

WHAT ROLE WILL UNIONS PLAY IN 2009?

The economic environment, as well as pending legislation, may contribute to an environment more welcoming to unionization.

In 1935, in the grips of the Great Depression, President Franklin Roosevelt signed the Wagner-Connery bill, establishing the National Labor Relations Board (NLRB) and setting the stage for workers to conduct union elections. Now, in the midst of the most severe recession since the 1930s, President Obama is set to sign the Employee Free Choice Act (EFCA), that will greatly lower the hurdles for employees to join a union in the United States. This may or may not reverse a long-term trend in the U.S. of declining union roles. A key factor in the rise and fall of union membership in 2009 will be how employees perceive management's response to the economic crisis.

In 1954, more than 28 percent of all U.S. employees

There can be much speculation around the reasons for this decline in union membership. Economists often cite the shift away from heavily unionized sectors, such as manufacturing. Others offer explanations around increases in the overall standard of living, the globalization of production and service operations and the impact of government regulations on the American worker's day-to-day experience. But these factors, while strong, do not fully explain why union membership has declined.

The NLRB has a decidedly anti-union stance and has tolerated employers' union-busting activities. This explains why the EFCA legislation has caused as much negative

FIGURE 1: UNION MEMBERSHIP



were members of a union. Union membership lessened following President Reagan's breaking of the air-traffic controller strike in the early 1980s. This pattern continued through most of 2007 (Figure 1), though the decline runs counter to clear pay differentials between union and nonunion employees (Figure 2).

This also runs counter to the 2006 finding by Richard B. Freeman and Joel Rogers that 32 percent of nonunionized American workers want some form of collective representation. This suggests the rate of actual union representation is much below its potential. However, over the last decade, these facts have not increased membership nationwide.

response from chambers of commerce nationwide as positive responses from the unions themselves.

Advancement in management practices during the past 60 years also has impacted union membership decline. But companies must balance short-term business needs against employees' longer-term needs or risk disaffecting them. Certain leadership and management practices lead to more enthusiastic, committed and productive employees. Employees who feel they work for a company they can identify with, for a leader they trust and respect and performing a job for which they are well-suited, tend to be motivated to perform and stay. These employees work in "partnership cultures."

As reported in *The Enthusiastic Employee*, a 2005 top business book, companies with partnership cultures consistently outperform their competitors during both bull and bear markets. A partnership culture is characterized by 12 hallmarks, including basic trust, a long-term perspective, joint decision-making, open communications, financial sharing and equitable day-to-day treatment. And hourly, nonunionized employees often report more positive attitudes on measures of morale, management practice and culture (Figure 3).

Yet, according to U.S. Bureau of Labor Statistics, by the end of February 2009, more than 3.5 million jobs had been lost to this recessionary period that began in December 2007. Mass layoffs have caused many employees to question their job security and management practices.

Sirota has watched ratings of employee confidence in the future of its own company decline more than 6 percent since December 2007, and preliminary 2009 findings suggest this figure will accelerate. With stock market declines, roughly 40 percent since the end of 2007, employees also are concerned about their personal wealth.

In previous recessionary times, Sirota saw more than just job security impacted. The turbulent environment in 2001 offered great insight into how the typical employee will respond to today's pressures. During the post-Sept. 11 recession, layoff survivors felt overworked and less valued. Employees' feelings of being valued declined from 67 percent to 44 percent; ratings of innovation, teamwork, advancement and job security also declined.

With employees feeling less confident in their companies' ability to address short-term financial needs without layoffs, many feel powerless to protect themselves against job loss, feeling less valued or overworked. These feelings, combined with changes in culture and management practice, impact both job satisfaction — including innovation, creativity and development — and the motivation to perform. Under normal conditions, this would cause many employees to seek employment elsewhere.

FIGURE 2: ADJUSTED WEEKLY EARNINGS

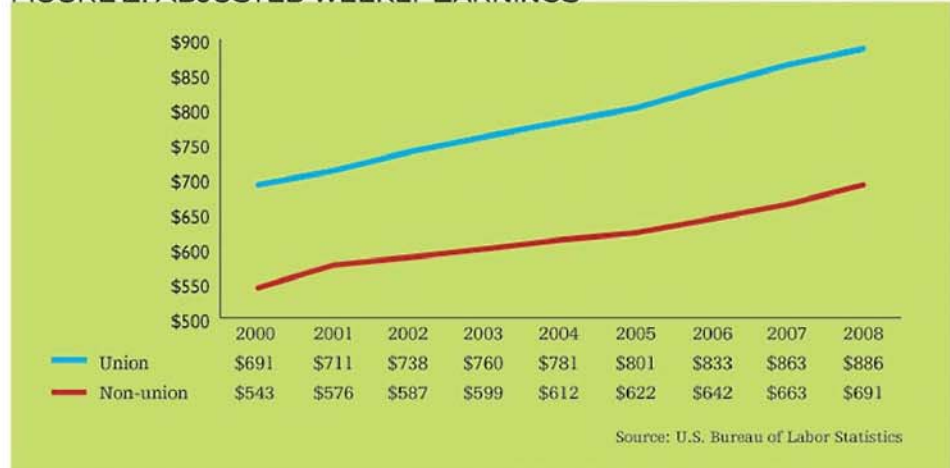


FIGURE 3: ATTITUDINAL (% FAVORABLE) DIFFERENCES BETWEEN UNION AND NONUNION HOURLY EMPLOYEES, 2001-2008

Item	Union	Nonunion	Difference
Innovation encouraged	35	63	-28
Employee treatment	42	68	-26
Overall satisfaction	47	72	-25
Company is well-run	39	64	-25
Recognition	31	54	-23
Consistent policies	30	52	-22
Performance-salary link	17	39	-22
Pride in company	55	74	-19
Advancement	25	44	-19
My company vs. others	49	67	-18
Uses of skills/abilities	47	64	-17
Fair hearing for employee complaints	31	47	-16
Safety	61	76	-15
Feedback	29	43	-14
Training	47	59	-12
Supervisor is competent technically	49	59	-10
Autonomy	60	66	-6
Working conditions	52	57	-5
Supervisor is competent in HR	41	46	-5
Comparable pay*	56	31	+24
Benefits*	66	46	+20
Expect to stay*	72	54	+17

* Since 1972 Sirota Survey Intelligence, 2009

Employee Confidence and Unions

One of the many reasons for the decline in union membership is nonunion company leaders' ability to deal more constructively with the human relations aspect of management. While human relations is important to employees, it becomes much less so as workers begin

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TM: How do you measure workforce performance?

Nelson: It's measured directly, personally, in response to your performance agreement and the measures that are established there, but it's about clear results. In our world, you're either making them or you're not. We hold people accountable for that.

From an operational perspective, we do operational reviews based on our core measures, and, at the end of the day, it is really about the quality of what we deliver, whether or not we meet the targets that we set out in the beginning.

TM: What compensation and incentive practices do you employ to help manage talent in your organization, and what results have you observed?

Nelson: We pay for performance as well as pay for market; that's our philosophy overall. And we really focus on total rewards, looking at the complete package from the standpoint of base salary, as well as our competitiveness to the marketplace.

We have an incentive awards or a short-term incentive process. In addition to that, we provide a long-term incentive plan for certain career positions. So all in all, it's a pay-for-performance system that has total rewards, but also clearly includes our benefit packages, our savings plan, our flexible spending accounts, and we offer tuition reimbursement, as well. We believe our pay-for-performance approach directly goes along with our performance culture.

TM: How have your workforce performance management activities contributed to Verizon's bottom line?

Nelson: Directly. For example, in our call centers, we conduct individual performance coaching for employees. They have a specific objective called average canceling time, which basically means how long they stay on the telephone. The work that my team does and the focus they provide, in clear partnership with the leadership team, can help to drive down those results and improve them significantly.

TM: What's next for Verizon in terms of talent management and workforce performance development?

Nelson: First and foremost, as far as workforce development is concerned, it is a process that we keep ever green. We are constantly looking at what's happening in the marketplace, what's happening from a technology perspective. What is the next best thing there, and what do we need to do to step up our game? **TM**

to worry about basics such as job security and their overall value to the company. Further, treating workers like disposable objects overwhelms all positive human relations activities.

This market — further facilitated by a favorable legislative environment — is creating perfect conditions for a union to approach employees and pitch such an argument. Figure 1 shows that, for the first time in more than 25 years, union membership has increased. There were 428,000 new union members in 2008.

There are seven specific considerations that labor-intensive companies should make in 2009:

- 1. Frontline managers:** Their attitudes and behaviors are critical to employee morale, innovation and effectiveness. When their satisfaction, commitment or motivation is low, their employees are more than three times as likely to be disengaged, 12 percent less likely to stay, 10 percent less likely to be innovative, and 33 percent more likely to be frustrated with systems and processes.
- 2. Process improvements and teamwork:** With fewer employees, resources and training opportunities, stress will increase. Focus on how work will be done differently. A collaborative environment helps lessen feelings of powerlessness and improve perceptions of feeling valued. These improvements carry over to hard business outcomes such as efficiency and innovation.
- 3. Developmental opportunities:** Though training and development likely have been cut in the current economic environment, managers can create job assignments that expand survivors' skills, increasing employee confidence and their perception of continued management interest. Increase the frequency of career-related discussions.
- 4. Including employees in solutions:** Ask for employees' help in the recovery effort to minimize feelings of powerlessness. They will feel included and also a sense of ownership for solutions and outcomes.
- 5. Transparency:** Communicate quickly, often and openly. Most survivors want to know whether the company will downsize further. Secrecy will add to feelings of powerlessness and anxiety. Clearly state why steps taken were necessary and how they will contribute to short- and long-term business success.
- 6. Respect:** Management behaviors that perpetuate second-class citizenship must be eliminated. These include heated garages for management, special dining rooms and different health benefits.
- 7. Measure:** Systematic attitude assessments enable management to ascertain the impact of its actions on company operations and morale. Create a labor index to identify and proactively target the locations, occupations or units that treat employees poorest. **TM**

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