the company can create a channel for employees to better understand corporate strategy, pass information directly to the board in an open way, be heard, and ensure that workforce questions become a regular item on the board’s agenda. The process of electing representatives can also bring employees closer together and give them practice resolving issues as a group. In Germany, where workers sit on company boards by law, those workers promote higher rates of investment, higher stock values, board-member gender diversity, and better knowledge flows between management and employees.

To ensure that workers have an economic stake in the success of the firm, some companies broadly distribute employee ownership. At firms that are unionized, this is a useful tool that gives a labor organization the incentive to see the company thrive. Many venture-capital-backed companies have done this by granting stock options to employees. Private-equity-backed companies (some with the help of the nonprofit Ownership Works) look for ways for workers to share in the value they help create, through profit-sharing and other programs.

Beyond Your Company

As companies embrace the idea of experimenting with organized labor, best practices will emerge and may serve as a basis for fixing long-stagnant U.S. labor law. For example, in Europe, companies allow for workplace or companywide "works councils" elected by workers to advise on a range of issues—and U.S. law could change to make it easier to form similar councils, which are currently illegal.

Solutions will also emerge at the industry level. In the United States, most unions are organized by workplace or company. This creates unusual incentives for unions and an uneven playing field for companies: Firms that are unionized and pay good wages have to compete with nonunionized rivals that pay lower wages. A better approach would be to introduce sectoral or industry-level bargaining, a practice that was once more common in the U.S. This is an area where companies can organize—for example, by seeking bigger bargaining groups that cover enough of their industry to remove the competitive "I'm unionized, but they're not" dynamic. Companies can then focus on competing on areas other than labor costs: quality of service, innovation, and more.

About the Research

Starting in February 2022, the Aspen Institute's Economic Opportunities Program and MIT's Institute for Work and ...

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Another way to revive sectoral bargaining is to create employment standards boards that bring business, labor, and government together in a single industry at the local level. Last year, California passed legislation to create one such board in the fast-food industry. Similar boards operate in major cities around the country.

The federal government now encourages companies bidding for government contracts to work with labor organizations in offering high-quality jobs. Business leaders should use these opportunities to show they can collaborate with organized labor to meet critical national needs.

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After World War II, the United States experienced a sea change in labor-management relations. Society and the economy had been transformed by the war, and work needed to evolve to reflect the new reality. After years of often-violent struggle, employees at big companies organized and bargained for regular raises, health care, weekends off, retirement plans, and more. In 1950 General Motors and the United Auto Workers negotiated the so-called Treaty of Detroit, which pegged wage increases to increases in the cost of living and the national rate of productivity growth. That effort set a new standard that spread quickly to other companies and ultimately brought a new social contract into being that would govern employment, drive growth, and help workers share in prosperity for decades to follow.

Today, our society and economy have transformed again, encompassing everything from new technology to a tighter labor market, rising worker expectations for a voice in decision-making, increased public demands to hold businesses accountable for treating employees fairly, and even the risks of political extremism that stem from workers' discontent. Workers are calling for a new social contract. If business leaders stretch to create a new playbook for working with organized labor, we can again set our economy and society up for prosperity for workers and thriving success for companies in the decades to come.

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