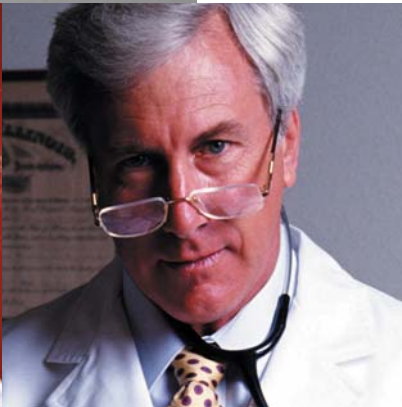




Photo Courtesy of Greater Buffalo Convention and Visitors Bureau



WORK

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INTRODUCTION

INTRODUCTION



## ORIGINS AND BACKGROUND

This study examines private sector employment, workplace practices and labor-management relations in Western New York (WNY) from the mid-1980s to the present. It is a regional assessment, a benchmark designed to help the public and private sectors make informed decisions regarding enterprise and regional development. Cornell University School of Industrial and Labor Relations conducted the study as part of its public service mission, with financial support from New York State.

Over the last decade we have seen economic development strategies provide competitive identity to geographic regions. Many of today's most thriving regions are believed to foster innovative ideas and industries. Boston is the center of a "thinker" region and Miami a "trader" region, to use the terms of Rosabeth Moss Kanter. Areas like Spartanburg-Greenville, South Carolina have prospered by becoming widely recognized as a cutting-edge "maker" region, an image that would seem within the reach of a Greater Buffalo once known internationally as a major manufacturing center. However, as our area lagged behind the national economic boom of the 1990s, in the eyes of many, our image was not "world class."<sup>1</sup>

But is the image of WNY consistent with reality? If so, what are the essential features of that reality? Surely a clear understanding of the area's shortcomings should serve as the foundation for regional improvement. And if a negative image is not in harmony with the facts, how might one more accurately portray the region? If individuals and organizations in WNY are to advance themselves

and the region in this new century, they must act on the basis of a realistic understanding of the area's labor relations and workplace practices. This study is aimed at providing the foundation for such understanding.

Citizens of WNY know their region has experienced wrenching changes as the global economy has become transformed in recent decades. But the record also shows that often individuals and organizations have responded to this challenge by aggressively working to meet or exceed the market requirements of their respective industries. Numerous economic reports suggest these efforts have indeed made a difference. Foreign exports, for example, have grown considerably in recent years – more than doubling between 1993 and 1997. Moreover, significant business innovations have created new jobs at area facilities maintained by large enterprises including American Axle and Manufacturing, Honeywell (formerly AlliedSignal), and Quebecor World. Recent investment decisions by General Motors and Adelpia reflect strong confidence in the region's workforce. Furthermore, business analysts studying the region have long observed that the region does not have a high level of work stoppages. They have also noted numerous examples of collaborative problem solving among labor and management. Indeed, in the view of one consulting firm writing in the mid-1980s, labor relations in the region provides "success stories" capable of serving as a model for others.

Last year, relocation consultants assessed WNY strengths and weaknesses for the newly formed regional-development group known as Buffalo Niagara Enterprise (BNE). The consultants reported that the region does indeed include many world-class facilities - such as the Tonawanda engine plant, which General

Motors has called one of its most productive. They also noted “a perception that the region has an unfavorable labor-management atmosphere, especially for company executives who are not accustomed to dealing with unionized workers.”<sup>2</sup>

As these findings were being reported, AFL-CIO labor councils within WNY were establishing their own organization in an effort to participate more fully in economic and job development initiatives. The leaders of this new AFL-CIO Economic Development Group (EDG) considered the fact that the negative perception of area labor relations was far more widely known than the existence of a highly-capable workforce – a feature that the location advisors rank among the region’s greatest assets. The result was a decision to explore regional promotional initiatives. The EDG also considered the fact that a negative labor image was perpetuating itself while the underlying reality remained largely unexplored. Discussions about this second matter led EDG leaders to contact the Western Region of Cornell University’s School of Industrial and Labor Relations (Cornell ILR).

Assistance from the WNY delegation to the New York State Legislature and Assembly Speaker Sheldon Silver enabled Cornell ILR to secure a NYS Department of Education grant to conduct the present study. In early 2000, the ILR Western Region established a research team who set to work on the project. Like this report, the research is based on two different views of workplace dynamics. The first is a big picture of workplace practices, collective bargaining and labor-management problem solving in the region, compiled from a representative survey of the area’s private sector employers and unions. The survey explores the extent to which area employers utilize innovative (sometimes called “high-performance” or “flexible”) workplace practices. Also examined are the effects of such practices on enterprise productivity and performance. For unionized enterprises, the survey reports on collective bargaining and labor relations experiences, and indicates how both union leaders and employers assess their labor-management relationship. The nationally-recognized Computer-Assisted Survey Team (CAST) at Cornell University conducted the employer and union surveys.

The second view is a close-up examination of employer-union and employer-employee relationships in 15 case studies. Case studies supplement survey findings in two main ways. First, they allow investigators to explore details

of how labor-management relationships evolved over time. Thus, the interviews traced the initiation, design, implementation and evaluation of constructive employee-employer relations and innovative workplace practices. Second, industrial relations scholars have long recognized that human resource practices acquire their full significance as part of an entire set of organizational structures, strategies and practices. Case studies enable investigators to consider individual practices in their proper context.<sup>3</sup> The cases are drawn from interviews conducted by members of the Cornell research team, a combination of faculty and practitioners. The team interviewed employee and enterprise representatives from more than 15 producers of both goods and services in WNY.

**This report summarizes both the survey and the case study investigations of workplace practices in the region. It is called *Champions at Work* because the findings clearly indicate that in workplace practices, labor relations, and workforce quality, this is a world-class region. They provide evidence to support a high road economic development strategy based on innovation, quality, productivity and high-value in return for increased opportunity, high skills, good wages and working conditions. These investigations reveal a dynamic of cooperation and constructive balancing of interests at the workplace that lead to ongoing productivity improvements and enhanced opportunities for participation. They confirm the results of other recent studies that unions contribute to the success of high-performance workplaces.**<sup>4</sup>

## **SURVEY HIGHLIGHTS**

### **WORKFORCE QUALITY AND PRODUCTIVITY**

- ▶ 65% to 74% of employers and unions say they have a higher quality workforce compared with facilities outside Western New York, while a mere 2% of all respondents report lower quality.
- ▶ Workforce productivity compared with competitors in the same industry is reported higher here by 69% of unionized employers, 63% of non-union employers and 75% of unions, with only 5% of respondents reporting lower productivity.
- ▶ Stability characterizes the workforces, with unionized workforces exceeding non-union ones in seniority and experience.
- ▶ Absenteeism is reported as an insignificant problem by well over three-quarters of all respondents.
- ▶ Overall, average compensation is reported to be comparable to slightly above industry averages; while unit labor costs vary little from industry averages.

### **FLEXIBLE OR HIGH-PERFORMANCE WORKPLACE PRACTICES**

- ▶ Both employers and unions report more extensive use of workplace teams than found in national studies, with 72% of unionized employers and 63% of non-unionized employers utilizing teams.
- ▶ 65% of unionized employers and 52% of non-unionized employers utilize employee involvement systems or quality circles.
- ▶ 62% of employers and 46% of unions report having instituted job rotation or cross training.
- ▶ With the exception of job rotation, unionized workplaces make more extensive use of flexible practices than do non-union ones.
- ▶ Flexible workplace practices are positively correlated with employment stability to moderate growth in employment.
- ▶ Variable compensation systems are more likely found within organizations that have adopted flexible workplace practices.

### **EMPLOYEE COMMUNICATIONS**

- ▶ Employers report utilizing a wide range of communication mechanisms to inform the workforce about the business.
- ▶ Unionized employers utilize employee communications practices more extensively than non-union employers do.

## **WORKFORCE DEVELOPMENT**

- ▶ 80% of all employers have increased employer-financed training over the past decade, with unionized employers indicating a greater increase.
- ▶ Training is also positively correlated with the use of flexible workplace practices.

## **LABOR-MANAGEMENT RELATIONSHIPS**

- ▶ Overwhelmingly unionized employers and unions report their relationship as a positive one, with 56% of respondents characterizing it as harmonious, 22% as professional, and only 22% as adversarial.
- ▶ The connection between good labor relations climate and flexible workplace practices is statistically significant.
- ▶ 70 % of union leaders and employers report that they successfully negotiated the last labor contract in the same or less time than the previous one.
- ▶ In information specifically requested for this study, Federal Mediation and Conciliation Service data reveal that in no year since 1985 has Western New York experienced a work stoppage rate that reaches the national averages. Since 1990, work stoppages in this region were well below half the national level and occurred in less than one percent of all contract negotiations.
- ▶ More than twice as many survey respondents indicate decreasing grievance activity as those reporting increases, with unionized employers reporting greater decreases than non-union employers.

## **JOINT LABOR-MANAGEMENT PROGRAMS**

- ▶ The survey finds widespread joint labor-management programs in unionized workplaces.
- ▶ 63% of both unions and their employers report that these joint committees improved productivity, while less than 2% think they had a negative impact.
- ▶ Similarly, well over half of both employers and unions report that joint programs positively contribute to their improved competitiveness, again with less than 2% indicating a negative impact.



## TO THE READER

People living and working in Western New York see ingenuity, productivity, determination and cooperation in their workplaces on a daily basis. In many ways, we take our work ethic simply as a fact of life. *Champions at Work* tells that everyday story about how our regional economy runs. It is a story worth reading all the way through. The insights and accomplishments reported here should provide guidance as the region meets the continuing challenges of working in the 21st century.

- <sup>1</sup> Rosabeth Moss Kanter, *World Class: Thriving Locally in the Global Economy* (New York 1995).
- <sup>2</sup> Brian Meyer, "WNY Needs a 'Killer' Slogan, Marketers Tell BNE," *The Buffalo News* (July 17, 1999).
- <sup>3</sup> Thomas A. Kochan and Paul Osterman, *The Mutual Gains Enterprise* (Boston, 1994).
- <sup>4</sup> Sandra E. Black and Lisa M. Lynch, "How to Compete: The Impact of Workplace Practices and Information Technology on Productivity," *National Bureau of Economic Research Working Paper No. 6120*, August 1997.



### STUDY OBJECTIVES

The objectives of this study are to:

- ▶ provide valid, empirical information about the workforce, workplace practices and labor relations in Western New York's private sector economy
- ▶ analyze regional trends in workplace change and labor relations over the last 15 years
- ▶ examine the impact of those changes on productivity, competitiveness and compensation
- ▶ benchmark the experiences of this region against national data
- ▶ explore in-depth selected case studies of companies and unions with notable records of success in their industry and in the regional economy
- ▶ establish a network of business and union leaders to sustain, enhance and expand the region's best workplace practices to other areas of both the private and public sectors.

We addressed the first four of these objectives mainly by the survey of Western New York employers and unions, reported in Chapters 3 and 4. The latter two objectives are addressed by the case studies, reported in Chapters 5 to 11.

### EMPLOYER AND UNION SURVEY

The project team designed the survey instrument to provide information comparable to other studies of workplace practices and labor relations. The Computer-Assisted Survey Team of Cornell University assisted in the development of the survey instruments as well as in the analysis of data.

Both the employer and the union surveys contain 59 specific questions, often with a range of specific multiple-choice answers. Those questions were divided into larger categories labeled Demographic and Workforce Characteristics, Human Resource and Workplace Practices, and Labor Relations. The instruments for unions and for employers have matching questions to permit comparisons. The surveys also have open-ended questions to allow respondents to comment or elaborate on their answers, providing rich detail behind the numbers of this study. All data along with the comments were available to the research team.

The geographic scope of the study is the eight western counties of New York. The survey sample for employers is based on Buffalo Niagara Enterprise's database of all private sector employers in the region. Assuming a total of over 10,000 employers in the region, CAST determined that 369 completed surveys would be required to achieve answers that would be representative of all employers, with a 5% or less error rate. From the BNE list, CAST randomly generated batches of 200 companies that represented the total distribution of the original sample. Each batch of 200 was representative in terms of company size to the entire file. They mailed letters to the targeted individuals in those 200 companies. CAST requested that the respondent be that person most knowledgeable about the workforce, work methods, labor relations and human resource practices of the employer.

When the required target of 369 was reached, the CAST team stopped surveying, though the actual number of completed responses from employers was 377. These 377 completed surveys represent a 60% completed response

rate out of a total of 626 requests. The letters requested time to schedule a telephone interview and the actual survey instrument was administered by the professional staff of CAST during those telephone interviews.

Similarly, union representatives were interviewed using the union survey. Because of the smaller total number, the union sample represented the total universe of unions generated from the New York State Department of Labor database, updated by CAST only as they found address and contact corrections. That total is 202 unions, out of which 123 surveys were completed, for a response rate of 61%. The response rates from both the employers and the unions are very favorable compared with national surveys. The information and analyses presented in this report are but the beginning of the examination of this very rich base of information about the region.

## CASE STUDY METHODS

The cases reported in Chapters 5 through 11 were selected by those members of the research team who were working with the AFL-CIO Economic Development Group and BNE on the Champions at Work network. They identified individual leaders in both the companies and unions who were then interviewed in person, following a structured interview format. The interview teams usually had both a Cornell ILR Western Region faculty member as well as a practitioner, although occasionally only one person conducted the sessions, all of which were audio-recorded. Interviewers also encouraged the company and union representatives to provide any additional information about their case study that did not necessarily fit the format of the structured questions, assuring that the most relevant information was gathered for each case.

Cornell ILR researchers and interns then transcribed all case study interviews, compiling a huge written record. They also researched each company for descriptive background information concerning products, corporate structure, locations, and employees, and gathered information on membership and affiliations for unions. An extensive report was then written for each of the case studies.

We present here only the greatly-abbreviated highlights of each of those studies. These case studies only begin to recognize the many innovative firms and unions in Western New York.

