

## Law Firm Articles

### A Labor-Management Partnership

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This article discusses the progress of a labor-management partnership formed by 11 major San Francisco hotels and the union that represents the hotels' employees. The hotels in this partnership include some of the major hotel chains in America.<sup>1</sup> The hotels formed the San Francisco Hotels Multiemployer Group because they desired an end to the confrontational labor relations. The union, Hotel Employees and Restaurant Employees (HERE) Local 2, was considered by some to be one of the most confrontational in the country. HERE Local 2 represents approximately 10,000 workers, approximately half of whom are employed by the 11 major multiemployer-group hotels. The rest work for approximately 52 other business-class and deluxe hotels and free-standing restaurants, most of which had not sought a similar rapprochement with the union.

The labor contract the multiemployer group and HERE Local 2 negotiated in 1994 transformed the San Francisco parties' historically adverse relationship into a cooperative one. Over the ensuing five years (1994-1999), this accord permitted the 11 hotels to improve their service levels and productivity and to compete more effectively with newly built, nonunion hotels. Because of those successes, in 1999 those same hotels negotiated another labor contract with HERE Local 2 that renewed this partnership for another five more years.<sup>2</sup>

#### Beginning the Partnership

As opposed to the staid, precedent-and-contract-bound unionized hotels, San Francisco's nonunion hotels in 1993 were able to make operational changes to meet the rapidly changing desires of hotel guests. The nonunion hotels had fewer job classifications - a situation that allowed them to provide quicker and more flexible service than their unionized competitors. Their restaurants, for example, used workers interchangeably to cook, tend bar, serve food, or operate a cash register according to the ebb and flow of business - thereby increasing the speed and controlling the cost of meal service. The nonunion hotels also were able to quickly institute innovations, such as placing coffee pots and fax machines in guest rooms. By contrast, the unionized hotels would have to negotiate such changes, because virtually every employee function is regulated by narrow job classifications, seniority lines, and sometimes - archaic work rules.

Prior to the 1994, the 11 hotels found themselves continually fighting the union to try to change work rules and practices that they considered outmoded.<sup>3</sup> Moreover, individual hotels were spending hundreds of thousands of dollars a year in attorneys' fees and management time on grievances, arbitrations, confrontational negotiations, and labor disputes that yielded few positive results. Not only did such trench warfare result in low employee morale, but communication

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between workers and managers was also poor and customer service suffered. The fighting likewise depleted the union's resources and diverted it from its priority of organizing the nonunion hotels.

In late 1993, as the city-wide hotel labor contract was nearing expiration, managers at the 11 hotels realized that they were looking at a bleak future if things did not change. The prospects of confrontational bargaining and a possible strike over the upcoming labor contract would likely damage the unionized hotels further and allow the nonunion hotels, which were increasing in number, to gain additional competitive advantages over them.

To remedy this untenable situation, the 11 hotels formed a new multiemployer bargaining group in late 1993 with the stated goal of promoting labor-management cooperation and creating a partnership with their workers and the union. A similar approach had been followed successfully in other industries (e.g., auto, steel, and communications), but never in lodging. The hotels hired me as their counsel in this endeavor because of my experience with labor-management partnership programs of this nature in individual hotel chains (e.g., Fairmont) and in other industries, including liquor distribution and sports stadiums. In early 1994, these hotels introduced their new concept to the union, and union leaders readily agreed that it was time to try a different approach. The rest of the hotels in town elected either to sit on the sidelines and watch or to continue with their traditional labor relationship.

As a preliminary step to the bargaining that was scheduled to begin in summer 1994, the multiemployer group and the union agreed to undertake a joint study to analyze the problems facing the hotels in the San Francisco market. In traditional bargaining, each side develops its proposals unilaterally and springs them on the other side at the bargaining table. Many of the proposals are dead on arrival, because each side distrusts the other's needs. The joint study was intended to break this pattern by assessing each side's interests and needs and by developing possible mutually acceptable solutions long before bargaining began. Complex issues like those facing hotels (and most other industries) are difficult to resolve in traditional bargaining using the unilateral-proposal approach. A joint-study approach, on the other hand, offers an alternative where real solutions to complex problems can be found. Having the parties buy in to such solutions is critical to their success.

The joint-study teams thus created examined the various hotel crafts with the goal of determining how to improve both the hotels' operations and the workers' jobs. The union leaders and hotel managers carefully selected their team members, the teams were trained in interest-based bargaining, and skilled professional facilitators were chosen to lead each team. After three intensive months of study, the teams concluded that many things needed to be fixed, including training, communication, the grievance mechanism, the sick-leave system, and the way hotels' kitchens and restaurant operated.

Armed with the results of that joint study, the parties met as scheduled in summer 1994 for formal negotiations. Unlike past bargaining sessions, however, the parties began these talks with a better understanding of each side's problems and interests and a consensus on potential solutions.

During the course of the bargaining that summer the parties agreed on a new concept called a "living contract." Unlike traditional labor contracts that preclude making changes after the parties finish negotiations, a living contract expressly allows the parties to continue to meet during the contract's term to address unforeseen problems and to find solutions that modify the contract. The living contract included language creating a number of layers of interest-based study teams through which the parties could continue studying the problems facing the industry and developing new solutions. In business parlance, the contract embraced a continuous-improvement process.

The multiemployer-group hotels and the union used the living-contract machinery to develop new unionized hotel restaurants, as I describe below. Together the hotels and union also revised the work rules and wages; revamped the parties' hiring hall to improve the quality of the hotels' banquet service; instituted a massive new joint-training program that improved communication, teamwork, and performance; implemented a new grievance-mediation program that greatly reduced the traditional formal and costly means of resolving disputes; implemented a novel sick-leave to schedule personal time off in advance and gives the hotels better notice for scheduling work; and implemented in the individual hotels a number of custom-tailored new solutions that resolved major problems facing the workers and management in those hotels.

When the living contract expired in 1999, the union, the workers, and the multiemployer group's managers agreed that the contract had been so successful that they should renew their partnership for five more years. In summer 1999 a successor labor contract that not only retained the living contract and partnership machinery, but added new programs to it.

## **Accomplishments under the Living Contract**

The contract's chief accomplishment was to foster cooperation between the hotels and the union. As I will explain below, it allowed for operational changes at the hotels and created a streamlined process for resolving grievances, to the benefit of all parties.

Peace and cooperation. From management's perspective, the most important achievement of the partnership during its first five years was the creation of an atmosphere of labor peace and cooperation in their hotels. By working together on positive programs like training and problem-solving during those years (instead of being adversaries), the hotel GMs and the president of HERE Local 2, Mike Casey, greatly improved their understanding of each other's situation. In turn, this accord allowed the multiemployer-group managers to focus on increasing productivity, boosting employee morale, and improving customer service. In the union's case, it allowed the leaders to focus on giving the workers a meaningful voice on the job, to focus on disputes with hotels that were not part of the multiemployer group, and to work on organizing other hotels.

As both sides learned more about the other organization's needs and interests, they matured in how they dealt with one another. Many issues that in the past would have been resolved through the National Labor Relations Board are now resolved by a telephone call between a general manager and Casey. While intangible, the improvement in the relations and interaction is perhaps the major accomplishment of the partnership during its first five years. This intangible has allowed the multiemployer-group hotels and the union to lead the hotel industry both in contract negotiations and in San Francisco's political arena. The hotel labor contracts are

negotiated between the multiemployer group and the unions and then effectively imposed by the unions on the rest of the hotels in town. This allows the multiemployer-group hotels to control their destiny, while the other hotels have little choice but to accept what the multiemployer group negotiates.

On the political front, when San Francisco had to implement a welfare-to-work program, it was the multiemployer group and Local 2 that worked with the mayor's office to develop the new program. This is despite the fact that the multiemployer group contains only half of the deluxe hotels and one-quarter of all of San Francisco's unionized hotels.

## **Streamlined Operations**

The living contract has allowed the study teams made up of line workers and managers at individual hotels to resolve a multitude of departmental and hotel-wide problems. This team approach has also promoted responsibility and leadership skills among workers. The study team approach permits customization of programs among hotels to account for their differences, while still allowing them to operate under the city-wide contract's mandatory provisions (e.g., those governing wages, pensions, and health and welfare benefits). In addition, the teams have allowed managers to learn from workers about how they think the hotels can solve the problems. Some examples follow of how the process has worked.

Holiday Inn's food service. The study team at the Holiday Inn Fisherman's Wharf addressed problems in the hotel's kitchen and restaurant. In the kitchen, the team reduced contractual cook classifications from approximately 21 to 7, thereby achieving new efficiencies that the hotel had long sought unsuccessfully through bargaining. Turning to the restaurant, the team focused first on closing the old restaurant and then on creating a new restaurant to replace it. The team created calendars for the employees showing them how to use their paid time off, insurance, and unemployment and other benefits to take care of themselves during the closure. It also created a training program to retrain the workers in customer service, food safety, and alcohol awareness for the reopening.

For the new restaurant, the team also agreed to change job duties, create new job classifications, re-define jobs, and establish hours of operation. Because they worked together to develop the new restaurant's operation, workers and managers were comfortable with the changes they participated in creating. Such fundamental changes in the basic contract work rules would not formerly have been possible during the term of a labor contract, but the living contract allowed the parties to make custom changes for an individual hotel without worrying about setting precedents for other hotels. The suspension of precedent in the contract made the union willing to experiment with radical changes.

Hyatt Regency's room inspection. Contract work rules restricted the type of work that room attendants and inspectresses perform. After the room attendants finished cleaning the rooms at the Hyatt Regency, the rooms could not be released for guest check-in until after the inspectresses had inspected them. With only a limited number of inspectresses, the hotel often experienced long lines of guests waiting in the lobby to check into rooms that were clean but had not yet been inspected. Guests' tolerance for waiting decreased drastically in the 1990s,

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particularly as the nonunion hotels opened that were able to offer more efficient service. It became clear that the Hyatt needed to fix this problem.

Hyatt's managers did what management typically does when a contract offers no way to alter work rules, which was to change the practice unilaterally. The union responded in the usual fashion, which was to file a grievance and demand arbitration. Those steps taken, the parties then took an unusual step of removing the problem from the traditional arbitration mechanism (which - based on past experience - would solve no problem other than perhaps to award back wages to employees), and giving it instead to the study teams created under the 1994 living contract.

The Hyatt's study team conducted many lengthy, facilitated meetings to investigate the matter. Senior leaders from the hotel and the union participated in these meetings. The team studied each side's interests in this issue, considered various alternative solutions, and eventually arrived at the following permanent solution that worked for both sides. That solution was to allow room cleaners to inspect rooms themselves after they were cleaned and to release the room to the guest. As part of the arrangement, the hotel agreed that no inspectresses would have their hours cut as a result of the room cleaners' conducting their own inspections and further agreed that if the number of complaints and disciplinary actions against the room cleaners increased because of self-inspections (a major fear of the workers), the issue would be returned to the team for further study. The team also redesigned the inspectresses' job and gave them other responsibilities, such as deciding when unusual circumstances meant that a room cleaner can reduce a room from the daily quota.

Hyatt's managers liked the solution because the rooms were released more quickly to the guests. The union liked it because the inspectresses retained meaningful work and the room attendants were not threatened by disciplinary actions for self-inspections. A major byproduct of this successful team effort was that it improved the relationship between the housekeeping workers and the managers.

Crowne Plaza's coffee makers. When the Holiday Inn Union Square was converted to a Crowne Plaza midway through the 1994-1999 contract, it had to satisfy the hotel chain's policy of having a coffee maker in every room. That policy conflicted, however, with a work rule-restriction and past practice prescribing that an attendant's daily room quota could be reduced when attending to a coffee maker (or other similar task) was added to the room attendant's duties. Once again, a traditional contract would essentially force the hotel unilaterally to put in the coffee pots and the union to take the issue to arbitration. Every room attendant could argue in an arbitration that she or he should have to clean one fewer room per day as a result of the introduction of coffee pots. If the union won the arbitration, costs to the hotel in lower room-attendant productivity would be enormous. If the hotel won, the room attendants' morale would deteriorate, and the union would attempt to reverse that result at the next negotiation.

Because of the 1994 living contract provisions, however, the Crowne Plaza and Local 2 could avoid arbitration by agreeing to assign this issue to a study team. The study team explored each side's real interest in this issue, rather than let positions harden. On the one hand, the hotel needed coffee makers, while on the other, the room attendants needed sufficient extra time to clean the rooms if those coffee pots were installed. The solution reached was that instead of each room attendant's dropping one room per day from her workload for doing the coffee pots, only

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those room attendants who were faced with additional check-outs during the day would drop a room from their quotas. Because the room attendant's workload is typically heavier when cleaning up a room of a guest who checked out, this solution satisfied the attendants' real concerns and the hotel got the coffee pots in its rooms without a major battle.

Hilton moves group luggage. With some 2,000 rooms, the Hilton is easily the largest hotel in San Francisco. The hotel faced a long-standing problem of moving luggage from the lobby for large tour groups, which sometimes had as many as 5,000 bags each. The regular door crew could not handle this volume of luggage alone, and the hotel had to scramble to find other workers to move the bags in and out of the lobby every time a large group checked in or out. Not only was this an inefficient way to move the bags, but it drew grievances from the door-staff members, who were solely entitled to this work (and the resulting tips) under the labor contract. It also raised potential safety and workers' compensation issues because inexperienced workers were moving heavy luggage. The traditional collective-bargaining machinery had proven incapable of solving this problem.

After the 1994 living contract took effect, Hilton created a study team to address this problem. The team worked for six months to develop a new solution that proved to be a permanent fix. The door employees now take the bags from the buses, tag them, sort them in the garage, and dispatch bell-stand workers to pick up the staged bags and take them to the rooms. Because the doorpersons are knowledgeable in this kind of work, the tagging and sorting is done efficiently, whereas previously it was done by inexperienced workers who were not accustomed to dealing with luggage. The doorpersons receive their regular rate of pay plus a bonus based on savings that the hotel achieves from not having to draft other employees to haul bags. The hotel, as a result, is getting as many as 5,000 bags moved more efficiently at the same cost as before and without grievance or other liability.

Sheraton Palace's work methods. The Sheraton Palace study team met for over two years under the living contract on a series of projects aimed at improving that hotel. One project was to replace the hotel's employee-of-the-month program - which featured an individual - with a new program focused on developing teamwork. The team designed a recognition program aimed at building teamwork and communication, which helped improve the working relationships among the hotel's departments.

Next, the team created and implemented a program to change the way drinking glasses were washed. The hotel had the room attendants washing glasses in the guests' bathrooms. Not surprisingly, the attendants had sanitary concerns about this practice, and they also frequently cut themselves when the glasses (inevitably) broke in the sink. The team analyzed the washing process, redesigned some of the equipment used (including maids' carts and floor closets), changed some of the equipment (including glass racks and storage), and created new procedures for washing the glasses in the kitchen instead of in the guest rooms. The result was an improved work process: a lighter cart, easier entrance to closets, and fewer injuries. Once again, the joint solution helped to improve relationships in the department.

Finally, the Sheraton Palace team examined the issue of room inspections. Although inspectors had been eliminated at the Sheraton Palace in a contractual settlement in 1991 (following the hotel's closure for remodeling<sup>4</sup>), neither the hotel's managers nor the union was

happy about that situation. Together, through interest-based problem solving, the hotel and union developed the concept of a housekeeping position with the duties of prepping rooms, greeting guests and solving problems. This was a new type of inspectress position, with guest-service dimensions.

Each of these study-team experiences helped foster an improved relationship between the Palace's management and the union, in particular by promoting an understanding of each other's needs.

Crowne Plaza's reopened restaurant. The 1980s were the death knell of most traditional hotel dining rooms, where guests enjoyed spending a long time dining and being waited on by a variety of different workers, each performing a single task (e.g., hostess, sommelier, waiter, busperson, cashier). Instead, hotel guests sought trendy restaurants with constantly changing menus and frankly, with lower prices. The San Francisco hotel restaurants that succeeded in this new environment in the 1990s were almost exclusively nonunion. Compared to their unionized competition, they were able to deliver meals in half the time at lower costs, and thus, turn the tables twice as fast. This was possible because workers could take a drink and food order, serve it, clear the table, and bring the check. Not only were the work rules unrestricted, but the new restaurants could pay lower wages and benefits than those in the older, unionized ones (albeit tips for servers in successful restaurants created substantial income). In contrast, the unionized restaurants continued to operate under the old contract rules, with high wages and benefits and restrictive work rules that permitted each worker to perform only specific tasks and prohibited encroachment on the tasks specified for another worker (and another line of seniority).

The other change that began in the 1980s and continued in the 1990s was that hotel chains were no longer willing to provide restaurants as a money-losing "amenity" for the hotel guests. In an era when more hotels were publicly traded and executives focused on stock prices, hotels closed unprofitable restaurants - even if this left guests without a place to dine. As a result, San Francisco's unionized hotel restaurants were closing at a record pace. Those closures, however, had undesirable outcomes both for the hotel and the union. A closed restaurant put the unionized hotels at a competitive disadvantage with meeting planners and travelers who wanted a hotel with a restaurant. Not only were union restaurant jobs lost as the restaurants closed, but other union jobs were also lost, since fewer hotel guests meant fewer rooms to clean. Bad as the situation was, neither side had been able to find a mutually satisfactory solution to this problem through traditional negotiations.<sup>5</sup>

Because of this problem, the 1994 living contract expressly provided for a restaurant pilot project to create a new type of unionized hotel restaurant. The negotiators chose the Crowne Plaza as the site for this pilot project, because it had a large restaurant space that had been closed for years and the parent company was willing to put in substantial capital and time to build a new operation. Moreover, the hotel was well located right off busy Union Square, from which it could expect substantial foot traffic.

Selected managers and workers created a study team aimed at designing a new type of restaurant for the Crowne Plaza. Team meetings facilitated by professional facilitators took place over a period of close to a year, during which time this team analyzed (a) the costs of operating a

restaurant, (b) the way the work is structured in contemporary restaurants, (c) the interests of the workers, (d) the interests of the union, and (e) the interests of the hotel.

The team's goal was not simply to copy the nonunion restaurants' worst-case pattern of low wages, no benefits, and no work rules. Instead, both sides wanted to create a model for unionized hotel restaurants that recognized both the union members' economic needs and desire for job security and the hotel's need for a profitable restaurant that could make changes as guests' desires change. To begin this study process, the hotel began with the unusual step of making a full financial disclosure, so that the employees and the union could understand the deteriorating economics of the hotel-restaurant business and gain trust in the participatory process.

This study team indeed succeeded in developing a new type of unionized hotel restaurant. The model was based on the concept that the restaurant must be profitable on its own and could not be viewed as a loss leader or amenity. This alone is a revolutionary concept for most hotel unions to accept. The parties agreed to establish a pro forma budget for the restaurant with an agreed-upon break-even point for profitability. The new workers who would be hired to work in this restaurant would work at a lower rate of pay than the existing labor contract, allowing the hotel to take the initial capital risks of building out the new restaurant. When the new restaurant reached the break-even point, the hotel would begin sharing revenue to allow the new workers to earn back the wages that were lower than the city-wide contract.

The more profitable the restaurant, the richer the revenue-sharing pool. Say that a given position's starting wage was 20-percent lower than the hotel contract rate. Once the restaurant hits breakeven, that employee would begin to earn back the missing 20 percent. If the restaurant was exceptionally profitable, that employee could earn as much as an additional 20 percent (i.e., up to 120 percent of contract wages). This provision was intended to give the workers an incentive to make the restaurant successful.

In addition, the pilot project created a labor-management committee for an ongoing review of the restaurant's finances and operation. This continuous employee-involvement team was intended to assure that the employees and the union would continue to participate in making the restaurant a success. Equally important, the parties agreed to numerous work-rule changes to make the restaurant jobs more flexible and better able to meet the guests' needs. For example, the parties agreed on a number of new types of combination jobs that did not exist in the Local 2 contract, including busperson-deli counter; dishwasher-cook apprentice; room service-deli counter; and server/busperson. They further agreed that most workers in the new restaurant would work 40 hours per week in various jobs to reduce the problem of employees' working part-time but getting full-time benefits under the labor contract.

In exchange for these dramatic changes in the work rules and wages, Local 2 obtained a successorship clause in the contract. Such a clause ensures that if the hotel is sold, the buyer will adopt the contract and remain a union employer. The union also obtained the right to grieve over staffing levels if necessary. A majority of workers at the hotel voted to approve this new concept for a unionized restaurant in summer 1998, and the Crowne Plaza's new restaurant opened that fall. Business has been good since opening day. The restaurant reached a break-even point before anyone expected and has, as a result, already begun paying revenue-sharing monies back to its workers.

## Elements of the Improved Relationship

Throughout this discussion I have alluded to the improvements in the relationship between the hotels and the union. In part, the contract specified processes for changing the relationship, in particular by ameliorating the grievance process, initiating joint training programs, and changing the way hotels drew employees from the union's hiring hall (in particular for banquet employees). I discuss those changes in the following sections.

**Grievance mediation.** One major change under the living contract is the way disputes and disagreements are being handled. As I stated at the outset, the contract created a novel grievance-mediation process to allow the parties to resolve disputes early on, without the involvement of lawyers or consultants. The old contract's grievance and arbitration process had long since ceased being a fast or efficient means of resolving disputes and had instead begun to mimic the costly and drawn-out litigation process that it intended to replace.

The living contract's grievance-mediation procedure works as follows. Shortly after a grievance is filed, the hotel and the union meet with a neutral third-party mediator to attempt to resolve the grievance. If the parties cannot resolve the issue themselves, the mediator proposes a resolution. Although the mediator's decision is not binding and does not constitute a past practice that could be used as a precedent in subsequent proceedings, the process nonetheless works. If the mediator cannot persuade the parties to resolve the issue themselves, the mediator's written decision is usually enough for the union leaders to convince the employee that he was wrong or for the hotel's human-resources director to convince the manager that she was wrong. Having aired the issues openly before a neutral person, the losing party seldom finds cause to spend the time and money on subsequent arbitration.

Grievance Mediation has been a success for the multiemployer-group hotels and the union during the last five years, as measured by the diminished number of cases going to arbitration. The union estimates that its arbitrations in multiemployer-group hotels have been reduced from dozens to just a few, amounting to about 75-percent reduction from the number prior to 1994. Many of the other unionized hotels, lacking a similar procedure and a similar relationship with the union, continue to operate as they did in the past, with large numbers of grievances being filed, frequently resulting in expensive and protracted arbitrations.

**Joint training.** The 1994 living contract created a joint training program designed not only to improve workers' skill levels, but also to train the workers and the line managers to communicate better - with each other and with guests. The program was created in response to the joint study's finding of a serious lack of training at all levels in the hotel industry and that increased training is a prerequisite for improving worker-management relationships, quality, and efficiency. This training program is approximately 60 times larger in scope than any past joint training program in which the San Francisco hotels and Union ever participated. The program was funded in part from a million-dollar-plus surplus in the health-and-welfare trust fund that arose because health-care costs did not rise as fast as envisioned in 1994. That money was augmented by a million-dollar grant from the State of California and \$500,000 more in grants and training provided by Federal Mediation and Conciliation Service and San Francisco Community College.

In addition to funding the program, the hotel managers needed to have the workers embrace the concept of training. In a strong union city like San Francisco, some workers viewed training as a disguised way to get rid of old workers by holding them to increasingly high standards that they could not meet. Other workers viewed training programs as the newest fad to come out of the corporate office, and not a serious or sustained commitment to improving them or their jobs. Furthermore, some workers regarded training as something each new crop of young managers brought with them to get workers to do things "their way."

The multiemployer group wanted to change negative attitudes about training. The joint study at the beginning of the 1994 bargaining sessions provided essential clues regarding why workers so disliked training programs. The team found that typical training programs often trained in the wrong subject, used the wrong methods, and sometimes even trained the wrong people. A subsequent survey of workers conducted after the bargaining told the hoteliers that they need to focus on communication and relationship training between front-line workers and managers and, further, that a number of managers needed supervisory training. The survey also found that large groups of workers wanted training in English. Finally, the workers reported that they often learn best by interactive training instead of classroom training.

Based on the joint study and the survey, the partnership's Project Coordinator, Debbie Moy, and a team of professional facilitators and trainers began to design a curriculum for the new joint training program. Union and management leadership carefully reviewed the curriculum and agreed on the type and extent of training that was needed. The program thus trained over 1,600 multiemployer-group hotel employees. The curriculum included communication, critical thinking, team building, interest-based problem solving, English-language skills, and craft-specific technical skills. As with the study-team meetings, training sessions were simultaneously translated into Spanish and Chinese to allow maximum employee participation.

Post-training surveys indicate that the training program was a success. The hotels experienced an increase in customer satisfaction, communication and teamwork.<sup>6</sup> The workers have been exposed to other job opportunities within the industry and have improved their communication, relationship skills, and morale. Moreover, the training program laid a foundation for the partnership to expand training into other areas, such as the hiring hall, as discussed next.

## **Hiring-hall Changes**

Another longstanding problem that the parties were able to address under the living contract was the uneven results of drawing banquet-service employees from the union's hiring hall. This hiring hall supplies the extra banquet waiters and busedpersons needed for a hotel's banquet business. Unionized hotels are obligated to contractually hire all extra banquet servers and busedpersons they need from the hiring hall, which comprises over 300 workers.

The hotel managers' problems with the hiring hall involved both the quality and the quantity of the hall's extra banquet servers. The multiemployer-group hotels are major convention hotels, charging top dollar for conventions groups of executives and professionals. The hotel managers felt that while their regular banquet waiters were well-trained for handling such demanding guests, the quality of the extra banquet waiters and servers from the union's hiring hall was sometimes poor. Some of the hall's servers lacked basic personal grooming habits, had a poor

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attitude, lacked basic serving skills, and detracted from the quality of the service the hotel was otherwise able to provide its guests. Moreover, in peak times of the year, when the demand for banquets was at its highest, the hall seldom had enough extras to send the hotels, leaving the hotels with shortages of waiters at critical times.

The pre-bargaining study phase had indicated to both sides that the problems of the hiring hall needed to be addressed. Several years before the 1994 negotiations, some of the hotels and the previous union president, Sherri Chiesa, had attempted to find a way to take the hiring hall out of the union and make it a professionally run nonprofit corporation. This effort had proven politically impossible on both sides and had failed. In the process, it had also angered the existing hiring-hall workers and made them suspicious of any effort to make changes in the hiring hall. When Mike Casey succeeded Chiesa, he was unwilling to consider giving up the hiring hall. Indeed, in the 1994 election, Casey assured hiring-hall workers that he would not allow the union to give up the hiring hall. At the same time, however, Casey was a strong leader who believed it was in the union's interest to improve the hiring hall's operation. His promise not to outsource the hall did not mean he did not intend to fix it. Many of the hall's workers were effective, dedicated employees who realized that the poor quality and attitudes of some of their peers coupled with the hall's inability to supply workers were hurting the union, the hotels, and themselves.

A few years into the living contract, the multiemployer-group's general managers complained to Casey that they were continuing to experience serious quality and quantity problems with the hiring hall. Casey agreed to address the issue. First, he assigned a top official of the union (vice president Rafael Espinoza) to take direct control of the hiring hall, which was a major commitment of the union's small senior executive team to address this problem. Espinoza collaborated closely with Jerry Evans, an experienced hotel HR director who works as part of my staff, to find ways to improve the hall. First, they educated each other about how each side viewed the hall and its operations. Next, they set up meetings with the hotel Banquet Managers, the Union staff, the Project Coordinator, the Education Fund Director and themselves to allow both sides to identify issues of concern about the hall.<sup>7</sup> Through the process, both sides corrected erroneous assumptions about the other side's interests. Those meetings led to changes in the hiring hall, including the installation of a special hiring-hall phone for the banquet managers, to give them better access to the hall, and including longer notification times for the hotels and banquet servers to better ensure that hotel orders were filled. In addition, both sides agreed to create a set of basic standards for the hall's banquet servers. The parties then produced for the first time a set of guidelines that standardized discipline across the multiemployer-group hotels and that clearly spelled out when and how the union-hall banquet servers would be disciplined for poor service.

The parties then agreed on a new procedure for obtaining additional servers for the busy Christmas and New Year's season. They jointly advertised the need for extra servers for this period in the hotels and asked the hotels' other workers to agree to be cross trained for banquet serving. This resulted in a list of approximately 200 additional workers who could be called to work in banquets for the holiday season. Overall, these changes greatly improved the hiring hall's performance during the 1998 holiday season and reduced the rate of unfilled job orders to the lowest level in city's history. Moreover, this new list of extra banquet servers also created a

means by which hotel housekeepers, buspersons, and other workers could obtain additional holiday income and cross training in a new area for possible future promotion opportunities.

Finally, the parties applied for and obtained additional training monies for the hiring hall in the form of a \$226,000 State of California grant. The grant paid for training to upgrade hiring-hall employees' skills, to implement a new computer system, and to provide instruction in team building, workplace standards, alcohol awareness, sanitation and safety. In addition, the parties agreed to use their existing joint training fund to offer other training classes on an ongoing basis to the hiring-hall workers on such topics as French service, wine appreciation, and food carving, as well as critical employment-law issues, including anti-sexual-harassment practices and the employee rights under the Americans with Disabilities Act.

## **Benefits of the Living-Contract Partnership**

As the 1999 bargaining approached, the multiemployer-group hotels evaluated the achievements wrought through this partnership with labor during the first five years. I list those below.

First, the 1994 contract was, from management's perspective, the best economic contract the hotels had obtained in many years. In it, the multiemployer group persuaded the union to take the huge health-and-welfare surplus that had been built up in prior years and, instead of putting all of it into higher benefits (as would normally have been the case), to put a portion of it into training and other new programs and return a portion of it to the hotels in terms of reduced benefit contributions. As a result, the multiemployer group's overall settlement package in 1994 was well under what it would have otherwise been. For their part, the workers got a good wage increase of 3 percent or more per year. The actual overall wage and benefit cost to the hotels for this raise was less than 2 percent per year, precisely because the union allowed the hotels to recapture a sizeable portion of the health-insurance surplus.

Second, five years of labor peace and of an ever-increasing level of trust and understanding between the union leaders and the general managers allowed both sides to focus on improving their own organizations. Five years of focusing on training, employee involvement, employee morale, and customer satisfaction has been good for the hotels. Five years of focusing on improving the employees' voice on the job, training, solving real problems, and of organizing new hotels, has been good for the union.

Third, as discussed above, there is agreement between the HERE Local 2 and the multiemployer-group hotels that grievance mediation has been successful and that the amount of time and resources these hotels and the union have spent in processing grievances have been dramatically reduced as a result.

Fourth, communication has improved at all levels. This is a result of a number of factors, including the joint training program, the regular joint steering committee meetings between general managers and union leaders, and the ongoing subcommittee meetings.

Fifth, the living contract has provided a new interest-based study team process which allows the parties to find solutions to real problems that they were not able to solve in the past. The study teams at the individual hotels have come up with creative and workable solutions to hotel

problems and have modified the contract and work rules at individual hotels in meaningful ways - in particular, in the restaurants, the hiring hall, and training projects.

Sixth, employees are participating in the workplace more than ever before. This is evident in the study teams at individual hotels and in the projects at the multiemployer-group level. Both the hotel managers and the union believe that such increased worker participation is invaluable. It is important to the multiemployer-group hotels, which, like other smart employers in America, realize they cannot significantly improve the quality of their service without getting the workers actively involved in the process. This factor is important to the union because it was able to fulfill its workers' desire for a greater sense of involvement in their work and a greater voice on the job.

Employee morale in the multiemployer-group hotels is far higher than previously, and the hotels attribute this to improved communication and the partnership programs discussed above, including the improved grievance process, the joint training program, and the study teams. The hotels believe that the improved employee morale and expanded participation, coupled with the higher levels of training, have resulted in increased levels of guest service and satisfaction.

The hotels have also enjoyed significant recognition for their successes.<sup>8</sup> This recognition has helped keep hotel and union leaders focused on their partnership and motivated to preserve it in the face of attacks from rival hotel managers and lawyers who advocate the traditional confrontational approach.

In sum, the hotels and the union have gone from a confrontational, grievance- and arbitration-driven relationship to a partnership relationship based on interest-based bargaining aimed at finding mutually satisfactory solutions. This is not to say the problems between labor and management have disappeared since the partnership was formed. Labor and management will always face issues over pay, treatment, seniority, workload, work rules, and other topics. But by and large, the day-to-day method for dealing with those problems in the multiemployer group has changed over the course of the last five years. The traditional collective-bargaining machinery was not conducive to finding real solutions to major operational problems or to effecting real change in basic contractual language and work rules. As a result of the living contract, the old mechanism has been supplanted by new collective-bargaining machinery that is better suited to dealing with complex contemporary issues. The multiemployer-group hotels and the union today have a way of relating to each other and solving problems that is more respectful of each other and more effective than the prior confrontational approach.

## **The Partnership's Future**

The parties know there are a number of important issues for which they will need to find new solutions in the years ahead. Both sides agree that the hiring-hall improvements need to continue. Both sides want to continue the joint training programs and the "learning culture" to improve the communication and skill levels of the workers and to make the hotels more productive. Both sides want to continue improving hotel restaurants. Both sides want to clarify the language of the collective-bargaining agreement, much of which is archaic.

Probably the most important challenge for the future is finding a way to change how hotel jobs and careers are structured. Historically, hotel workers were hired into one particular job in a hotel, obtained their seniority in that job, and worked there until they retired or quit. That was acceptable when change was slow and jobs remained essentially the same year after year. But technology, customer demands, and the services being offered today are changing faster than ever before, and jobs are manifestly not static. Moreover, workers are no longer content to stay in the same job for their entire career, since many hotel jobs involve hard physical labor better suited to workers in the early stages of a career. Many hotel workers now want to find a way to advance, to gain more pay and recognition and to develop careers. Workers are tired of seeing hotels hire people from the outside for the top positions rather than promoting employees from within. In addition, facing a growing shortage of qualified and motivated workers in today's labor market, hotels can no longer afford to turn off potential new workers by relegating them to dead-end jobs. Finding ways to create new career paths and to cross-train workers to work in different jobs is perhaps the greatest challenge facing the hotel industry in the years ahead.

If any union and management group can find a real solution to such tough issues, it is the San Francisco hotel partnership, with its years of successful experience in interest-based problem solving, information sharing, and trust building. A good indicator that this will occur is the fact that HERE Local 2 and the multiemployer-group hotels a few months ago concluded negotiations on a new five-year contract, extending through 2004.

The new agreement was arrived at in September 1999 following a three-month joint study and 28 full days of negotiations spread out over an additional three-month period. What the multiemployer-group hotels obtained in this new labor contract proved to its member hotels that the partnership process makes sense. The hotels obtained five more years of labor peace and cooperation with its workers and their union. For this, the hotels paid an average labor-package of 4.25 percent per year for the total settlement, including wages, pension, health insurance, other benefits, and work-rule changes. Of this sum, 3.78 percent was for wage increases (backloaded, starting with a 2.83-percent increase in 1999) and the rest was for benefits. The multiemployer group and the union agreed upon this settlement at a time when the San Francisco hotels' business and the city's economy have never been stronger and when many labor contracts locally and nationally are settling for higher percentages. This settlement will allow the hotels to maintain a trained workforce in the face of greater competition for good workers during a period of worker shortages. The new wage and benefit rates should enable the hotels to attract and retain the best available workers.

The hotels also included in the new contract a five-year pension-buyout-window that will encourage eligible workers to retire and be replaced with younger workers, who should increase productivity and lower hotel benefit costs. The buy-out window will allow employees to retire with respect and dignity, rather than being forced by economics to work into their seventies and eighties as many do now - a situation which creates workers' compensation and productivity issues in hotels. The benefit trust funds carried a surplus (smaller than the earlier surplus) going into these negotiations, and both sides agreed to use this surplus to fund most of this pension increase. Largely as a result of applying this surplus, a worker's pension will be more than doubled, from \$400 a month to \$900 a month, for 30 years of hotel service. The improved pension will allow many workers to retire, while the hotels should see concomitant savings on

workers' compensation costs and benefit costs. Without the trust established through the partnership during the last five years and a lengthy joint study of the pension issue prior to the 1999 bargaining, I do not see how such a dramatic and cost-effective change in the pension plan could ever have been possible.

In addition, the hotels in the new contract gained control for the first time of workers on their own "extra list," leaving only cooks, banquet waiters and bartenders to be drawn from the union hiring hall. As a result, each hotel can now recruit, hire, train and discipline a group of its own extra workers. The new system of hotels' having their own in-house extra list will allow each hotel to have a trained pool of workers from which to hire. These extra lists also increase the opportunity for cross utilization work and cross training of workers. The hotels also obtained partial control over the hiring hall itself, with a new professional administrator for the hall that the parties will jointly select and control. Again, such fundamental changes came about in the bargaining as a direct result of the higher levels of trust established during the first five years of the partnership.

The multiemployer group and the union also agreed in the new contract on first-step grievance-resolution training to allow front-line workers and managers to learn how to resolve disputes themselves without having to resort to mediation or arbitration. The good relationship between general managers and union leaders created in the first five years of this labor-management partnership now needs to be duplicated on the shop-floor level and the first-step grievance training should be a key means of accomplishing this goal.

The hotels also secured the union's commitment to do five new restaurant-study team pilot projects during the term of the new contract. As discussed above, the multiemployer group believes the study-team process is the only way to change unionized restaurants in hotels in a significant way. As previously noted, in the two restaurant projects developed in the last contract (i.e., the Holiday Inn Fisherman's Wharf and the Crowne Plaza), the union agreed to permit employees to work across classification, thereby collapsing classifications and lowering wages in exchange for revenue sharing, and other important changes to improve restaurant productivity, service, and profitability.

Next, because of the successes with training in the first five years of the partnership, the 1999 contract earmarks more than \$1 million of new money out of the total settlement package to a new joint training program. The parties also committed to seeking training grants to supplement this, as they did under the previous contract. They agreed to spend this new training money to create an ongoing training program and "learning culture" in the labor-management partnership itself. This partnership training will include industry education, partnership history, labor-contract education, scheduling, interest-based problem solving, communication skills, and teamwork. The parties also agreed to further training in English, first-step grievance resolution, cross classification, career advancement, and other skills training. The goal is to make a training culture a mainstay of the labor-management partnership in San Francisco. The hotels and the union have recently entered into an agreement with local community colleges to help them create this learning culture.

Next, the parties added an immigrants' rights provision to the contract that creates a humane method to address disruptive immigration-related terminations which often demoralize and

frighten the remaining workers. The provision requires consultation with the union and the employee in advance when possible to resolve potentially serious immigration issues. It also provides employees who must return to their native country to resolve immigration issues with a letter from the employer assuring those officials that a position will be available for the employee if that person returns within a year.

The parties also agreed on a joint study to address the complexity of legally mandated ADA, FMLA, and Workers' Compensation leaves of absence and to look for solutions that ensure fairness for the workers while reducing costs for the hotels in dealing with these complicated, overlapping laws.

Most important of all, the parties agreed to undertake a joint study of how work is performed in the hotels and ways to create a program for having room attendants increase productivity by cleaning extra rooms for incentive pay. This study addresses two critical issues facing hotels - namely, how to increase productivity and quality and how to attract and keep the best workers. In addition to offering competitive wages and benefits, the hotels need to develop cross training and career paths. This joint study will attempt to do precisely that in the years ahead.

Overall, the 1999 labor negotiations proved to both sides that the first five years of working together in a labor-management partnership built a level of mutual trust and respect that got the parties through a tough negotiation and helped them arrive at a good settlement and to do so without a strike. In this settlement, both sides recommitted to continuing and broadening their partnership during the next five years. Their experience has shown that trusting each other and using interest-based study teams and a living contract to continuously improve service, morale, communication and productivity in an effective way for unionized companies to proceed.

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1. The hotels are Argent, Crowne Plaza, Fairmont, Grand Hyatt, Hilton Hotel & Towers, Holiday Inn Civic Center, Holiday Inn Financial District, Holiday Inn Fisherman's Wharf, Hyatt Regency, Sheraton Palace, and Westin St. Francis.

2. A more detailed discussion of the genesis of the partnership can be found in: Stuart Korshak, "Negotiating Trust in the San Francisco Hotel Industry," *California Management Review*, Vol. 38, No. 1 (Fall 1995), p. 117.

3. The San Francisco hotels had a long and devastating strike in 1980, which the union won - obtaining a rich contract in the settlement. In the 1983 negotiations, the union again won a good settlement, and the hotels narrowly avoided another strike. Those strikes caused the dismantling of San Francisco's original multiemployer group. Morale and relationships between workers and managers remained poor for the ensuing ten years.

4. See: Frederick Knapp, "The Sheraton Palace: Preserving the Past, Positioning for the Future," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 32, No. 4 (December 1991), pp. 13-23.

5. For a discussion of the situation of unionized hotel restaurants, see: John McLaughlin, "Union Soldiers; Organized Labor Is Fighting For Its Life, and It's Got Some Brand-new Tricks up Its Sleeves," *Restaurant Business*, November 20, 1994, pp. 66-69-72.

6. The joint steering committee conducted a random survey in 1997-1998, which found that a substantial percentage of the managers and workers surveyed saw an improvement in these areas.
7. The Education Fund is bargained under the dictates of the Taft-Hartley Act, and its director is a jointly selected position. It had traditionally provided small-scale training programs, which the multiemployer group and the union substantially expanded through this partnership.
8. For example, the director of the Federal Mediation and Conciliation Service, John Calhoun Wells, wrote the hotel chains in praise of their partnership efforts (see the box on page 23). Partnership members have also addressed numerous conferences and their efforts have been written about in numerous articles.

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## Accomplishments of the San Francisco Living Contract

The landmark living contract developed in 1994 by the Hotel Employees and Restaurant Employees Local 2, as well as other unions, and 11 major hotels numbers the following accomplishments.

1. Negotiated a first-ever restaurant pilot project to resolve issues between strong unions and strong hotels where union work rules and wage rates cause hotel restaurants to be non-competitive and cause restaurant closings.
2. Established a mediation step in the grievance procedure that has substantially reduced legal fees and costs for labor and management by decreasing the number of arbitrations. Along with this reduction in arbitrations and costs, the mediation step has improved the parties' relationship and understanding of problem solving.
3. With the Culinary, Service Employees and Teamsters unions, created personal-time-off programs that allow management and workers to treat each other with greater respect in scheduling to meet each other's needs (in place of the traditional sick-leave system that encourages the parties to lie to each other).
4. With the Operating Engineers, Teamsters and Service Employees unions created a means for economic participation of union workers in hotels, as well as establishing problem-solving mechanisms.
5. Created with the Teamsters and Service Employees unions a new 401(K) pension-plan supplement to improve the pension benefits in an industry which previously did not provide for worker-retirement at any age.
6. Began the first substantive work in 25 years to transform the hiring hall into a smoothly functioning operation to provide hotels with trained, certified and skilled workers, particularly banquet servers.
7. Participated in joint training programs in which management and labor cooperated to obtain more than \$1 million in State of California Employment Training Panel (ETP) grants. The only one of its kind in the United States, the project received an additional

\$500,000 from the Culinary Education Fund for this program. The program offered more than 223,800 hours of training to more than 1,500 labor and management participants.

8. Used labor-management problem-solving teams to streamline hotel operations in the following areas: kitchen; housekeeping; restaurant; employee relations; and inter-department communications.
9. Pursued training for 50 to 60 core leaders in each hotel in a first-step grievance resolution.
10. Established regular meetings of human-resources directors and regular joint meetings of hotel general managers and top union leadership are held to share developments and issues.
11. Jointly prepared and issued contract interpretive bulletins to clarify confusing sections of the collective-bargaining agreement.

The above accomplishments are drawn from the list enumerated in a letter dated October 24, 1997, from Federal Mediation and Conciliation Service Director John Calhoun Wells to the presidents of the hotel chains participating in the San Francisco labor-management partnership. The letter concludes: "All of these accomplishments serve as national benchmarks for building a preeminent competitive unionized hotel operation in a multi-lingual and diverse workforce environment. I congratulate your business leaders in San Francisco for the extraordinary progress made to date, and hope you will continue to support their efforts."