

AFTER THE UPS STRIKE

Six Lessons for Healthcare Organizations

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On August 5, 1997, 185,000 employees affiliated with the International Brotherhood of Teamsters struck the United Parcel Service (UPS). The strike, which has been called the most significant U.S. labor action in a generation, focused on two issues: the status of part-time employees, and control of the employee pension fund.¹

Most labor analysts suggest that labor was victorious in this strike—although, as we will see, there are few “winners” in most labor/management disputes.² Nevertheless, UPS agreed to substantial raises for full- and part-time employees and abandoned its pursuit of an independent pension plan for workers. Perhaps most important, UPS agreed to convert 10,000 part-time jobs into full-time positions.

What lessons can be learned from the UPS/Teamsters confrontation? What steps can be taken so that similar issues will not diminish the productive working relationships that now exist in most healthcare organizations? Here are six lessons that can be gleaned from the UPS strike.

1. NOBODY WINS WHEN NEGOTIATIONS YIELD TO CONFRONTATION

John W. Alden, vice chairman of UPS, summarized UPS's perspective: “Our view is simple. There are no winners in this strike. Our customers suffered damage to their businesses and many were forced to lay off their own employees during the work stoppage. UPS lost more than \$600 million in revenues.”³

Employees lost as well. In fact, they lost more than two weeks' wages—\$1,500 for the average full-time employee. It will be months before they will regain lost wages through the new contract. Worse yet, some striking workers may find them-

selves without a job. Aggressive competitors such as Airborne Express, Roadway Package Systems, and Federal Express have garnered a share of UPS business that could result in 5 percent less daily volume and 15,000 layoffs at UPS.

Perhaps the biggest losers in the strike were UPS's clients. An estimated 90 million parcels—about half of UPS's business during the 15-day strike—were never picked up during the strike. The strike affected many people's lives; the *New York Times* noted: “The strike prevented many shop owners from restocking their shelves, hospitals from receiving supplies, and grandparents from shipping gifts to grandchildren.”⁴

As individuals and companies tally up lost sales and inconveniences, many state that they will never again be wholly dependent on UPS. Equally ominous for UPS is the fact that those who used other delivery services found their work satisfactory. Said Marcia Silva, manager at Danile Smith, Inc., a Seattle art materials store with a large catalog service: “We've learned that the postal service is much more reliable than we ever expected. We've set up a much more firmly established account with them.”⁵ The unsettling fact for UPS is this: Customers who never considered a shipping firm other than UPS now indicate they will establish ties with other companies, so that they will never again find their livelihood held hostage to one company.

Implications for Healthcare Organizations *In a competitive market, the best way to keep business is not to lose it in the first place. When a work stoppage takes place, all parties suffer. As former U.S. Labor Secretary Bill Brock said about the UPS strike: “It's absurd to talk about winners and losers in this situation. What these companies are probably saying to themselves is: ‘How did this get to be such a mess?’”⁶ To repeat:*

Strikes rarely produce winners. But they do produce a lot of losers: the company, employees, and consumers. Those in leadership positions in a hospital or long-term care facility should carefully avoid working conditions that lead to a labor confrontation. Labor leaders should go the extra mile before initiating a work slowdown or shutdown. Remember, customer loyalty is a mile wide and an inch deep. If your organization is unable to meet the needs of patients and their families, their loyalty will quickly shift to another provider.

The status of part-time workers was the big issue in the strike.

2. PART-TIME EMPLOYEES MATTER

Perhaps the most important issue in the UPS strike was the status of part-time workers. Of the 308,030 UPS domestic employees, 57 percent are employed part-time. The average hourly wage for full-time staff was \$19.95, and the average hourly wage for part-time employees was \$11.07. Fully 80 percent of UPS hires since 1990 have been part-time employees, mostly sorters and loaders.⁷ Management wanted the right to hire part-time employees in order to keep the company profitable. The Teamsters wanted UPS to narrow the gap between full- and part-timers, partly by pay increases and partly by creating more full-time jobs.

The Teamsters' argument to strengthen the economic status of part-time employees carried the day; UPS agreed to substantial raises for them. Perhaps more important, the company made a commitment to convert 10,000 part-time jobs to full-time during the next five years.

There is no question that part-time employees, with lower wages and fewer benefits, can improve the financial bottom line of most organizations. What's more, many part-time workers do not lament their part-time status. Studies suggest that of the 120 million U.S. workers who are employed part-time, 85 percent choose such employment because they wish to go to school, spend time with their families, or keep their income below Social Security limits.

Nevertheless, for part-time workers who want full-time employment and are unable to find it, morale erodes, especially when they realize they may never receive medical benefits or contribu-

tions to a retirement fund.

What can management do to improve the status of part-time employees? The first step is to make certain that their concerns are noted and addressed. The second step is to recognize their contributions, perhaps through employee recognition programs or letters of commendation.

Most important, part-time employees' wages must rise with the cost-of-living rate, and their salaries ideally should reflect the going rate for full-time employees in similar positions. One of the causes of the UPS strike was the fact that part-time employees were being paid \$8.88 less than full-time colleagues.

If economic considerations in an organization preclude a major adjustment in part-time pay, management should pay particular attention to improving benefits, even if the improvement is accomplished incrementally. The Burger King Corporation offers medical, dental, and company-paid life insurance to part-time workers who have worked 30 hours a week for six months. Delaying benefits for six months enables the company to assess workers' capabilities while keeping labor costs low and provides a valued reward when part-time employees become eligible for benefits.

Implications for Healthcare Organizations *Low-cost initiatives can improve the morale of part-time employees. For example, Walker Methodist, Inc., a long-term care organization based in Minneapolis, created "Walker University" which helps employees learn new skills. It also established "career ladders," which enable employees to advance economically, and promoted part-time employees into higher-paying full-time jobs. These actions created a reservoir of good will among employees. When these strategies were implemented, productivity and morale improved and absenteeism diminished.*

3. PUBLIC PERCEPTIONS MATTER

When a strike takes place, it divides the organization into two camps—management and labor—and frequently divides the community as well. Sides are quickly taken. Polls showed that right

from the start of the UPS/Teamsters conflict, the public was 2 to 1 in favor of the Teamsters. Additional surveys discovered that 55 percent of Americans thought the Teamsters were correct in pressing for more full-time jobs and greater control over their pension plans. Only 27 percent agreed with UPS's contention that it needed part-time employees to meet fluctuating customer demands.

Why would the public support a union whose reputation has been sometimes questioned? There is evidence that the professionalism, courtesy, and efficiency of UPS drivers had an impact. Dennis A. Tosh, who chronicled the strike, stated: "It is undeniable . . . that much of the public support was due to UPS package deliverers being among the most identifiable, regularly and (usually) welcomed workers encountered by most Americans—perhaps something of the modern equivalent of the milk deliverer of past times."⁸

However, the public's sympathy went to the striking workers for a deeper reason. Millions of Americans understood that the real issues were job security and the growing gulf between management and labor. Since 1989, the stock market has had an incredible run, bringing wealth to many upper-class people. The economy has grown by 18 percent while corporate profits have doubled to \$760 billion. In the same period, however, wages have barely budged, going up a modest 2.8 percent.

What happened at UPS is a microcosm of personnel practices in other organizations in which there exist two tiers of workers: the upper "core" workers who enjoy the best pay, benefits, and wage increases, and the lower tier workers who are primarily temporary and part-time (today approximately 20 percent of all employees are in the lower tier). The Teamsters wanted to narrow the gap between these two tiers. The public understood this and threw the weight of public opinion to the Teamsters. As labor expert Harley Shaiken stated: "This time, the core issues resonate with the anxieties of average Americans."⁹

Implications for Healthcare Organizations *Job security is an important issue for employees, particularly as organizations downsize or outsource jobs to private companies. Alan Greenspan, Federal Reserve Board chairman, noted in 1991 that 25 percent of workers in large organizations feared being laid off. The number today has risen to 46 percent.¹⁰ What can be done to alleviate employees' fears? Be honest, even if the news is negative. Where possible, provide security through long-term contracts. In union negotiations, remember this point: Today's labor settle-*

ments focus on issues of job security. A long-term contract can represent a win-win situation for both management and labor. Management wins because there is a longer source of labor stability. Labor wins because employees have additional economic security.

4. STRIKES BEGET STRIKES

In general, wage settlements for one group of workers will influence wage expectations of other employees. If, for example, a 4 percent salary increase is given to one group of employees, other groups will assume that it represents the basis for subsequent negotiations, despite the fact that the economic situation of the two groups is dissimilar.

Economists refer to this practice as "pattern bargaining." The ink had barely dried on the strike settlement paper when UPS pilots, through the Independent Pilots Association, sent a recommendation to dramatically raise pay over a five-year period for flight captains, copilots, and flight engineers. Workers in other industries demanded similar concessions. Delta pilots started "informational picketing," seeking to win public support for their demands even before sitting down at the bargaining table. "The Teamsters' victory," stated the pilots' union president Dennis Dolan, "has given us a sense of empowerment."¹¹ According to *Business Week*, the UPS settlement gave workers the confidence to "demand a little more in their paychecks, better job security, (and) more generous benefits."¹²

Implications for Healthcare Organizations *Average wages today remain lower, after adjusting for inflation, than their all-time peak in 1973. Workers left behind by the economic expansion are determined to improve their economic status. They carefully note wage/benefit increases of other bargaining groups. And, in an era of full employment, workers are more apt to strike to achieve their demands. The bottom line is this: Leaders in healthcare organizations should treat temporary, part-time, and lower-paid workers fairly. They should recognize that any settlement made for one group of employees will significantly affect requests made by other groups. Pattern bargaining will likely be the rule, not the exception.*

5. KEEP YOUR STORY STRAIGHT

One of the most important lessons learned from the UPS strike is that each opposing group must keep its story focused and must repeat it at every turn in the road. Why did the Teamsters win the battle, at least in the minds of the public? They found a hot button: America's resentment

toward corporate managers for holding down workers' wages at a time in which profits and executive salaries are soaring. Depicting the UPS 175,000 part-time workers as victims of insecure jobs and low pay carried the day in the court of public opinion. Conceded John Alden, UPS vice chairman, "[Ron] Carey, the Teamsters' president, wrapped himself in the American flag and his message resonated. We couldn't successfully fight his emotional arguments with logic."¹³

Not only did the Teamsters find an issue that would resonate with the public, but they delivered their message forcefully. A fundamental rule that should never be violated when a crisis hits an organization is to have one person manage the communication with the public. That person should be able to skillfully deliver a few unified, coherent, and simple messages. According to *Fortune* magazine: "UPS damaged itself by allowing as many as a dozen human resource executives to answer questions from the press. The scattered approach prevented the company from pounding home a few points . . ." ¹⁴ As one executive who was in charge of corporate communications during his company's labor negotiations said: "UPS had too many people delivering messages that jumped around. It's too bad, because the company had a great story to tell."¹⁵

Implications for Healthcare Organizations *Seventy-five percent of serious personnel problems in an organization arise slowly.¹⁶ Establish an early warning system to detect possible problems, prior to management/labor negotiations. Have a communications plan for external and internal audiences. One person should transmit information.*

6. REKINDLE LOYALTY

Several time-tested strategies bring healing after relationships have been disrupted by a labor dispute.

Opposing sides should do everything possible to understand one another. In my experience 90 percent of the breakdowns in communication at the time of labor negotiations are not due to disagreements, but to misunderstandings. When issues are volatile, opposing individuals often do not hear one another accurately. As they interpret what they heard to their constituents, they often communicate additional dissonance. Therefore, when conveying important news, management should use two channels of communication, oral and written. Communicating face-to-face allows one to correct misunderstandings, and communicating in writing documents the messages conveyed.

Managers should always treat employees

with respect, particularly in moments when tensions leap to the surface. They should avoid personal accusations and keep communication channels open. Finally, after an agreement has been reached, management-labor work teams should work out the details of any settlement and find ways to better collaborate on sensitive issues.

From this perspective, the future looks bright for UPS and its employees. During the strike, each side kept the communication channels open and sought ways to cooperate. Management's rhetoric was mild and conciliatory. No threat was made to replace striking workers. In turn, the union kept pressing for a collaborative agreement and avoided making nonnegotiable demands. In addition, they backed down on their goal of obtaining a three-year contract rather than five.

Now that the strike is over, most labor analysts are impressed by the swift way the company is regaining business and the trust of employees. Perhaps most important, employees have been impressed that the UPS leadership has not complained about the terms of the settlement nor have they denigrated the union.

Implications for Healthcare Organizations *Following labor disagreements, hostilities must be laid to rest. Providing open communications and demonstrating respect for employees at all times help maintain workers' trust. One of the best ways to build trust is to establish management/labor work teams to resolve issues and to determine new ways to better serve the community.*

IT CAN HAPPEN HERE

One last point is worth mentioning. Although many healthcare organizations are not unionized and labor relations have been positive, there is a new mood in the country. According to *Fortune* magazine, "Don't think your company couldn't be attacked. Every company in America should pay attention to what happened to UPS. Corporate loyalty is dead, but management doesn't know it."¹⁷ There is more than a kernel of truth in this observation. Today, lower-paid employees are less willing to remain silent when they perceive salary and benefit discrimination.

Healthcare leaders can respond by resolving smoldering personnel issues—especially those affecting part-time and temporary employees. Making a strong commitment to address all employees' grievances quickly will defuse resentment and support a productive environment of mutual trust. □

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NOTES

1. Steven Greenhouse, "In Wake of Strike at UPS, a Crush of Parcels Awaits," *New York Times*, August 21, 1997, p. A12.
2. Steven Greenhouse, "A Victory for Labor, But How Far Will It Go?" *New York Times*, August 20, 1997, p. 1.
3. "UPS Strike Lesson: There Were No Winners," *USA Today*, August 25, 1997.
4. Steven Greenhouse, "UPS Says Fears of Bigger Losses Made It Cut Deal," *New York Times*, August 20, 1997, p. 1.
5. Greenhouse, "In Wake of Strike," p. A12.
6. Greenhouse, "In Wake of Strike," p. A14.
7. Daniel Pedersen, "Big Brown's Union Blues," *Newsweek*, August 18, 1997, p. 50.
8. Dennis Tosh, "After the UPS Strike: The Impact on Compensation and Benefits," *ACA News*, October 1997, p. 12.
9. Pedersen, p. 50.
10. Tosh, p. 12.
11. Paul Magnusson, "A Wake-Up Call for Management," *Business Week*, September 1, 1997, p. 28.
12. Magnusson, p. 28.
13. Linda Grant, "How UPS Blew It," *Fortune*, September 29, 1997, p. 30.
14. Grant, p. 30.
15. Grant, p. 30.
16. Grant, p. 30.
17. Grant, p. 30.

Upstream Thinking in the Wake of the UPS Strike

In this issue of *Health Progress*, Robert Veninga examines the United Parcel Service strike of August 1997 and proposes several lessons to be gleaned from the dispute. He suggests that absorbing these lessons can help healthcare organizations minimize the chance for future breakdown of "the productive working relationships that now exist in most healthcare organizations." Among the lessons: Strikes do not benefit either labor or management; the concerns of part-time employees cannot be ignored; disagreements between labor and management can arouse and polarize public sentiment; and there are no definite winners and losers in labor/management confrontations.

There is wisdom in these lessons and leaders in Catholic healthcare organizations would do well to consider their implications. However, Dr. Veninga's analysis reflects "downstream" thinking—thinking that seeks solutions for problems after they occur: "People are drowning in the river and we must devise a plan to save them." "Upstream" thinking, on the other hand, addresses issues before they become problems. This approach asks: "Why are people in the river in the first place?"

Can leaders in Catholic healthcare think this way about work and workplace issues? Certainly, because Catholic social teaching provides ministry leaders with the perspective needed to take such an approach. From Pope Leo XIII's encyclical *Rerum Novarum* through Pope John Paul II's *Laborem Exercens*, the social teaching of the Church offers clear guidance on the meaning of work; the primacy of the worker over the work done; and the need to create an environment in which the dignity of all workers is honored, fostered, and nurtured. For example, in *Laborem Exercens*, Pope John Paul II explains that work is a basic dimension of human existence and that through work the person participates in the creative activity of God. Work is a fundamental way in which persons find fulfillment, contribute to the common good, and become good, become holy. The primary value of

work resides in the worker, the subject of work, and not in the product or outcome of work done.

These are trying times for everyone involved in healthcare. As Catholic healthcare organizations seek ways to respond to market-driven changes, the well-being of all workers is at stake, as is the ethical integrity of the organizations themselves. It would be good for workers throughout the Catholic health ministry, from CEOs to aides, nurse managers to housekeepers, to revisit the fundamental insights Catholic social teaching provides about work and the workplace. Informed with such insights, dialogue between labor and management in Catholic healthcare organizations could go a long way toward ensuring both the well-being of workers and the integrity of our organizations.

Thoughtful reflection and respectful conversation based in the values of Catholic social teaching will in the long run be more productive than a focus on real or perceived problems between labor and management in an organization. These conversations could address such questions as: Why do I work? Why do we come together to work? How can the workplace be structured so that all workers find meaning and fulfillment in the work they do?

CHA will host such a conversation at a breakout session during the 1998 Catholic Health Assembly in New Orleans. Using a technique known as *Dialogue*, participants will seek to model a new way of thinking and conversing about work, workers, and the workplace. The overall goal of the session is to promote a greater understanding of matters of justice in the workplace based on deepened insights about the nature and meaning of work. Participation in *Dialogue* is limited, so reserve your place early!—Sr. Jean deBlois, CSJ, PhD, vice president, Mission Services, and Ann Neale, PhD, senior associate, Mission Services, Catholic Health Association, St. Louis.

For more information on the 1998 Catholic Health Assembly, see pp. 17-19.