

Why union
leadership is
key to achieving
organizational
transformation

November 2023

EY

Building a better
working world

Executive summary

Today, more than ever, public sector organizations must transform to meet the needs of a rapidly changing world. Many of these organizations have unionized workforces. In these environments, human resource leaders may feel as if their approach and relationship with unions is entirely governed by legal instruments. Instead, Ernst & Young LLP (EY US) believes that effective unionized organizations can achieve a significant collaborative partnership that undergirds organizational performance and well-being. Union and government leaders can achieve their missions together by placing Humans@Center, collaboratively engaging in early communication, building mutual trust and confirming early alignment on objectives. To understand how public sector and human resource leaders can begin to shape these efforts, EY US recently held a series of workshops to define what a successful organizational transformation looks like while engaging with union representation. Participants had decades of collective experience working in and out of industry, public organizations and unions.

The workshop participants identified three categories of takeaway from the workshop: current trends in the labor market, common roadblocks to successful transformation and the key drivers for a successful transformation with unions. Currently, skyrocketing demand for top talent and significant generational shifts are reshaping the labor market and working styles. Responding to this new environment will require collaboration for unions and management to constructively transform their workforce. While working toward this, unions and management may face several obstacles, including limited communication, trust and creativity between the two groups. Overcoming these obstacles will require leaders of both groups to utilize key drivers for success, including inspirational leadership viewing all involved as being empowered and encouraged to collaborate and build a vision for the new workforce and organization.



Introduction

Many humans have experienced a move. Whether it is switching schools, changing jobs or relocating to a new home, a move is not always comfortable. One must learn, adapt and undergo growing pains. However, if others around them are supportive and understanding, the change experience can happen more smoothly. If peers can befriend a new student, or long-time employees can teach a new hire, or neighbors welcome a new resident, the adaptation and integration for that individual will be better. These efforts to support change do more than convey selflessness – they create a thriving ecosystem for all. All parties must be open to caring for the needs of the other throughout times of change.

Similarly, the process of change within a government agency is often multi-faceted and intricate. Unions can be a major enabling factor within a transformation if their influence is leveraged effectively to increase change readiness and adoption. However, the relationships between unions and organizational leadership may be fraught for reasons that, on the surface, have nothing to do with the transformation effort underway but can significantly impact the likelihood of success. Potential common misunderstandings may come from a variety of sources including, but not limited to, a culture of mistrust within an organization, ongoing efforts to determine the best options for confirming safe and productive workplaces for all, the duty of care inherent within unions, and concerns about employee job security. As federal, state, local and education agencies and their unions embark on substantial change initiatives, we must consider how organizations can most ideally navigate intricate bureaucratic processes, while still cultivating a trusting atmosphere, and striving toward achieving fair representation for their workforce. At EY US, we understand these challenges and structure our approach considering both our deep knowledge of what positions government change efforts to achieve anticipated outcomes, as well as the critical role that unions play. We strongly advocate for collaborative effort as the linchpin of successful transformation.

To begin to understand how best to support successful transformations with union representation in the future, we held a workshop of 40 subject matter resources and practitioners at EY US with experience working with unions from a wide variety of industries. Our overall objective was to develop a seminal perspective on leading successful transformations with unions present.

This perspective is intended to serve two primary functions:

- 1) A tip of the spear – to empower our clients with unions to say ‘yes’ to transformation efforts.
- 2) A north star – to provide guidance for engagements so they may maximize the management/union relationship – while “not” preventing union leaders from protecting their members – and ultimately lead a successful transformation effort among all involved.

We paired our workshop findings with current union trends, and our understanding of common roadblocks for transformations in organizations with unions involved, to highlight a path forward that EY US can offer that is also augmented by our latest Humans@Center research. The increased public conversation underway around unions highlights the imperative to integrate unions’ needs and support expectations as management considers undertaking transformation efforts. Transformations may fail or fall short of expectations because of a lack of change management planning and execution that holistically considers unions as key players in these efforts. If all parties work together from the beginning to design and adopt the change, the transformation effort can be positioned for greater success.

Current trends

The current economic and cultural landscape presents both management and unions with shared challenges and opportunities. An all-time high demand for top talent, significant generational shifts and the rise of automation are concurrently redefining work styles and necessary skill sets. Attracting, developing and retaining a new generation of workers has emerged as a shared challenge, presenting a unique opportunity for enhanced collaboration between management and unions. This shared recognition provides a common ground for cooperation, allowing both parties to work together to future-proof their workforce during these unprecedented times.



The conversations around unions in the public sector and, especially now within the private sector, are gaining greater traction, with unionizing taking place and demonstrating significant influence at major commercial companies in restaurants and hospitality, in e-commerce, within the transportation industry, and even in Hollywood. Health care workers and educators feel the pressure to strike to be heard. Even graduate students at universities are voting to unionize for better stipends and benefits. News outlets and the White House are lauding the “union boom.” Unions are becoming more common and relevant in diverse fields not seen previously, and they are affecting myriad aspects of

our lives. Due in part to the increase of media coverage of unions, there is an increase in public sentiment for them. According to Gallup, American approval of unions is at an all-time high (71%) since 1965.¹

Workers in the public sector are continuing to organize. The Bureau of Labor Statistics shared that the absolute number of union jobs increased by about 200,000 in 2022.² The National Labor Relations Board (NLRB) reported that 2,510 union representation petitions were filed in fiscal year 2022, which is a 53% increase over the previous year.³ There was also an uptick in strikes and numbers of workers on strike in 2022 compared with 2021.⁴ The NLRB provided significant “pro-union” decisions in 2022 that signaled more legal support for favorable changes to rules on topics such as union insignia, union dues payments and “micro-units.”⁵ In August 2023, the U.S. Treasury Department released a first-of-its-kind report on labor unions, which shows that unions both strengthen the middle class and grow the economy at large.⁶ Union activity remains an integral part of working life, an invaluable source of security and strength for union members, and a benefit to the US economy.

It is also worthy to note that some key union trends remain unchanged. Public-sector workers have a union membership rate that is five times higher than the rate of private-sector workers, at 33.1% and 6% respectively. Men also maintain a higher membership rate at 10.5% compared with women at 9.6%, though this gender gap is shrinking. Black workers are more likely to be union members than White, Asian or Hispanic workers.⁷

As unions continue to make appearances in news headlines, leaders must find a way to balance the needs and desires of all parties as they undergo organizational transformation efforts. Legal and public image implications weigh heavily as possible consequences for taking missteps while navigating union concerns. Federal, state, local and education leaders and their union membership should come together to build a more unified working relationship.

¹ “U.S. Approval of Labor Unions at Highest Point Since 1965,” Gallup website, <https://news.gallup.com/poll/398303/approval-labor-unions-highest-point-1965.aspx>, accessed September 1, 2023.

² “Union Members Summary - 2022,” U.S. Bureau of Labor Statistics, 19 January 2023, ©2023 U.S. Department of Labor.

³ “Election Petitions Up 53%, Board Continues to Reduce Case Processing Time in FY22,” National Labor Relations Board website, https://www.nlr.gov/news-outreach/news-story/election-petitions-up-53-board-continues-to-reduce-case-processing-time-in?utm_source=npr_newsletter&utm_medium=email&utm_content=20230227&utm_term=8035455&utm_campaign=money&utm_id=208962&orgid=92&utm_att1=, accessed September 1, 2023.

⁴ Labor action tracker: annual report 2022, Cornell ILR Labor Institute, 2023.

⁵ Prybylski, David J. “Unions By the Numbers: 2023 Edition,” The National Law Review, 19 January 2023, ©2023 The National Law Review.

⁶ “Labor Unions and the U.S. Economy,” U.S. Department of the Treasury website, <https://home.treasury.gov/news/featured-stories/labor-unions-and-the-us-economy>, accessed September 1, 2023.

⁷ “Union membership dropped to record low in 2022”, Politico website, <https://www.politico.com/news/2023/01/19/union-membership-drops-to-record-low-in-2022-00078525>, accessed September 1, 2023.

Common roadblocks to change efforts between organization leadership and union membership

Union concerns are valid, and management must strive to understand their perspectives. How can unions be expected to engage when there are concerns about job security, unclear workload shifts, and general uncertainty from changes the potential transformation could bring about? As the world evolves, public organizations will continue to have to adapt, and both union leaders and management will need to jointly consider the ramifications of external changes

impacting their employees. If respect, empathy and care for people are consistently exhibited by all involved as change initiatives move forward, the relationship between federal, state, local and education leaders and unions can be fruitful and mutually beneficial. As the subject matter resources on our internal panel noted, this is dependent on investing early in overcoming several common roadblocks that can stand in the way of a successful change effort:

Lack of communication between the organization and the union

Administrative leadership risks spending too much time planning for the transition without communicating that change early and often enough to their unions.

Lack of co-creation between the organization and the union

Public organizations should include unions during the scoping and discovery phases of any successful transition where they can develop a shared sense of ownership and buy-in.

Insufficient understanding between the organization and the union

Most disagreements and change conflict during transformations stems from a lack of mutual comprehension and agreement on foundational principles and concepts, including time and effort the organization is requesting of unionized employees to participate in additional work efforts a transformation may require.

A common roadblock to avoid is lack of communication that can hamper change efforts early in the process and possibly increase time and cost over the length of the transformation effort. Our experienced panel emphasized that “underestimating the significance of proposed changes” could lead to future confusion and sow doubt in the minds of all participants. It is important to gain an appreciation for their perspective and “all the changes occurring in the employees’ work lives” in order to build meaningful relationships with a high degree of trust during an organization-led change effort.

Minimal communication can often lead to a lack of co-creation, especially when combined with an insufficient

understanding between the parties. Lack of co-creation specifically refers to a situation where the organization and the unions do not have equal ownership in the change to be undertaken. Unequal ownership, especially when it is experienced by the union representatives, can be detrimental to the overall success of the change effort.

Importantly, the panel also spoke to the need to build good relationships early, and at the grassroots level. Often, labor groups see a “need for both negotiation and partnership,” depending on the situation. It is crucial to understand when it is time to negotiate and when it is time to partner together - particularly on the front end of organizational transformation initiatives.

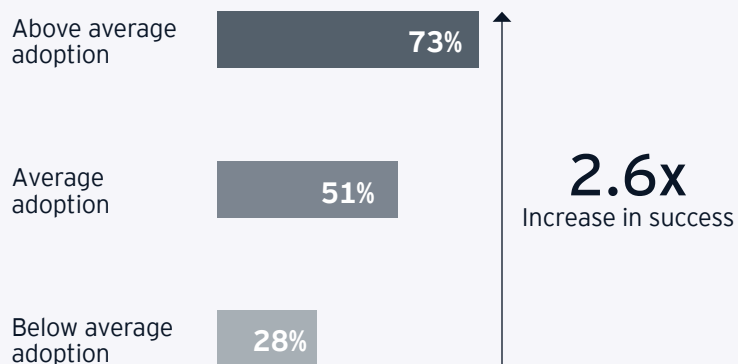
Key drivers for a successful transformation with unions

Having examined some of the potential difficulties public sector leaders and unions encounter when working together, we can consider possible routes forward that will help to mitigate those challenges. In collaboration with the University of Oxford's Saïd Business School, EY US conducted groundbreaking research that revealed that there is a new, different way to deliver transformation that is 2.6x more successful than the traditional approach - an increase of 73% in the likelihood of success.

We identified six key drivers, which, when combined, create a more energized workforce and the conditions for leaders to significantly optimize transformation performance. Each of the drivers is listed with a brief description below and includes information on how to use them for success when engaging in transformation with unions. Key questions to ask are included within each lever to confirm that they are adequately addressed at the start of an organization-led transformation in which employees impacted or involved have union representation.

Estimated likelihood a transformation will succeed based on its adoption of the six key drivers

The six key drivers are inspire, lead, care, empower, collaborate and build.



Note: Above and below average to a one standard deviation increase or decrease respectively in the average adoption of leading practices across all six key drivers.



To lead

Adapt and nurture the necessary leadership skills.



To inspire

Create a vision that the leaders and workforce can believe in.



To care

Build a culture that embraces and encourages everyone's opinion.



To empower

Set clear responsibilities and be prepared for change.



To build

Use technology and capabilities to drive visible action quickly.



To collaborate

Find the best ways to connect and co-create.

To lead

Strong, committed leadership is critical for a successful transformation. Leaders must champion the change, model the desired behaviors and provide the necessary resources and support from beginning to end. Slightly more than half (52%) of respondents in high-performing transformations said that leaders made decisions that were best for the whole organization, not just their areas of responsibilities. The same percentage indicated that leaders understood the needs and views of the workforce, including represented employees. Leaders must bring every viewpoint to the table when preparing for a transformation and in doing so must recognize the important impact unions play within any transformation if it is to be successful. As noted, a strong leader recognizes when to negotiate and when to preemptively and strategically partner with others to align on the best way forward for the entire organization.

Key questions to ask

- ▶ Is this transformation the best decision for the entire organization?
- ▶ How will this transformation benefit union members?
- ▶ How can all leaders involved demonstrate their commitment to unions through this transformation?

“

Acknowledge that there are agreements, but oftentimes those are up to interpretation. Ask: ‘Are you interpreting this in a way that is harmful to employees or are you interpreting this in a way that is empathetic to your employees and enhances your organizational culture?’ Having proactive discussions along these lines can help make collaboration between the management and the union stronger and more effective.

Dawn Henderson

General Superintendent – Administration, People & Culture for City of Long Beach Department of Public Works

To inspire

A successful transformation starts with a shared vision for the future. All stakeholders, including union representatives, should co-create this vision to experience wide-ranging buy-in and commitment. The majority (71%) of workers agree that leaders need to clearly communicate why a change is needed and not just what must be done to position the transformation to achieve its objectives. To foster a belief in the vision, leaders should cast a wide net for inspiration and include union representation in crafting a vision for the future. Strive to include union representatives in visioning or planning workshop sessions at the beginning of a potential change because transformation is more likely to be successful if employees believe in the goal, as opposed to just understanding it.

“

If unions are not engaged early on, if they are not informed and involved in the process from the beginning, then the changes — no matter how minor — can be perceived as a threat and rejected.

Stacy Lindsay

EY US Civil and National Security Sector Leader

Key questions to ask

- ▶ Does union representation understand the case for the change?
- ▶ Does union representation support this transformation?
- ▶ Has union representation been involved in the transformation from the start?

To care

Workers involved in underperforming transformations said they felt unheard, unsupported and stressed during and after the transformation. Leaders indicated that they were surprised by these findings and were not aware of the tremendous toll that an underperforming transformation took on the workforce. Maintaining transparency and open lines of communication is essential to supporting the emotional journey of the organization. Leaders must provide regular updates on the transformation's progress, challenges and successes to build trust, reduce uncertainty, promote inclusivity and support unions' efforts to uphold the duty of care on behalf of employees. The significance of the change does not matter if communication is poor early on. It is imperative to understand concerns, seek to address challenges in an emotionally and supportive way, and continue to find common ground throughout the transformation process.

“

A huge part of any successful transformation is building that trust and reassurance.

Merav Bushlin

EY Government and Public Sector Transformation Specialist

It is particularly important to understand the relationship between unions and management and to provide the opportunity for all union representation to have a say in the direction of the organization. If there are multiple unions within the organization, make sure to engage all of them from the very beginning. Engaging with only one union will result in difficulties when voting on representation. Remember that multiple unions will most likely have varying perspectives on what will best meet the needs of unionized employees - and to exclude any perspective puts the success of a transformation at risk.

Key questions to ask

- ▶ Is the union/management relationship adversarial?
- ▶ Historically, has organization leadership been supportive of your labor unions, or not?
- ▶ How many unions are represented?
- ▶ What are some ways to enhance communication between the organization and the union(s)?



To empower

Managing relationships with all stakeholders, including union representatives, is critical. This involves addressing concerns, resolving conflicts and fostering a climate of mutual respect and collaboration. Transformation often involves unsettling changes; in turn, a well-structured and multifaceted change management approach helps all employees understand, adapt and embrace the changes on the horizon. This includes addressing all employee concerns and providing tangible support during the transition.

Build on inspiring a vision for the future and continue to communicate consistently with impacted stakeholders. Involve union representatives throughout the transformation process. This is particularly important to:

- ▶ Maintain consistent and effective communication channels with union leadership
- ▶ Understand the communication required, beyond union leadership, to manage perceptions of the change among all employees as the transformation proceeds

It is possible that management is moving in a different direction than union members, so do the work to understand any differences in order to set the right expectation for all involved. Empowering all employees to have a voice in the change process provides the best opportunity for organization leadership to understand who is most impacted by the change and address the needs of all employees most effectively.

Technology is one area in which constant evolution can bring leadership and unions together to investigate thoughtful integration of tools and processes to achieve powerful outcomes on behalf of the workforce. For example, automation can bring about fear among some employees, so all leaders involved must consider how to communicate that these innovations will help initiate and sustain a focus on enabling employees to support higher value work. All stakeholders must be in conversation about upskilling, choosing the right tools, and considering the impact to humans at the center of every decision being made.

Key questions to ask

- ▶ What level of engagement is there among union members and leaders?
- ▶ How frequent is the communication with unions – and what levels is the communication occurring?
- ▶ What are some easy wins for union leadership within this transformation?
- ▶ Are there other viewpoints within the union outside of union leadership?
- ▶ How effectively does management understand the viewpoints of the union as a whole?

“

Labor unions are integral to the change process and should not be part of the aftermath. We need to openly embrace conversations with them – it would be smart for leadership, specifically in technology and data, to consider how best to collaborate with the union as a resource and a partner in the change. We need to pose the question to both sides: ‘How are we getting real-time insights from unions and leadership on technology’s impact on work?’

Nina Bianchi

Former Federal Executive & Health Workforce Digital Transformation Leader

To build

Engaging, motivating and preparing the workforce for changes is critical because transformation extends beyond processes and systems. Effective leaders may need to initiate training, upskilling or reskilling initiatives to equip employees with skills they will need in the near future and beyond. It is much easier to train employees on a new system once they know why it is needed and how it will positively affect them and improve the work they do. If training is needed, communicate clearly the why up front. Check that any timeline adequately considers the negotiation process regarding employee availability to participate in training and make sure the collective bargaining agreement (CBA) notification schedule is up to date and shared with everyone who is involved. Unions have an established notification schedule that needs to be baked into the timeline for a transformation initiative from the very beginning.

It is also important to establish clear metrics to measure transformation performance. Metrics should reflect the transformation's goals and indicate whether the efforts to be engaged in will achieve the desired outcomes. It is useful to leverage established metrics to track compliance when engaging with unions. Understanding and complying with the CBA and all relevant laws and regulations, including those relating to labor relations and union rights, is crucial. Non-compliance can result in legal challenges, minimize transformation success, and erode trust. Consult early and often with your general counsel's office to confirm alignment with the latest regulations and to clarify how they could impact the organization and the transformation efforts before they begin.

Key questions to ask

- ▶ Is the CBA notification schedule up to date?
- ▶ When is the next negotiation between the organization and the union anticipated to occur?
- ▶ Are there any CBAs under negotiation at present or are the CBAs complete at the present time?
- ▶ What is the union governance process - and what types of transformation matters will be most important to address early on (such as availability to participate in anticipated training, or compliance with the use of new processes or technology tools)?

To collaborate

Today's constant state of transformation requires interdependency and collaboration among all key stakeholders. It is particularly important for organizational leadership to work proactively with union representation to progress future plans in a direction that is considerate of the impact to all employees. Since transformation inherently involves negotiation, forming a mutual understanding of each party's priorities from the outset will confirm alignment to the vision for change, and where possible, facilitate codevelopment of the transformation plan. Additionally, by working in partnership, a transformation charter can be created which would enable all leaders to jointly identify goals, timelines, responsibilities and required resources. Collaboration is most definitely not a one-time effort, especially when endeavoring to set a path for change that will take time and energy from many to achieve success. In light of this, it can be very helpful to establish a robust communication network and involve change champions within union representation to maintain clarity and engagement as the transformation initiative proceeds.

Key questions to ask

- ▶ Who are the key collaborators or points of contact to be involved from all parties participating in the transformation?
- ▶ What collaboration practices with unions have worked in the past that could be replicated?

“

For new ways of working to be successful, leaders and workers need to collaborate to redefine the balance of delegation, ownership and empowerment to create win-wins.”

Liz Fealy

EY Global PAS Deputy Leader and Workforce Advisory Leader

Conclusion

Transformation is most definitely a journey, not a discrete destination – especially when it comes to balancing the needs and desires of unions and leadership when change initiatives are on the horizon. Regularly reviewing progress together, learning from successes and failures, and making necessary adjustments are all essential to keeping focus on what will make planned changes stick and remain sustainable over time. A commitment to continuous improvement will also sustain the transformation and drive progress which can be more clearly articulated, understood and agreed to among all involved.

By balancing the needs and desires of organizational and union leadership and implementing leading practices around each of the six drivers shared above, we believe that leaders can best harness the insights and perspectives of their people to put their respective organizations on the path to transformation success.

However, it's important to recognize that success doesn't lie in doing well across only one or two of these drivers. Organizations need to adopt leading practices across all of them to maximize the likelihood of success. Each lever is crucial – and careful orchestration of activities related to all of these elements enables an organization to navigate the complex dynamics of a unionized environment and drive change effectively over time.

EY US has also considered these drivers carefully in its Civil Service Transformation (CST) solution. Guided by our Humans@Center philosophy, we place the civil workforce, which includes unions, at the core of transformation efforts focusing on the needs, aspirations and intended work experiences of all employees within an organization. CST augments our engagements with government agencies by including workforce ambition design workshops to capitalize on the common ground between labor relations and unions. Both parties align on critical principles and create a shared understanding of the desired outcomes.

This collaborative approach fosters a sense of shared ownership and responsibility, and in turn, CST equips our clients to successfully navigate the complexities of transformation by encouraging understanding of unions' priorities on behalf of employees, fostering mutual trust, managing change efficiently, and mitigating potential risks.

Public sector organization and labor leaders can achieve their missions together by collaboratively engaging in early communication, building mutual trust and aligning early on objectives. When this occurs, organizations can truly put humans at the center of their focus during transformations. Dedicated and proactive partnership between union and government leaders will confirm that a wide variety of employees' concerns and perspectives will be taken into account, and in turn, more powerful and sustainable outcomes can be achieved.

Key contacts



Brian Woods

Managing Director, Ernst & Young LLP
+1 850 404 5018 | brian.woods@ey.com



Erica Ford

Partner, Ernst & Young LLP
+1 703 747 0386 | erica.ford@ey.com



Allison Beam

Senior Manager, Ernst & Young LLP
+1 212 773 0787 | allison.bream@ey.com



Joel Frushone

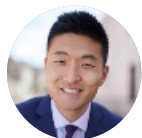
Senior Manager, Ernst & Young LLP
+1 571 633 3151 | joel.frushone@ey.com

Document contributors



Nicholas Curtin

Manager, Ernst & Young LLP
+1 571 633 3558 | nicholas.curtin@ey.com



Woojin Kim

Senior, Ernst & Young LLP
+1 571 695 6518 | woojin.kim1@ey.com



Jessa Youso

Senior, Ernst & Young LLP
+1 571 378 8327 | jessa.youso@ey.com



Tim Joslyn

Senior, Ernst & Young LLP
+1 703 747 0188 | timothy.joslyn@ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2023 Ernst & Young LLP.
All Rights Reserved.

US SCORE no. 21675-231US
2310-4375603

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com