UNIONS

ON THE ROAD TO CHANGE

ADDING VALUE IS NOT A ONE WAY STREET

PART 2 of 3

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Unions on the Road to Change:

Adding Value is Not a One-Way Street

Part 2

By

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Why should we worry about organizing groups of people who do not appear to want to be organized? I used to worry about them….the size of the membership. But quite a few years ago I stopped worrying about it, because to me it doesn't make any difference.

[Former AFL-CIO President] George Meany

- Unions must work more collaboratively to regain political relevance
- Employers must work more collaboratively to survive the competitive globalized marketplace
- Unions could be uniquely placed to lead the way

Summary so Far: These papers expresses my viewpoint concerning the potential revitalization of the union movement in North America. Given the decline of *private sector unions* over the last number of decades, if these organizations continue to apply their founding principles with the same strict and unwavering approach, we will likely see the demise of trade unionism as we have come to know it. My focus here is not on union organizing tactics — it is on union fundamentals and how unions implement them.

Though change is a constant, sometimes both people and institutions find it difficult to adapt. Significant change that challenges one's very existence can lead to irrational or impulsive decisions. Naturally such decision-making methodologies are not recommended, because the resulting short-term outcomes often end in long-term negative consequences. Nevertheless, that change is necessary has been recognized at every level of the labor movement.

As businesses embrace change, the real issue for unions will no longer be what constitutes a majority in any given bargaining unit; it will be what ***they can provide as a value-added proposition to employees that employers have been unable to provide.***

Here, we come back to the *value-added proposition*. Historically, unions have fought for increased wages, benefits, better working conditions, and health and safety concerns. They have won on many fronts. But with the use of social media (read: instant publicity), employers must do what is in the best interests of their employees' health and safety, regardless of legislation or unions.

The way business is conducted today compared to post WWII is dramatically different. Telling your children to work hard, always be on time, stay late, and most of all, be loyal to your boss was good advice 50-60 years ago. Today, the measurement of success is engagement, innovation, and cost-savings, with quality and speed as the watchwords. The speed at which one thinks, works, and articulates solutions to problems is a major factor to success. *Today's business environment is no longer suited to a trade union that is hampered by old strategies and tactics.* Sometimes past successes can rule present-day thinking to the detriment of future growth. Some current and historically significant former union leaders may find a *value-added proposition* outside their worldview.

Enough is Enough: Previously negotiated increases in wages and benefits at the Big Three U.S./Canadian auto manufacturers and the successful UAW/Unifor negotiations have been used as a template for other labor contracts. What unions lost sight of as they fought for increases, was that the employers' negotiating teams were thinking of ways to curtail further expenses while strategizing on how and when to close and/or relocate their factories.

As a general statement, unions were not seen to be adding any value or worth to the corporation's perception of free enterprise. Admittedly this perception was one-sided. It looked for higher financial returns for all stakeholders, but not necessarily for the employee stakeholders [assuming they perceived their employees as stakeholders in the first place].

Admittedly, to *add value* was what the employers wanted, but it was not necessarily what the unions wanted. In simplistic terms: employers wanted fewer operating expenses, lower wages and benefits; and unions wanted more revenue and influence. *However, both parties wanted security; employers wanted the security in knowing that they could rapidly change to keep ahead of the competitive marketplace curve; while employees wanted the security of steady employment and a financially secure retirement.* So, when unions bargained for higher wages and companies began to use non-union off-shore resources ---

which got what they wanted? Quite simply, *the unions and their members lost*!

Initially unions followed a similar path as corporations — mergers, acquisitions and alliances— as they ventured down the road to globalization. Although major unions got numerically stronger (for example the 2013 CAW-CEP merger in Canada - now UNIFOR) by affiliation with new global unions. This was not a new strategy to *add value*. This was the same old strategy of getting stronger - both numerically and politically, so they could be a louder voice at the bargaining table. This approach *added no new value* to our society's economic equation. Unions and corporations understand the future similarly for the most part, but in divergent ways.

With union membership (except for the hard core) becoming disillusioned because job security is now a known myth; wages are stagnating and, in many cases, not keeping up with inflation; and health care benefits (more so in the U.S. than in Canada) are being dropped like hot potatoes, *the future of unions—especially in the private sector—is in jeopardy of becoming irrelevant*.

Union membership in the private sector grew slightly in 2013 to 6.7% from 6.6 %. This was offset by a drop in the percentage of public-sector employees belonging to unions to 35.3 percent in 2013 from 35.9 percent in 2012. It is not surprising to note that young workers were less likely to belong to a union than older people. Just 4.2 percent of workers 16 to 24 years old were union members, compared with 14 percent of those aged 45 to 54.

Furthermore, U.S. unions face right-to-work legislation in many states, resulting in Collective Agreements where employees make the decision if they wish to join the union and pay monthly dues, or not. For some employees this means a 'free-ride': receiving the benefits of union negotiations but not paying dues. The union's future can only be described as bleak. *What should the union movement do?*

In the long run*, I do not think unions are a thing of the past*. *They* *need to change, adapt, and work more collaboratively with their own membership and employers: none of which is outside the realm of possibility*. So, what needs to be done and what can we expect?

No union executive wants to drive the last nail in the coffin.

A new perspective for unions: As a consequence of '*extreme* capitalism', globalization, and right-of-center government positions, a new economic marketplace has developed in which corporate self-interest [otherwise known as *greed*] appears, for the present, to have the upper hand. In this capitalist-led environment, there is little inclination on behalf of many union members to see their union navigate towards work stoppages or all-out strike action because doing so could harm their own self-interests. On the other side of the coin is the membership's strong sense of frustration and unfairness as they receive 0-3% annual wage adjustments, while their employer/corporate executives takes home *excessive compensation increases* (including bonuses that can reach 100% or more of base salary). This 'extreme capitalism' is one massive Gordian knot for union executive teams to untangle. Meanwhile, corporate executives continue to tighten the knot.

At its peak in the U.S. [1945 – late 1950s] the labor movement had an influential voice in most political discussions. To regain some of that past viability, *unions must strive to create a new political role if they are going to turn their own decline around*. Re-building a strong union in the diminishing middle class will require that unions revive this political role. Unions must start being a voice for those millions most hurt by out-sourced jobs, wage stagnation, and the continuing rise of the upper class getting richer and the poorer class getting poorer - the 99%. Economically, unions must contribute more actively to the prosperity of communities still struggling from the recession and global competition: the unemployed who are under-educated and those unemployed while supposedly waiting for the return of out-sourced jobs.

We are not asking for mere words from unions - we are talking about constructive action to address the plight of the unemployed and those stuck in poverty's deadly cycle [including those who do not pay union dues].

If unions do not get into the current economic game with new ideas [not just wage demands], they will have lost their relevance. From then on, any alliances will become more difficult to establish.

The path forward for unions must include a means of convincing employers that having their employees unionized is a benefit and not an obstacle. In over 30+ years' experience with my clients, when my Positive Employee Relations™ recommendations are accepted, *no company has ever lost to a union organizing campaign -- we have won every time*. We come back to *the need to add value* once again! But how do *unions* accomplish this?

Here is an example of a *value-added proposition*:

During pre-negotiation planning, a union committee determines — taking the long-view — that they will accept wage adjustments which result in compensation being a combination of base wages and bonuses based on achieving department, division, or company-wide goals, and profit-sharing. Although this will not be popular with all of their membership, the union believes that this action is necessary to move beyond the typical win-lose negotiation practice. Negotiators *add value* by opening up the compensation component of the contract every 6 months to confirm that employees' wages and company financial goals are aligned. Here is where unions focus on their membership - gaining their trust and influence.

From the employer's perspective, this Collective Agreement now allows them to lower labor costs when business revenues are down and increase employees' wages when profits are high. Such a *value-added proposition* would make an important contribution to a new style of labor-management relationships. *This can only begin a process of transparency that eventually leads to trust.*

At this point, the two sides could agree to focus their mutual efforts on making the employer more successful. For example, how can the union improve productivity? The concepts of *working smarter not harder* and *lean manufacturing* are well within the union's prevue to discuss and support with their membership. Why couldn't unions become the trainers in such endeavors? As a collaborative process, such a move would hold untold benefits. We cannot predict the future - but predict that when unions and employers work together more future opportunities are likely to present themselves. Constructive and creative future opportunities do not exist when the two parties are fighting each other.

In simplistic terms: focusing on making the employer more successful will create more jobs, which is a success for the employer, the employees and the union.

It is essential that employers fulfill their obligations. When the profits are there, they are shared. In order to transparently fulfill their end of this scenario, the corporation's financial records may need to be at the negotiating table; this would reinforce trust. 'Open book' negotiations are not a new phenomenon. The consequence of the above scenario would be a positive and productive change, showing both parties that *collaboration can work.* In the U.S. where the union's financial records are currently public documents, this should not be a big stretch.

From the employer's perspective, having the union engage in *value-added strategies* leads to many opportunities. For example, if a union supports a '*work smarter not harder program'* that leads to an industrial re-design recommendation to increased robotics, and results in needing fewer employees, what does the employer do? The employer could just lay off employees and reap the financial rewards. This would be a short-term solution that would break faith with the spirit of the Collective Bargaining Agreement. Such lay-offs could also reap the wrath of their union partner. If the employer arbitrary lays-off employees, there is a onetime financial gain at the cost of breaking the intent of a Collective bargaining Agreement.

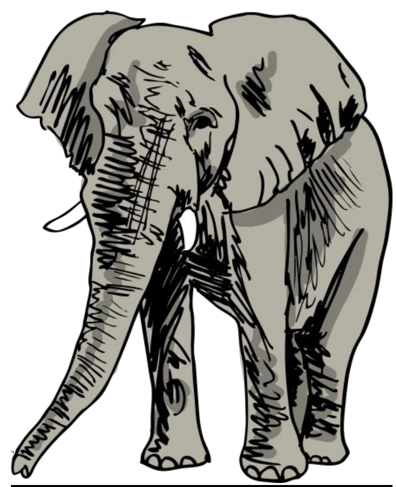
On the other hand, if the employer acknowledges the success of this *work smarter, not harder program* with appropriate employee recognition, *and* commits to not laying-off employees, they would gain respect with the employees and the union. There are ways for the employer to retain the respect of the union and the employees by thinking long-term and compassionately. They can include retraining for new jobs related to the incoming robotics, or appropriate retirement packages for employees wishing to retire, or employee buy-out packages for those who wish to leave and start their own business, or move to another city or finish their education. These solutions are neither disrespectful nor a lay-off. Also, one is not limited to these examples.

Another common scenario that causes conflict between employees and employers is one in which the employer may save money by either relocating a plant or outsourcing the work. No doubt, either action breaks whatever *value-added* agreement the employer has with the union. The manner in which an employer approaches a relocation of resources will speak to the employer's Values and ethics. For example, if the marketplace and financials clearly indicate the value of 'lower labor costs', employers could take the problem to the union and the employees. They may develop options together that senior management alone may not have thought about. And as a result the factory may not relocate; jobs may be retained; financial targets may be met - *nothing but good could come from such a collaborative scenario.*

As with any large change in operations, the first step is to open dialogue with the union and look for alternative solutions together.

Solutions might be difficult to find, but the best efforts of both parties can produce amazing results. If the employer is determined to move ahead with either relocating or outsourcing—due to stockholder pressure, for example—then there may be value for the employees and the union in looking at other contributing variables. Time can be one of these variables: for example, the plant can close but the Human Resources department and the union can set-up a job center together to teach people how to write resumes, how to conduct themselves during job interviews, etc. If further funds are available, employees who work diligently at finding a job may be paid a weekly stipend equivalent to their family's food budget while they are trying to find new employment. The options that are available to employers, unions and employees when a plant is being closed are extensive. There may be government grants, local government support, philanthropic support and the union may have set aside a strike fund that could be used for these purposes. Unions and employers can work creatively together to help the employees manage the change more effectively - for all parties.

If a union, when faced with a scenario that involves downsizing or relocation of resources, can acknowledge their own precarious position and modify their biases to find value-add propositions that serve the employee population, then the employer needs to consider their suggestions seriously. Otherwise, where is the professionalism that we talk so much about in corporate leadership?



Elephants in the room: For corporate managers and leaders to brainstorm, strategize; look at the probable consequences of an action before taking action, etc. are competencies [innovation, creative-thinking and problem-solving, etc.] that have been learned in MBA programs and through promotions up-the-corporate-ladder. Many managers are strategic thinkers with a major in labor relations. Most entry-level leaders are hired because of their assertiveness, competitiveness and an education that supports risk management and problem-solving. The acquisition of material 'things' is a given -- greed [unfortunately] is a common characteristic. Greed frequently comes from a business or corporate culture - it is implicit in the employers' Values. [While this is a generalization with all the flaws and faults of a generalization, it does, nonetheless, describe many of the managers, leaders and executives whom I have worked with for more than thirty years.]

With the marketplace and economic realities of today, larger corporations have, by and large, survived well. None of the U.S. auto manufacturers are out of business; the financial and housing crisis did not have many executives charged with illegal activities. The largest proportion of wealth still goes to the top 1% leaving the 99% in a circumstance best described as poverty and just above poverty.

So, in a world of '*extreme* capitalism', corporate executives have done well for themselves and their primary stakeholders. One cannot say the same for unions and their members. So I would argue that the playing field is not level - corporations have won and union membership is in sharp decline. Out-sourcing and globalization are among the initiating factors.

However, when have the ground rules been equally fair to both sides? In practical terms, unions negotiate the best deal possible and management ultimately decides to accept or reject. Yes, the tables could be turned and the final decision rests with union members. But, at its historical core, labor-management relationships have been based on an adversarial system. If either one or both parties cannot resolve their differences, an arbitrator or mediator can be called in to provide a different perspective or a resolution. The ultimate point being that labor and management have centuries of history based on conflict, adversarial relationships and on overall lack of trust. As stated by Albert Einstein, "We cannot solve our problems with the same thinking we used when creating them."

In a further generalization, it is acknowledged that unions need to re-think their Vision, Mission, culture and strategies. Because of a strong sense of self-assuredness [my assumption], established union officials will likely *not* be able to answer the big questions all by themselves. An appropriate facilitator or consultant is required as a strategist. Here are some questions to reflect upon as one re-thinks their union:

- Is my passion for the union movement getting in the way of my objectivity and other thoughts, considerations or accommodations?
- Is a greater degree of harmony with employers a desirable goal? If the answer is 'yes', how would you like to achieve such a relationship? If the answer is 'no' do you think the status quo is the only option?
- Who are my customers? [The union or its members? How does one delineate the two?] Are all union members alike and do they all have the same needs?
- Do members have short and long term goals? Are you assuming that all members have the same goals as the union? What are the different aspirations of the various ethnic groups that make up your membership?
- Since union locals and their stewards are the 'children-of-conflict' [with an employer], does 'conflict' proscribe all that you do?
- How would you describe your ideal 'modus operandi'?
- Are the amalgamation of unions [like the Canadian CEP + CAW = UNIFOR] of strategic consideration for your union?
- What is the union doing to be seen as a *value added* contributor to society? [Think Tim Horton's and Children's

Camps, and McDonald's Ronald McDonald House, etc.]

- If one is willing to acknowledge there are certain companies that will never be unionized -- what characteristics and practices keep them non-union?
- How would you contrast their culture with that of your union?
- If one of their practices is to hire only those who do not have an affinity to unions, are your members frequently those the non-union companies will not hire? What does this mean to you? In general terms, how does this reflect on the management and operation of any given union local?

The above is an opening set of questions and there are many more that a strategist/facilitator would bring to the table.

From the above one could say there is *more than one elephant in the room*. First, we have corporate greed. Greed will be seen differently by each stockholder; and individuals within each group. Next, are the unions and the negative perceptions of the management; and these too will vary. Finally, are the unions and their passions; and the perceptions that management will have about unions in general and their employees' membership in a particular union.

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