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Executive Summary

This CAHRS virtual working group was held as a follow-up to the Employee Relations in a Modern World consortium which took place in New York City in March 2025. The goal of the session was to dive deeper into the different dimensions of the new psychological contract at work and to examine how companies are managing the changes in worker expectations. After Professor Ariel Avgar provided a refresher on the new psychological contract, the group identified two dimensions as currently most salient in their companies: (1) workers increasingly expect more voice, discretion, and say in the workplace; and (2) workers increasingly expect work-life balance that works. The group then spent time discussing some of the factors driving these trends and shared examples of how their companies have approached these changes in worker expectations. Before concluding, the group discussed potential topics for a future meeting in the spring.

Summary

The meeting began with a presentation by Ariel Avgar in which he provided a refresher on the different dimensions of the new psychological contract and discussed some of the potential implications for employers. Below is a brief summary of the five dimensions and implications of each for employers.

Dimension #1: Dealing with value-based issues outside of the organization

- Employees increasingly expect their firms to be vocal about conflict that is values-based, social justice oriented, and political, rather than just organizational or relational. This has led to an increase in the level of worker activism in recent years.
- Implications for employers:
 - **Evaluating existing practices' efficacy** to deal with new forms of conflict:
 - Google internal assessment after mandatory arbitration walkout
 - Lessons from **traditional labor relations**:
 - Labor-management practices have long found ways to address a broader range of conflicts.
 - Lessons from experimentation with labor-management partnership
 - Develop **systematic organizational approaches** to values-based conflict:
 - Integrated teams that bring together diversity, equity and inclusion (DEI), communication, Legal, Human Resources (HR), and business leaders
 - Development of guidelines that outline what is in and out of bounds in terms of employee expressions and action that aligns with broader policies

Dimension #2: Collective representation in the workplace

- Employees increasingly expect collective representation at work through traditional unions and non-traditional forms.
- Implications for employers:
 - **Both union and nonunion** firms need to develop **new labor relations strategies** that take patterns and trends into account
 - Reassess traditional adversarial strategies
 - Provide labor relations training and capabilities to a new generation of HR professionals
 - Assess demand for collective representation in the broader context of a changing psychological contract

- Ensure that **labor relations approach** takes into account and is **aligned with broader business strategies**
 - Assessment of labor-relations through a business strategy lens
 - Starbucks unionization example

Dimension #3: New ways of dealing with workplace conflict

- Employees increasingly expect more voice in how their organizations resolve conflicts, including custom solutions to their specific situations.
- Implications for employers:
 - Need to consider adoption of **different types of practices**:
 - Rights-base—arbitration, peer review
 - Interest based—mediation, facilitation, and coaching
 - Consider a **bundled or systems approach** that integrates a variety of practices:
 - A growing proportion of firms have been attempting to create systems of conflict management
 - See Prudential, GE, and other Fortune 100 firms

Dimension #4: Demanding more voice, discretion, 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
- Implications for employers:
 - **Leveraging work design** to meet employee expectations
 - Adoption of more flexible work arrangements including opportunities for job crafting
 - Enhance **employer listening and responsiveness capabilities**
 - Moving away from reliance on annual engagement surveys as a way to gather employee input
 - Use of more pulse surveys and improved ability to analyze and respond to concerns and suggestions

Dimension #5: Work-life balance that works

- Employees increasingly expect work that accommodates family and other life commitments. They are increasingly interested in flexible work arrangements and other options (e.g., childcare) that help them manage work-life balance.
- Implications for employers:
 - Exploring ways to **provide flexibility to all employees**
 - Shift to a focus that goes beyond the remote/hybrid work arrangement
 - Consider schedule flexibility, compressed workweeks, split shifts, etc.
 - Developing **personalized benefits/rewards** that better addresses unique needs and constraints

Following this refresher, the group discussed two issues surrounding these dimensions of the new psychological contract.

1. *Are these shifts in worker expectations enduring or transient?* This question was raised because several participants have noticed that in recent months there has been less worker activism, which may be attributable to a cooling economy and lessened employee leverage. The group generally felt that while the volume of worker demands might decrease during an

economic downturn, the underlying expectations and concerns are likely to persist, if not increase as new generations of workers enter the labor force. Thus, it is important for employers not to assume that these issues have gone away since they are likely to reappear when market conditions shift again.

2. *Should employee expectations regarding Artificial Intelligence (AI) be considered a sixth dimension of the psychological contract?* This question emerged from participant observation that there is currently a disconnect between employer and employee expectations regarding AI's impact on jobs. Although employers often try to downplay the risk of job displacement, workers are increasingly asking for reskilling or upskilling to make them competitive in pursuing career opportunities inside or outside of their current firm.

Reflecting on the dimensions outlined above, the group identified two as currently most salient in their companies:

- Dimension #4: Demanding more voice, discretion, and say in the workplace
- Dimension #5: Work-life balance that works

The group then discussed the factors they believe are driving these trends and shared how their companies are navigating these changes in worker expectations. Several themes that emerged during this part of the discussion are highlighted below:

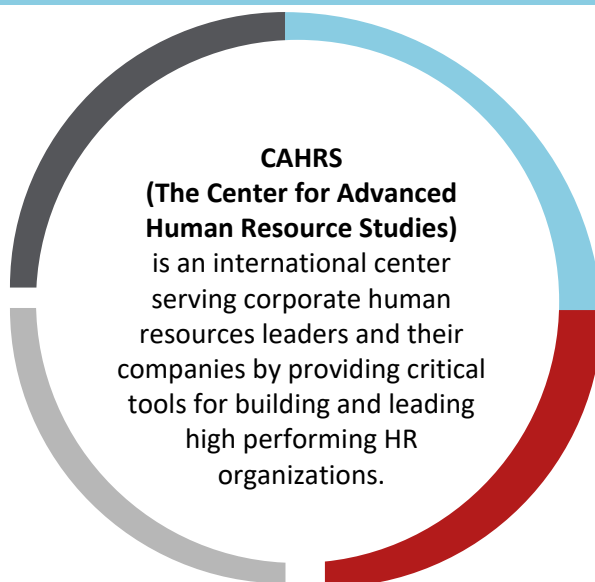
- **Work-Life Balance Policies Under Scrutiny**
 - The group discussed work-life balance policies across different organizations, with some noting their policies are in regular flux due to leadership changes. Similarly, some participants expressed concern about stricter return-to-office mandates since these moves often signal a deprioritizing of flexibility by leadership. Participants also shared that their organizations maintain strict on-site requirements for production and frontline workers, with only certain roles being eligible for remote work, while administrative employees are required to return to office three to four days per week. Although the increase in return-to-office mandates has reduced the disparity between these groups, workers continue to experience different levels of flexibility depending on their location or role.
- **Challenges with Flexible Work Arrangements**
 - In a related discussion, the group noted growing employee demands for more flexible work arrangements and paid time off. At the same time, union agreements often provide protected days for workers to avoid overtime. The discussion revealed that while companies are generally aligned on return-to-office (RTO) policies, there are growing concerns about the lack of affordable childcare and eldercare options, which, when combined with RTO requirements, is creating challenges for some employees. Finally, participants noted that while hybrid work has generally worked well, their companies have had to adjust their approach in some locations and with some roles due to productivity concerns.
- **Employee Voice**
 - Participants discussed how employees are increasingly comfortable expressing their opinions on social media and by directly contacting senior leaders. Both younger and older employees are seeking direct engagement with senior leaders, though for different reasons. Frequent all-employee meetings and open town halls have increased the opportunity for employee voice, though this has sometimes led to repetitive feedback about specific issues like the RTO office policies.

- **Employee Feedback and Action Tracking**

- The group discussed employee feedback and listening mechanisms, with several participants noting that they have recently launched a listening strategy among their frontline workers, who often feel that insufficient effort is undertaken to get their thoughts and opinions. The group emphasized the challenges associated with responding effectively to employee feedback, which can lead to the over-surveying employees without proper action. The group agreed that while more opportunities for employee input are valuable, it's crucial to follow through on actions to maintain credibility.

At the end of the meeting the group spent some time discussing potential topics they would like to see tackled in future gatherings. These topics included:

- How to rebuild trust with employees during a time of significant change and disruption.
- The ER/IR capabilities that will be required in the future to manage shifting employee expectations.
- The sharing of tactical initiatives such as the rollout of a global recognition platform, the updating of performance management systems for front-line workers, and the restructuring of blue collar career paths.



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