Mutual Gains Bargaining: A Case Study of Northern Telecom & the Communications, Energy and Paperworkers Union of Canada

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In the spring 1993, Northern Telecom announced that 60 jobs would be moved from their North York, Ontario plant to another location two hundred kilometres away where the work could be done at less cost. The net result was that 60 long service employees in the North York plant would be laid off.

The North York plant had been experiencing gradual job loss for some time, so the announcement seemed initially to be just another in a slow stream of bad news. However, people realized quickly that this announcement carried an ominous implication.

In addition to being very concerned about the 60 members and their families, "we are concerned that if 60 more jobs are moved out of this plant, it may not be long before the entire plant will not be a viable operation," said Sean Howes, National Representative of the Communication, Energy and Paperworkers Union of Canada (CEP) about the North York plant of Northern Telecom.

A crisis was triggered by this recognition that the very future of the plant was now at stake. CEP union leaders, in conjunction with North York managers, called upon key executives within the company to delay the implementation of this decision to allow the parties to explore alternatives to the job transfer.

More competition, higher costs, and increased customer demands for higher quality products at lower prices had changed the business. To convince company executives that continued investment in the North York plant was worthwhile, managers and union leaders had to demonstrate that they could approach issues differently. The urgent need to save the plant gave rise to the decision to use mutual gains bargaining techniques. The managers and union representatives were given three weeks to identify an alternate strategy to moving 60 jobs to another plant.

The Plant

North York is an old plant of Northern Telecom staffed by long-service employees. In existence since the early 1960s, the plant is physically part of a large Bell Canada warehousing operation in North York, Toronto, Ontario, where among other items, leased telephones are stored for distribution to customers. As used telephones are taken out of circulation, they are recycled through the Northern Telecom plant for repair and refurbishment before being put back into service.

Historically, the plant has employed about 250 people. Most of the hourly unionized employees work on repair lines where the telephones are unpacked, repaired, cleaned and repacked, while the salaried unionized employees perform plant functions such as purchasing, engineering, accounting, etc. All of the hourly and salaried unionized employees are represented by the CEP.

A change in customer preferences began to affect the plant gradually. As telephones were purchased by customers rather than leased through the telephone company, the prices of equipment began to fall. Customers chose to replace telephones rather than repair them. Even with a reduction in the workforce to 160 employees, a critical mass of activity could not be sustained and the plant stopped being profitable. When Northern Telecom started a major restructuring in 1993, which included rationalizing all existing manufacturing and repair operations, the North York plant was vulnerable.

Bargaining History

Bargaining practices at the North York plant had gone unchanged substantially for many years. Typically, the parties negotiated a three-year agreement which followed the pattern set by the Canadian Auto Workers (CAW), Northern Telecom's largest union representing employees in other plants. The economic pattern of wage and benefit improvements, having been established in the CAW bargaining, would be negotiated in much the same ways at North York and in some other non-CAW plant locations throughout Canada.

The relationship between management and union leaders in North York was dictated by years of traditional behaviour on both sides. Typically, management would make decisions and the union would then voice its disagreement through the grievance procedure. Although a reasonable level of trust existed, the parties dealt with most issues as adversaries. Similarly, contract negotiations in the past had followed the adversarial, traditional method of bargaining.

The 1993 Negotiations to Save the Plant

After several days of intense review by senior executives of Northern Telecom, the plant was given the go ahead to see if they could find a way to keep the 60 jobs, under two conditions.

- The parties had to find a way to save an amount of money comparable to the amount which would have been saved if the jobs had moved to the other plant.
- The solution had to come very quickly.

With these expectations clearly articulated, the management and union negotiating teams were formed. On the management team was the plant manager, the plant human resource manager, a floor manager, a director of finance, and a member of the corporate industrial relations staff who was the spokesperson for the management team. The union members of the team consisted of Sean Howes, the CEP National Representative, the newly elected President of the hourly union who would have been one of the 60 people laid off as a result of the job transfer, two other hourly union representatives, and one representative from the salary union.

The negotiators knew that to solve the pressing problem in such a short time they would need to take an approach quite different from the traditional methods used in bargaining past agreements. Essentially, both management and union were facing the same threat. If the people were moved to the other plant, all assumed it would be the beginning of the end for the plant, which would affect everyone's job. Everybody needed to reach a mutual gains solution to put forward to the senior executives of the company.

An early decision of the union and management negotiators was to select an impartial mutual gains facilitator and trainer for this process. They chose Dr. David Weiss of the firm Geller, Shedletsky & Weiss, a Canadian human resources and industrial relations consulting firm, because of his successful experience with unions and management in other mutual gains bargaining initiatives. Both the union group and the management group met separately with Dr. Weiss to explain the situation before proceeding with joint training.

A two-day joint union and management training event was held which focused on understanding how to proceed with mutual gains bargaining for this issue. The training focused on:

- Identifying the stakeholders for this issue.
- Developing a joint problem statement through the exploration of separate and common interests as well as the facts of this case.
- Extensive work on creative solutions with specific benchmark examples of what other organizations have done in similar kinds of situations.
- Simulations to further enhance the trust among the negotiators.
- Clarification of how to proceed with the negotiations after the training.

The events of the next two weeks were new to all the negotiators as they put the techniques of the mutual gains process to a significant test. They decided also to use this occasion to open negotiations a year early and seek a new collective agreement that would remain in effect for two years from that time.

They achieved the required results. Senior executives accepted the proposed agreement from the managers and the union which included the following:

- Layoffs were cancelled. The 60 jobs would be saved in the North York plant. A commitment was secured from the company not to move any jobs out of the plant for the two-year term of the agreement.
- The cost savings came from reducing labour rates and benefits coverages since the work of the plant was highly labour intensive. Each employee in the union took a reduction in pay and benefits.
- Management took a reduction in pay similar to the unionized employees.
- The company also agreed to institute a gains-sharing type program where the company would pay a portion of cost savings back to employees in the form of a yearend bonus.
- A joint training committee was established to focus on enhancing skills of unionized employees.

Responses to the New Contract

The new agreement was ratified by the unionized employees by a thin margin, 53 percent to 47 percent. Employees who voted for it felt that they saved the plant. People who voted against it felt that, if they were not one of the 60 people who were to be laid off, they should not have to take a cut in salary.

The next few months were difficult for all involved as unionized employees continued to question why such drastic action had to be taken. It was difficult for the people responsible for the agreement on either side to walk through the plant without being faced with employees who openly questioned their decision.

The mutual gains bargaining process also became a topic of discussions. The negotiators clearly understood that if they did not proceed with mutual gains bargaining, 60 people's jobs would be moved to another plant and eventually the North York plant could very well be closed. It was through the mutual gains bargaining process that they were able to achieve a resolution which saved the plant. The employees who were against the agreement were only aware that their salaries and benefits were reduced through negotiations and that the negotiations approach used was mutual gains bargaining. They needed something to blame and the mutual gains bargaining process and the negotiators received the blame.

The Recovery

There were many new initiatives undertaken which contributed to the recovery. For example, one of the pluses in the new agreement was the formation of a joint training committee. The committee's role was to oversee the implementation of new training initiatives designed to help people improve their skills both on and off the job. Courses were designed to help people better prepare themselves for other jobs if they were laid off. Personal skill-building courses in English were very popular, as were courses in computer literacy. In addition, a program on mutual gains problem solving was offered for a large group of union and management employees so that they could understand the process and use it more extensively in their day-to-day work.

Over time, all these initiatives helped people begin to reflect on the problems they faced and why the plant had been losing money. Management took steps to regain a position of profitability and employees began to take an increased interest in the work of the plant. The employees and managers also established a joint problem-solving process and together were making this plant a successful operation.

"Employees who used to be content to sit back and wait when they ran out of parts, now push for answers on why they are out of parts and when they are coming so they can do their work," said the plant manager. A resurgent energy was building in the North York plant.

The new cost structure and heightened awareness about cost and productivity issues, as well as the new employee skills, played a significant part in the company's decision to put new work in the plant. For the first time in the plant's history, it was given the responsibility to build new telephone sets. In addition, a pay telephone unit that required increased skills to repair was introduced. The plant experienced a significant turnaround. All laid off employees were recalled and for the first time since the mid-1980s new employees were hired. The plant again became profitable.

The 1995 Contract Negotiations

When the end of the two-year agreement term approached, the parties were again faced with the question of how to conduct collective labour agreement negotiations. Although the results of the last two years all seemed to point to the wisdom of the mutual gains bargaining approach, the jury was still out in some people's minds about whether the sacrifices had been excessive or even necessary, thereby causing some to question whether to use the mutual gains bargaining process again.

Some favoured a return to traditional bargaining, where demands, counter-demands, posturing and exercising power were the norm. Others argued that Northern Telecom was continuing to rationalize its plants and the North York plant continued to grow and remain profitable in part due to the joint problem solving. The mutual gains process was credited as being part of this success and the parties chose to proceed with mutual gains bargaining

Although some of the members of the bargaining team had changed, Sean Howes, the CEP National Representative, again headed the negotiations for the union. The management team was headed by Chuck Stridde, new to the company from negotiating interest-based agreements at the Saturn Corporation in Tennessee. Chuck worked with a management negotiating team including the new plant manager and several members from the 1993 negotiating team. Dr. David Weiss was again asked to facilitate a training session for the team in mutual gains bargaining to set them off in the right direction.

Dr. Weiss explained the essential elements required to negotiate in a mutual gains bargaining manner. The participants also experienced numerous simulations and interactive exercises. The skill development, open communications and increased trust from the training and the successes built up in the plant over the last year helped the talks get off to a good start.

The parties addressed non-economic issues and used the joint problem-solving techniques they had learned to arrive at acceptable solutions in short order. The atmosphere at the table was non-confrontational as the parties practiced behaviours which served to speed the process. Some of the characteristics of the negotiations were:

- Everyone agreed to and followed the negotiating norms and process which were established.
- The training enhanced the negotiators capability to facilitate the negotiations. Facilitation was shared by people from both union and management teams on a rotating basis.
- The seating arrangements for negotiations were casual, around 'U'-shaped tables with flipcharts and a comfortable area for continued discussions. The dress was casual.

The atmosphere served to strengthen trust levels, reduce tension, enhance listening and maximize creativity among the participants.

An early experience with defining common interests helped form the foundation for the talks. Instead of presenting traditional position papers on issues or making demands, the parties put forth their respective interests on issues for the purpose of understanding and clarification. A list of common issues was then developed as the parties sought ways of more clearly understanding the other's point of view.

In one case, the union expressed an interest in job security and the company expressed their interest in seeing the continued growth of the business. After a brief discussion, they identified these interests as common interests and not interests of just one party. In contrast, if they were proceeding with traditional bargaining, all too often the negotiators would confront each other on these issues and begin to argue their pre-determined solutions. The union would have argued for job guarantees and the company for decreased labour costs and increased flexibility. In traditional bargaining they would be seen as conflicting interests. In this situation, the mutual gains bargaining helped them to discuss the mutuality of these interests and how they could meet both interests to satisfy all parties concerned.

Negotiating the Monetary Package

The mutual gains bargaining process worked extremely well for issues related to working conditions. Once the negotiators began discussing monetary issues, however, the mutual gains bargaining process began to be less effective.

One of the negotiating principles of mutual gains bargaining is that each party is allowed to invoke more traditional bargaining methods if they believe that the mutual gains process is not going to meet their needs adequately. As discussions of economics got underway, the CEP took the more traditional method of negotiating when it determined there was considerable distance between their position and the company's economic offer. In addition, given the 1993 experience in which mutual gains bargaining was associated with salary reductions, it was no surprise that a traditional approach was used when the economic discussions began.

The monetary package was bargained using the traditional demand-counter demand style. This change in style does occur even in mutual gains negotiations, especially when the only variable that is negotiable is the actual wage per hour. Mutual gains has greater applicability in situations where there are multiple monetary variables with which to work. In those cases, the interests of the parties can be met by balancing the monetary variables until values are reached which are agreeable to both. In this situation, there were very few variables to work with and the traditional bargaining approach was used.

Because of the trust which had built up during the negotiations, the parties were ultimately able to resolve the issues without a work interruption. They reached an agreement that was recommended unanimously by the union bargaining committee and won ratification by a comfortable margin.

Conclusion

The 1995 negotiated agreement went a long way to meeting the mutual interests of both parties. The union retained a high degree of job security and restored certain economic benefits for their membership. The company retained a competitive cost structure which allowed the business to continue to grow and retain profitability.

What can we learn from these negotiations? What conditions are conducive to the introduction of mutual gains bargaining and what approaches can be taken to ensure the success of the process?

Leverage a common crisis for mutual benefit

Both the management and the union were equally powerless in 1993 when the negotiations began. Both were threatened with the security of the plant and the security of jobs. If the work was moved to another plant, everyone's job would have been threatened. The common crisis helped them recognize that they needed to work together to achieve a solution that would benefit management, the union and the senior executives of the company. They learned to leverage the crisis and use it as an opportunity to build a new way of working together.

Benefit from joint union-management training

The trust levels that were built through the training were vital to the success of the 1993 and 1995 process. These trust levels were enhanced by using the intervening two-year period to have other managers and employees go through joint training. This decision broadened the base of people who understood the challenges facing the organization and the workforce. The enhanced skill levels and trust were also extremely important during the more traditional economic negotiations which ensued in the 1995 negotiations.

Use power only as a last resort

In traditional bargaining circles, the opening approach is one of demand and counter-demand, an approach which uses conflict to resolve conflict. Only in the last hours before a contract deadline do the traditional negotiators change their tactics, and try to find out what the other side needs. As this approach happens out of the ear shot of others at the negotiating table, it leads often to misunderstandings, unclear language, grievances and a continued breakdown of trust. In mutual gains bargaining, the negotiators use power only as a last resort. They do not threaten, demand, or manipulate each other, but rather they work the issues to achieve the best possible solution to meet as many interests as possible of all parties. They better understand the other's point of view, they listen more effectively, they avoid threatening to use power and they avoid arguing for a solution or jockeying for positions. They engage in joint problem solving to reach mutual gains solutions.

Use traditional negotiations for the monetary package, if necessary

An essential part of the negotiation approach focused on using mutual gains bargaining as long as it was helpful for the situation. They only used the mutual gains approach when it was natural for the parties. When it did not fit, they chose a more traditional style of negotiations. Using a traditional approach for the economic package helped maintain the bargaining credibility with the workforce. However, the traditional economic negotiations were of a much more constructive nature because of the earlier discussions which used a mutual gains bargaining approach. The openness and trust levels achieved in the earlier mutual gains discussions helped both parties deal with the more contentious monetary issues later in the process.

Recognize that mutual gains bargaining is more than a one-time event

It is clear from this negotiations process that, although mutual gains bargaining achieved results in 1993, it needed the ongoing relationship in the ensuing two years plus the 1995 negotiations to solidify the approach as the new way in which employees and managers can work together. Mutual gains negotiations often require at least two rounds of negotiations to begin changing the union-management relationship. You can make gains in the first round, but if you persist during the term of the contract as well as in the next negotiations, the new approach will become the new way of working on an ongoing basis.

The North York plant of Northern Telecom continued on a positive course set by those of the CEP and the North York leadership. They were able to lead the parties through the difficult decisions of the last two and one-half years. Having established a relationship built on mutual interests, the parties chose a way of dealing with one another that was not easily changed or replaced with adversarial behaviour. Through this process, management opted to share information more openly, involve the union in more decisions and in many respects share more of the power with them. The experience of the North York plant illustrates how unions and management can significantly change the way they work together and sustain it for the mutual benefit of all who have an interest in the outcome.

About the Authors

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