ILR CAHRS

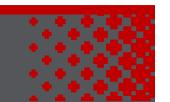Employee Relations in a Modern World
March 19, 2025
New York City

21 attendees from the following organizations:

Accenture
Amazon
Colgate-Palmolive
Cornell University
Corning
Ford
MassMutual
Shell
Trane Technologies
XPO

ILR School

EXECUTIVE SUMMARY

In partnership with Shell, the Cornell ILR School convened an in-person consortium of academic and business leaders on March 19, 2025, in New York City. The group consisted of faculty and senior level Human Resources (HR), Employee Relations (ER), and Labor Relations (LR) professionals who engaged in an open dialogue about the ER challenges caused by employees' shifting expectations of organizations and a host of social, economic, and geopolitical disruptions that have emerged in recent years. The group shared their different approaches to managing these challenges and began to identify the critical skills that HR and managers will need to navigate this evolving landscape.

This report provides a brief summary and key takeaways of each session held during the consortium. Thanks to all who attended and so generously shared their time and insight. The hope is that this consortium will serve as the beginning of an ongoing conversation.

AGENDA

Session 1: Employee's Expectations of Organizations
Facilitated by Ariel Avgar, David M. Cohen '73 Professor of Labor Relations, Senior Associated Dean for Outreach and Sponsored Research, Direct, Center for Applied Research on Work, ILR School
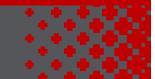
Session 2: Employee Engagement Tactics
Facilitated by Brad Bell, William J. Conaty Professor of Strategic Human Resources, Director, Center for Advanced Human Resource Studies, ILR School

Session 3: Current and Future ER/IR Landscape Across Regions and Countries Facilitated by Harry Katz, Professor, Global Labor and Work, Director, Scheinman Institute on Conflict Resolution, ILR School

Session 4: Skills Required for HR and Managers
Group Discussion

Session 5: Next Steps: Continuing the Conversation
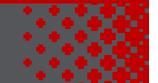Group Discussion

Session 1: Employee's Expectations of Organizations

<u>Emergence of a New "New" Psychological Contract at Work</u>
- There are profound, fundamental changes happening in the workplace and these changes need to be looked at **<u>in totality</u>**.
    1. There is a need for the development of **new organizational strategies** designed to deal with these new pressures.
    2. **Traditional responses** and **models** may not be effective in addressing this new reality.
    3. **Traditional practices** and **processes** may not be effective either.
    4. Viewing different manifestations of this new reality as part of a broaden pattern.
- The changes in worker expectations are a once-in-a-generation shift in how we interpret the psychological contract between employees and employers.
- The psychological contract at work:
    1. Implicit agreements between organizations and their employees around the informal commitments and understandings that shape the relationship.
    2. These can change over time (slowly or rapidly)
    3. What type of commitments are employers making with their workers and what are the reciprocal commitments made by workers?
    4. We are now experiencing a third evolution of the psychological contract in the post-WWII era; the existing psychological contract, which has been in place since the 1990's, was designed around employer expectations and needs, whereas the evolving one centers on changing workforce expectations and needs.
- Why is it important for us to understand this new "new" psychological contract at work?
    1. We need to recognize that individual trends, such as the increased expectation for collective representation, are part of **broader psychological shifts at work.**
    2. Leaders/managers are experiencing a tremendous amount of worker/workplace expectations fatigue from dealing with these trends.
    3. There is an opportunity for organizations to:
        1. Assess the efficacy of the practices and policies that they have in place
        2. Adapt to these changes to gain a competitive advantage

<u>Five Key Dimensions of the New "New" Psychological Contract at Work</u>
1. Increase in expectations of firms to be **vocal around values and political debates**.
    - **Examples**: Speaking up on the war in Ukraine, increase in workplace activism, black lives matter etc. This started before the pandemic but has accelerated even further since then.
    - Increased proportion of workers who believe that employers should speak up about social and political issues; some estimate at over 75%.

- Growing evidence of the differences across generations in expectations around speaking out on value-based issues.
- Implications for employers:
    o Increased degree of difficulty in leading people
    o Traditional focus on pay and job security are no longer enough
    o Moving from reactive to proactive strategies
    o Moving from a public relations mindset to an employment relations mindset
    o Evaluating the efficacy of existing practices to deal with this new form of conflict
    o Aligning strategies and approaches to collective value-based conflict with broader organizational strategies and other factors
    o Leveraging lessons from labor relations to address these issues

2. Increase in expectations for **collective representation** at work through **traditional unions and non-traditional forms.**
   - Decline in unions over time from 1960s -2020…until now. It appears that they are now gaining renewed momentum.
   - This is collective action with and without unions.
   - Pay is often a key point of contention, but not the only issue driving the increase in collective action.
   - No longer occurring in just traditional settings (e.g., manufacturing).
   - Implications for employers:
       o New industries and settings will experience collective action and union activity.
       o Need to develop new labor relations strategies that take patterns and trends into account.
       o Even nonunion firms need to develop labor relations strategies.
       o The impenetrable boundaries between union and nonunion landscape are blurring.
       o Labor relations strategies should consider broader business strategies and factors.
       o Investors should consider alignment between labor relations approach and overall business strategy and customer base.

3. New expectations about **how conflict is resolved at work.**
   - The ways in which conflicts are managed in organizations have not kept pace with changes in the psychological contract
   - Organizations have increasingly turned to different types of conflict management practices:
       o Right-based techniques – arbitration, peer-review panels or clear right/wrong decision making.
       o Interest-based techniques – mediation, facilitation, ombuds function, etc.
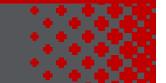
- More recently, a growing proportion of organizations have turned to a **bundled or systems approach**, including a variety of different practices and approaches together.
- Implications for employers:
    - Employees want more voice in how organizations resolve conflicts, including custom solutions to their specific situations
    - There is a need for employers to consider new ways of addressing conflicts
    - Traditional means of resolving conflict are at times misaligned with the overall expectations of workers

4. Increase in expectations for work practices that **provide individual discretion, voice, and say** in the workplace.
    - Employees increasingly expect to have greater autonomy at work as well as to be able to provide input/feedback on a variety of work/workplace matters
    - A growing number of employees feel comfortable reaching out to senior leadership directly to voice their concerns or share their input
    - Although increased expectations around discretion and voice can create some challenges, especially for HR, evidence suggests that organizations that provide these opportunities can benefit in terms of increased worker productivity

5. Increase in expectations for **work that accommodates family and other life commitments.**
    - Surveys show there is a growing mismatch between worker expectations for work-life balance and employers' arrangements
    - Workers are expecting a new relationship with their employers, which goes beyond a transactional relationship based solely on pay in exchange for work
    - A majority of employees say they would turn down a promotion if it conflicted with mental wellness
    - Gen Z workers are prioritizing work-life balance and will leave a job that leads to burnout, does not align with their passion, or that does not offer remote work options
    - A majority of workers want more flexibility than what their company currently provides:
        - A vast majority of workers are interested in more flexible work arrangements, including flex hours, yet less than half of employers are making use of such arrangements
        - Workers are interested in childcare options, yet only a small fraction of employers provide it

Key Insights from the Group Discussion
- Although some of these trends (e.g., increase in collective action) may be more prevalent in the United States, most can be found in some form or fashion globally
- Differences in priorities and expectations can often be observed across different segments of employees (e.g., frontline vs. management, white collar vs. blue collar)

- Companies need to be more transparent about their expectations of employees (e.g., in regard to performance) and also explain the "why" behind their policies and practices
- Similarly, companies need to be prepared to explain how they are responding to certain issues
    - Currently, for example, employees want to know what their companies plan to do about diversity, equity, and inclusion. It is not enough to just highlight general principles (e.g., "we plan to stick to our values"); employees want to know what concrete actions their companies are taking
- It is also important to consider customer preferences/expectations and how they vary across different regions
- Artificial intelligence represents a significant disruption and it likely to further fuel the evolution of the psychological contract at work
- Employee listening is critical as companies seek to get a better handle on the expectations of their employees and the extent to which they are being met
    - It is not difficult to collect this feedback; the challenge lies in taking prompt action in response to it

Session 2: Employee Engagement Tactics

Challenging Conventional Wisdom
- Employee engagement trends
    - Conventional wisdom: employees are not engaged as much as they used to be as reflected in the great resignation, quiet quitting, etc.
    - What the data shows: while there has been a light downturn in engagement following the post-pandemic highs, current engagement levels are around the 20 year
- Generational differences in engagement
    - Conventional wisdom: Gen Z is less engaged than other workers
    - What the data shows: Baby Boomers score lowest on overall engagement and scores on different drivers vary across generations
- Engagement in the remote work era
    - Conventional wisdom: remote work has eroded employee engagement and commitment
    - What the data shows: although there is some evidence that fully remote workers exhibit lower engagement, the differences are small and hybrid workers are the most engaged
- Attitudes toward work
    - Conventional wisdom: people see work as less central to their identity post-pandemic
    - What the data shows: while there was dip in the importance of work in 2021, figures have since rebounded to pre-pandemic levels
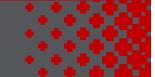
- Overall, the data suggests:
  - Employees value similar things (meaningful work, purpose, recognition, career advancement, etc…) and any differences are more life stage than generational
  - Engagement levels have returned to pre-pandemic levels
  - Work is till a priority for most people, maybe more so with rising cost of living

What has Changed?

- Employees want it ALL, not willing to make tradeoffs.
  - Now most employees are looking at how to maximize their life
  - Those who have up to five-years of work experience… have not been in the workforce long enough to realize "the way it was" and to care about it. "They want a new way, to have the same opportunities as those who are in the office"
  - Younger workers view it as an entitlement, older workers a refreshing evolution
- Employees are pushing back on traditional paradigms and asking "why"? …
  - "Things that matter before are still there, but the "how" has changed?
    - Why can't I remain in my community to advance my career?
    - Why do I have to come into the office, when I can do my job from home?
      - Consistent with expectation for increased individual discretion, workers aim to achieve for their organization while maximizing their personal situation
- Demands of managers continue to escalate.
  - "Manager has to do a lot- address the evolving expectations, manage job. Demands on the manager continue to grow"
  - Managers are asking for more employee data to navigate this shifting landscape, but it is unclear whether they can effectively leverage it
  - Increased pressure on managers to manage outcomes, instead of inputs (e.g., managing employee deliverables vs. attendance in the office)

Refining the Employee Value Proposition (EVP)

- Changes in the employee value proposition -workers have more motivations beyond remuneration. Today, employees are putting greater value on engagement, quality of life, status, and benefits, rather than simply income.
- There is a disconnect between many companies' established EVP and employees' expectations
  - Most companies capitalize on their brand name to attract talent and/or report not having a formal EVP. Significantly fewer companies align employee values to their CSR strategy, communicate their EVP externally, or tailor their EVP to strategic talent personas
  - Employees, on the other hand, demand location flexibility, expect work autonomy and goal-oriented roles, aspire to have their values align with their employer's CSR

efforts, want an agile workflow and transparent interaction, and expect their employer to take bold DEI actions.

- As the nature of work and employee-employer relationships evolve, it is important for organizations to review and refine their EVP. The EVP is a critical component of an organization's culture and represents the value that the company provides to its employees in return for their skills, knowledge, and experience. To accomplish this a company should:
  - Reinforce its values and mission
  - Use technology as a tool to rethink socialization in hybrid/remote work models
  - Recognize that tapping into the employee experience can have a halo effect on not just engagement but also talent acquisition, performance, and retention tapping into employee experience
  - Equip middle managers to serve as proponents of culture

Key Insights from the Group Discussion

- Within a single company it can be difficult to discern differences in engagement based on generations or seniority because they are necessarily confounded with time of service
- Differences in engagement are often more prevalent across different employee segments (e.g., frontline vs. corporate employees)
- Companies are increasingly emphasizing belonging as well as both psychological and physical safety as key parts of their EVP
- Given that what engagement looks like and means is changing, does our definition need to change?
- Companies ask employees to be highly engaged (e.g., "bring your whole self to work") and then are surprised when employees expect to have greater voice and discretion
- Many employees, particularly those who were on the frontlines during the pandemic, feel like their employers violated the prior psychological contract, which is leading to renegotiation
- It is difficult to renegotiate the contract because the laws and regulations surrounding labor, compensation and benefits, etc… have not caught up
- Many employees, again particularly those on the frontlines, are angry about the fact that they have not been rewarded for the sacrifices they made during the pandemic. Not only that, but they often find themselves unable to take advantage of certain gains made by other workers in terms of things like flexibility
  - It is unclear whether this discontent is short-term or enduring

Session 3: Current and Future ER/IR Landscape Across Regions and Countries

Global ER/IR Trends

- Over the past several decades there has been an ongoing decline of unionization in the US… currently, about 6% of employees in the private sector are covered by unions
  - Yet, the unions still have influence and power…and they are not going to go away in certain companies and industries
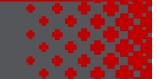
- Across the rest of the world, union density is significantly higher
    - In most other countries, 20-40% of the workforce is part of union
    - Representation outside of the US is not expanding but nor is it declining at the same rate as what we witnessed in the US ; in most cases it is relatively stagnant
    - There are some key differences outside of the US:
        - There is not a functional separation between HR and Labor Relations
        - Unions and collective bargaining can be much more extensive than the data suggest due to legal extension
            - For example, although only about 30% of the German workforce belongs to unions, 80% are covered by collective agreements due to legal extension
        - Have not seen a drastic increase in strikes or labor movements, like in the US
        - Less militancy in the unions, but that does not mean that they are weak
        - It is important to recognize that these unique elements are not strange, just different from the US system

Important Developments in ER/IR

- Traditionally, employees would vote for unions due to dissatisfaction with their supervisors. However, recent organizing drives, such as within Starbucks, appear more driven by dissatisfaction with corporate than direct supervisors
- Non-governmental organizations (NGOs) have risen to fill the void left from declining unions, less government regulation/oversight, and the general erosion of trust in institutions
    - NGOs address a variety of work issues related to pay, recognition, work environment, etc…
    - They exert power by publicly shaming companies for their, or their contractors', poor or unlawful work practices
    - Although many companies try to avoid issues by employing monitors throughout their supply chain, these efforts are rarely effective. Much more effective are efforts to improve/modernize management and production techniques

Key Insights from the Group Discussion
- When unions are weak or corrupt in other countries, you tend to see more grassroots, employee-driven uprising due to discontent
- Essential workers are still upset about the pandemic because they had to go to work at a very precarious time, while others had the opportunity to work safely from home. They did not have a choice and feel like they should be rewarded for their sacrifices
- It is not an option for companies to say that they are not responsible for or aware of what different contractors in their supply chain are doing

Session 4: Skills Required for HR and Managers

<u>Critical Skills for HR and Managers in the Modern Workplace</u>
- Data Analytics
  - Generating insights
  - Storytelling through data
  - Governing data quality
  - Presenting data
  - Effective and ethical use of AI
- Interpersonal/Relationship skills
  - Listening
  - Influencing
  - Emotional intelligence
  - Empathy
  - Communication and messaging
  - Coaching and feedback
  - Building trust
  - Collaboration
- High judgment decision making
- Labor relations knowledge and experience
  - Knowledge of the NLRA
  - Labor relations experience is critical for understanding business operations
  - Labor experience tends to now be blended with strategic HR experience, makes union and non-union situations more similar than not
  - Labor experience can help cultivate stronger skills with conflict management and the ability to deal with heated and difficult conversations
- Technological proficiency (e.g., AI skills)
- Business acumen
- Strategic thinking
  - There are various levels of strategy… how am I going to allocate my time?
  - Strategic thinking is critical for influencing
  - "You have to have strategy and good decision making, the two go hand in hand"
  - "You need strategic thinking and strong operational excellence and execution. The key is striking the right balance"
- Agility and adaptability
- More broadly, these skills may be able to be categorized into three main themes:
  - Relationship/interpersonal skills
  - Cognitive skills
  - Technical skills

Potential Development Strategies
- Curated career experiences
  - Have HR employees rotate through roles in ER/LR and/or in the business
- Training and development programs
- Day-in-the-life walk arounds/shadowing

Session 5: Next Steps: Continuing the Conversation

Ideas for future discussions:
- Focus on a particular skill and do a deep dive into what companies are doing to build the capability
- Have a further discussion about the challenges of the modern workplace and the skills needed to navigate them
- Have a follow-up discussion on each of the five shifts in the employee-employer psychological contract and the implications for companies, managers, and HR

Question posed:

- Is there a way to build an informal way for participants to have ongoing communications with each other? (via email or through virtual connection)

The skills conversation is still a work in progress. In the meeting, it was agreed that Brad and Christina would refine the feedback on skills to make it more concise and practical. They will also develop a method for this group to continue the dialogue, ensuring more sessions like this one are held.