

INSIGHTS

LABOR STRATEGY:

Union Negotiations – Getting Strategic

STRATEGIC NEGOTIATION: YOU HAVE ONE CHANCE TO GET IT RIGHT

The collective bargaining agreement between your company and its workforce is expiring in 6 months, millions of dollars are at stake, the union wants a pay increase, corporate wants increased profitability, and you are responsible for making everyone happy. What do you do?

- A.** Panic
- B.** Assume nothing has changed since the last round of negotiations and reuse the previous negotiation strategies
- C.** Avoid conflict with employees by giving a 3% pay increase
- D.** Develop an action plan centered around the changes in the business environment, employee preferences, and long-term competitiveness

Unfortunately for many management teams, the typical response is a combination of **A**, **B**, and **C**.

However, approaching union negotiations with a proactive and focused plan will improve the outcomes for all parties. Union contract negotiations no longer need to be cause for concern. Upcoming negotiations should be viewed as an opportunity for the two parties to come together and evaluate what worked well in the past and what will work well in the future.

COMPONENTS FOR SUCCESS

Fairness

The first component in union negotiations is to approach the situation with fairness. The success or failure of your business is driven by your ability to actively recruit, retain, and manage employees. Union contract negotiations have very real impacts on both the business and employees. Outcomes viewed as dubious, disingenuous, or unfair will leave a significant negative mark on employee-employer relations. While unfair outcomes may not immediately be apparent on the financial statements, the long-term effects can be extremely damaging and potentially unreparable. Fair and equitable negotiations are paramount to successful long-term relationships.

Vision

The second critical component to successful union negotiations is to approach the negotiations with a long-term strategic vision. Positive employee-employer relationships are based on long-term shared goals that are mutually beneficial to both parties. Union negotiations are not the time to squeeze extra cost savings in an attempt to meet next quarter's numbers. Short-term thinking will cause long-term problems. Union negotiations are the time to set the operational foundation and to make sure that the facility is correctly positioned to respond to changing customer preferences, dynamic competition, and new opportunities. When approaching union negotiations, managers need to look beyond the current year's numbers and focus on the long-term 5-year and 10-year plans. Long-term thinking will promote long-term growth and success.

Employee Preferences

The third component to successful union negotiations is to know what the employees want and do not want. Many times, negotiations fail to adequately include employee preferences and miss out on potential opportunities.

Union negotiations are the perfect time to act on employee preferences and improve the working relationship. For example, in the past the majority of employees favored 8-hour shifts. Demographic changes have created a larger portion of employees that favor working 10-hour or 12-hour shifts with more days off per week. The current form of many collective bargaining agreements does not specifically address situations where employees work alternative shift lengths and, as a result, limits opportunities to make employees happier. Due to rigid contract language, alternative schedules that better align employee preferences with their actual work schedules are not

easily implementable – even if preferred by employees. Before going in to negotiations, managers need to fully understand employees' preferences, as there may be several opportunities to make the employees happier and more engaged while improving the core business.

Negotiating collective bargaining agreements with unions should no longer be a source of panic and worry. While the outcomes of the negotiations have profound impacts on the business foundation, in the end, both parties have similar long-term vested interests.

To learn more about union negotiations and how to maximize value for employees and the business, contact John Frehse.



JOHN FREHSE
Senior Managing Director

john.frehse@ankura.com
[+1.212.534.0539](tel:+12125340539) Direct

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