

Going Public

**The Role of
Labor-Management
Relations
in Delivering
Quality
Government
Services**

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CHAPTER 3

Restructuring Labor-Management Relations to Improve Government Services

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In 1994 the city of Indianapolis faced a problem mayors dread: tax revenues available for the fire department had reached the maximum allowed by law, significant needs remained, and allowing the natural growth of salaries and pensions would have burst the statutory cap. Only closing firehouses in areas with substantial population decline would have resolved the matter, but station closings traditionally had led to enormous community, firefighter, and city hall arguments. In a remarkable meeting the International Association of Firefighters Association (IAFF) local leadership, and the fire chief and public safety director, jointly presented to me an enormously creative proposal that would enhance safety, reduce costs including some closings, and reward hard-working firefighters.

At about the same time the fire chief and union president were presenting this proposed solution, Indianapolis officials were on the stage with another no-nonsense local union president, Steven Quick, jointly accepting an award from Harvard's Innovation in American Government Program for creative partnering. Quick headed the same union whose members had picketed and hand-billed against me, lobbied the city council, and engaged in isolated instances of sabotage during my first year in office—the American Federation of State, County, and Municipal Employees (AFSCME). How we got to these unusual points provides an interesting illustration of cooperative principles.

My two campaigns for mayor highlight this transition. As in many big city elections labor issues played a prominent part in the 1991 Indianapolis mayoral election campaign. After hearing my campaign pledge to privatize some services and shrink government, AFSCME, the union most directly affected, vehemently opposed my election.

During periods of budget difficulty, campaigns tend to generate zero-sum politics of labor-management relations. AFSCME, fearing the loss of jobs, spent money, organized volunteers, and did everything legally possible to defeat me. The IAFF, on the other hand—the other major player in this story—displeased with existing working conditions but somewhat more hopeful about me, infused my campaign with off-duty, articulate firefighters, who—while volunteering—made sure that I saw the world through their eyes.

A great deal occurred over the next four years and, when the following election came around, the enthusiastic support of both these unions for my reelection was a point of pride for me, and perhaps even for them. Their unqualified support was not based on a series of specific promises for future action, but rather was an endorsement of a relationship about which they had confidence.

I certainly never would have predicted this happy outcome when on my first day in office I visited AFSCME solid waste department workers before they left to pick up the city's trash. We met in a small area near their time clock and, despite my overtures about working together, the anger and tension were palpable. The city would not balance its budget on their backs and my approach demeaned them and their work, they contended. Mindful of other well-intentioned mayors, like John Lindsay, who had started their terms with labor strife, I wanted to avert a strike or slowdown, but without undermining my campaign pledge to increase the productivity and quality of the city workforce. In circumstances like these I knew it was easy to get sidetracked arguing about who is right, or wrong, or winning on process points. I needed to keep reminding myself that the issue was not about who appeared to win or back down, but rather about fulfilling citizens' demands that required increased productivity. So I promised literally to work alongside them, picking up trash, cleaning areas in public housing, cutting grass in parks, and listening to their unfiltered comments.

The evolution of my relationship with the fire department started differently but ended with a similarly deep partnership. Firefighters always present challenges to mayors. They are local, and now national, heroes. They provide a service that all citizens believe is vital, and voters insist that in case of both fire and emergency medical services, the more proximate the firehouse the better. Firefighters are a very tight family, passing problems, issues, and even rumors at the speed of sound. Fire unions tend to be well organized and often very demanding. Yet the services firefighters perform are quite expensive, and cities with a declining

tax base face considerable challenges in financing a rational but well-equipped response.

In the several years preceding 1992, when I first took office, the relationship between the IAFF and the city leaders had been poor. The firefighters and their union leaders did not believe the city, or even their own upper management, appreciated their efforts or made good decisions. The city's main fire goal had been simply to limit expense, without sufficient regard for worker safety or the expertise firefighters could bring to these complicated issues. During my first campaign I remember visiting even new firehouses where the firefighters who supposedly benefited from their new facilities more often complained that avoidable design defects occurred because they had not been consulted. Because city officials had viewed fire union officials as disruptive and overly demanding, the then-fire chief avoided consulting with them. The result (as firefighters later described to me) was a strong sense among them that the city simply did not respect them for their expertise or commitment to mission.

In early February 1992 a high-rise fire at the Indianapolis Athletic Club claimed the lives of two firefighters, a highly unusual event for the city. This experience exposed a number of management and equipment problems, and the resulting recriminations provided a seminal event in labor-management relations. The change in administration and the tragedy led me to appoint a new fire chief—who had risen through the ranks as “one of us.” The changes over the next several years eventually brought about the bold 1994 fire station solution, illustrating the best of labor-management collaboration.

So when faced with a crisis requiring station closings in 1994, and based on a solid foundation of trust, firefighters' union officials Tom Hanify and Tom Miller approached the city administration with a startling request: they proposed to help solve the problem, identify where closures would not harm safety, and communicate to the neighbors with us *if* they could share in the benefits.

Over the ensuing months these labor-management teams identified areas with population losses and studied run reports and digital maps to determine where stations could be consolidated or enhanced. They provided suggestions on emergency medical service (EMS) responses and, after negotiations, helped the city “sell” the closings. Of course union officials could not advocate laying off their members and this created tension in all union dealings. The city's previous approach to manpower had involved authorizing a relatively high number of firefighters but then

not filling all the jobs. This time, though, the city and union faced actual jobs that exceeded available revenues. Thus, the parties worked to arrive at a manpower number everyone could support, an agreement that no one would be laid off, and a decision that once attrition dropped below the agreed-on number, hiring would commence again. The clarity of the plan helped, as did the commitment by the city to apply some of the savings to safety equipment, enhanced training, and a very important schedule change that reduced the hours in a year slightly but also helped scheduling personal and family time. In the end, the community continued to receive a high-quality response, and from a public-spirited, high-morale group.

Large Purposes, Small Steps

The platform for partnership needed a clearly articulated, shared vision that would cause both sides to understand that cooperating would be advantageous if the points of cooperation exceeded the areas of friction. The overall purpose for changing labor relations practices was a new vision for the city: that Indianapolis be a competitive city with safe streets, strong neighborhoods, and a thriving economy.

Increasing tax rates, deteriorating city services, and comparatively poor education and crime control were pushing people and their capital to the suburbs. We needed to freeze or reduce taxes in order to close the gap with the suburbs; yet the business community urgently requested a one-billion-dollar program to repair the city's infrastructure. These demands and important neighborhood revitalization could not be accomplished without major changes in how the city conducted its business. We could not save enough money simply by doing existing chores somewhat better. The city's early implementations of total-quality management had led to only marginal improvements. To interrupt the status quo, labor and management needed an incentive to change under which the benefits would exceed the risks. Developing this incentive, we hoped, would depend on the unions' understanding both the "macro" of the region's economics and the "micro" of how changes would affect their members.

In the early months of my term, long-standing Republican middle managers assumed that change meant eliminating large numbers of union jobs through privatization and leaving most of the managers in place as contract monitors. When I saw the value the laborers and their ideas could contribute, however, my commitment to conduct the process in a way that treated everyone fairly became stronger. As we did that, management was actually put at risk more than labor.

Early efforts demonstrated that we had many good people trapped in bad systems, and that the only way to produce higher-quality services within appropriate budgets would be to convert the workers' frustration with management into a new responsiveness that sent the correct signals and, in turn, increased productivity. In those cases where I was fortunate enough to have thoughtful union leaders like Steve Fantauzzo and Steve Quick from AFSCME and Tom Miller and Tom Hanify from IAFF, the unions quickly moved from the problem side of the ledger to the asset side: they were not a problem to be managed but a partner with many of the same goals.

The Overtures

We needed a coherent, well-understood process to produce the necessary change. We presented two very different proposals to the two major union players, AFSCME and IAFF, because our relationship with one had been adversarial and our relationship with the other more open.

AFSCME had been lobbying vigorously against privatization reforms by picketing, contacting legislators, and holding public events. We already had the support necessary to proceed, but the process was slow and the human cost in anxiety and morale was high. My supporters, who were in large part Republicans, could see the vigor of the organized-union efforts to defeat us at almost every election, including mine. They saw privatization as a sure way to improve efficiency at the expense of an already very unfriendly political group. The nonunionized city managers, many good people appointed under the patronage process, would be supportive of any system under which they retained their influence. They expected to see outsourcing with them as contract managers.

These thoughts plus many small unpleasant events with each side led us to conclude that if we could drive dramatic improvements in efficiency and reduce costs at the same time, public support would be wide and strong enough for the city council to back us over entrenched interests. We presented a plan to the unions that, at the time, felt like a concession in terms of methodology but not principle: the city would allow its workers a window to bid on any work before outsourcing and provide them access to all information and financials, full authority to propose changes in how they did their work, and a city-funded independent consultant to assist them.

Since AFSCME had so vigorously claimed their superiority over the private sector, they were somewhat hard-pressed to reject the concept.

The long-standing mistrust among the parties precluded an immediate acceptance of the offer, however. Winning trust and convincing union members that the status quo was truly unacceptable became the critical prerequisites of change.

The firefighters were also distrustful, but for them the recent tragedy demanded changes in the status quo. The fire chief commissioned a major outside evaluation, placed IAFF leaders on the oversight committee for the study, and reached out to these leaders on all questions dealing with implementation. Over the next two years the firefighters with their union leadership became full partners with management. Neither side co-opted the other. The defining issue that brought the parties together was a shared concern: safety. The city administration invested substantially in purchasing safety equipment recommended by the joint union-management team. The men and women of the department eventually concluded that city officials did, in fact, care about them.

Respect and Trust

Indianapolis government in the 1970s and '80s had been a relatively well run, professional implementation of traditional public administration: lots of hierarchical systems, detailed input, and management, institutional, and personal distrust of discretion. These older processes, layered with collective bargaining and legal protections, created a relationship that guaranteed friction: most of the effort reinforced the belief that but for management supervision, detailed audits, and input measures, the laborers would malingering, or worse.

Earning the trust necessary to move forward on large, sometimes painful, issues required management's demonstrable progress on smaller issues. Working with labor crews provided me direct access to their ideas and attitudes, unfiltered by layers of management. The consistently good ideas they raised changed my stereotyped opinion of labor but reinforced my suspicion that many layers of management unnecessarily added costs and little value. The public housing union president one day helped me understand both the distrust and the waste. He claimed that public housing managers who supervised craft laborers, such as plumbers and electricians, had not done the actual jobs either ever, or in years. He reasonably claimed that those managers standing over the workers and instructing them served no constructive purpose and that, in fact, the orders they gave were often counterproductive. The hierarchical system told the workers the city did not trust them with more discretion and thus harmed motivation and reduced productivity.

Similarly instructive was an event after a large snowfall that had hundreds of residents complaining. I went to the headquarters of the snow removal effort, visiting with managers in one room and the men and women who drove the snowplows in another. The first group had many reasonable explanations for the effort's poor performance, ranging from equipment breakdowns to the temperature and time of day the snow fell. The drivers, however, had a dozen specific ways to improve the results, including changes in the route maps, the type of salt purchased, the way mechanics were deployed, and so forth. Translating the drivers' ideas into better productivity and worker satisfaction became a high priority for me.

After the election the unions had no expectation other than of a four-year fight. They had strongly opposed me, whereas the upper and middle managers, mostly of my political party, had supported me. Thus, any suggestion I made about competition was interpreted as a cleverly disguised act of war. In an early managed competition to decide whether to outsource the central garage, union leader Steve Fantauzzo demanded that we "get these guys off our backs. We are not going to lose bids because you are making us carry managers we don't need." He was advocating that I remove most of the managers who supported me, of course, in order to help those union members who opposed me with competitive bids. For the managed competition model to be accepted by the unions I had to respond by offering to transfer, retire, or lay off the unnecessary managers. I did so, and the remaining managers became more like partners, helping to find ways to increase performance and drive costs down in their work activities.

Translating this vision throughout the departments in a way that engaged labor with management on its importance was critical. Tom Hanify started out as a firebrand union leader, finding no issue too small for a fight. His comments concerning the mission statement that followed the vision illustrate the change:

One of the first things the public safety director (Mike Beaver) did was that he brought a wide range of people in to produce a strategic plan. The union played a significant role in creating the mission statement and the strategic plan. The strategic planning process was foreign to me, but what was really foreign to me was that the union was included. When the mission statement and strategic plan came out, you had nearly 10 percent of the department already involved and selling it. We had people intimately involved with it who went back to their fire stations and would talk about it.

Chief Smith's view was similar: "Those 60 people became stakeholders. They had ownership in what we were trying to accomplish. These people really liked being involved in that, and they took ownership of the mission statement. I thought, 'If this works for producing a mission statement, it will work for other things.'"

Common Ground. Before these efforts, labor and management leaders in Indianapolis engaged each other only around complaints or contract negotiations. Developing trust required that the sides interact before problems reached the grievance stage. Over time AFSCME local presidents became quite adept at looking for solutions when issues first arose and engaging management constructively. And management got much better at responding quickly and effectively. Joint labor-management teams participated in all aspects of work-related decisions. For example, after years of labor's complaining that city procurement officials purchased equipment that was not optimally designed for use, labor started assisting in developing specifications.

Solving small problems helped create trust. If workers needed better safety gloves, or more water breaks in hot weather, or different schedules, those things were solved quickly and jointly. Firefighters had far-ranging issues because they live at work, often not in very good situations. Thus, repairing kitchens and windows that leaked in their stations, and apparatus that was apt to break down, quickly and cooperatively was important. Firefighters were included in oversight committees advising on the design of their firehouses and the choice of equipment. They found that when they complained, something actually happened. Eventually, enough progress occurred that it pressured a change in the collective bargaining process. After the start of negotiations in 1994, firefighters' officials Tom Hanify and Tom Miller arrived in my office with an ultimatum: either replace or reeducate the negotiator or they would return to the old style of confrontation. The city's very good outside labor lawyer had begun the first session with a typical hard-edged style and a list of demands, but the union had expected the city to negotiate as a partner working through issues cooperatively. The city team immediately changed its approach, allowing for a successful, albeit long and sometimes unpleasant, negotiation.

Investing in Training and Equipment. Even if the long-term goal is to do more with less, building a sustained partnership requires early expenditures, some simply to show good faith, even before there is an agreement on the specifics of the partnership. When management

reduces its investment in training and equipment, it further demeans the workers and erodes their confidence that there is a team dedicated to the common good. If in fact bad equipment costs time and productivity, then pushing the unions to do more with less with this equipment will not be well received. Since we believed a well-trained, empowered workforce was the source of many ideas, even as we attempted to reduce expenditures we increased training in a range of skills, from costing to how to avoid accidents or use equipment better. Intensive training not only on safety but also on business principles, like activity-based costing, helped put the unions in a better place to participate.

A good partnership does not rest on bad information. Neither unions nor management originally had true costing information. They did not know how much it cost to fill a pothole, how to calculate overhead, or what the cost of using one type of machinery versus another was. Reforming city financial systems to support productivity, providing access to all such information, and training union and management leaders on how to use the information became critical, especially as competitive outsourcing became more frequent. The city brought in outside consultants, KPMG (not the organization doing the city's standard annual audit), to construct an activity-based costing approach and to train city department CFOs in its application. Training was also provided to union leaders.

Eventually Indianapolis officials listened carefully to worker suggestions about equipment, looking at the cost of capital and its effect on production, and invested more frequently than had previously been the case. Both unions became expert on understanding how the large equipment purchases could, if designed correctly, increase productivity. AFSCME found ways to run road repair crews with fewer people and better equipment, calculating how it brought down their unit costs. The labor-management game had changed. Even on the small matters, I recollect visiting fire stations where those stationed there would tell me how much it cost to repair the roof or cut the grass and explain how we could save money.

These changes allowed the parties to measure progress on accepted metrics. For example, solid waste workers noted that since the system began in 1994, the cost per household for trash pick-up dropped from \$85 to \$72, the amount of refuse collected daily per worker increased from 14 tons to more than 24, and complaints dropped by two thirds.

Two-Way Street. In this chapter I look at what management might do to create a productive partnership with labor. Of course, if labor

leaders do not want such a partnership, the effort cannot succeed. The cases studied here concerning AFSCME and IAFF involved union leaders with vision. The state president of AFSCME was a tough advocate who often took positions I found quite unreasonable, but he had been with a local in another state that represented workers who lost their jobs when de-institutionalization closed many state hospitals. He thus understood the need to help reposition the city, for an eroding tax base could never support the numbers of union workers, nor the pay levels, he demanded. In contrast, I was not able to convince the teachers' union that a similar approach based on employee empowerment and direct management-employee communication was worth the risk to the union.

Safety and Symbolism. With many public employees and particularly firefighters, safety is the most important issue. It also is a symbolic issue, however. Perceived indifference to the chance of accident or death contaminates discussion of other issues. For us, the constant attention to safety, addressed visibly and jointly, enhanced safety and became symbolic of a new partnership with the firefighters.

Symbolism contributes to the reservoir of good will even when smaller, less-expensive matters are involved. A small act proposed by the fire chief helped enhance our partnership's value:

The issue of the emblem on the side of the fire truck had more impact than I would have thought. The union suggested and I agreed that the new emblems on the sides of the fire trucks say "Partners in progress for a safer city." It consisted of the union emblem, the fire department emblem, and a picture of Monument Circle. We had more positive comments over that issue, and the firefighters took more pride in that emblem to the point it became part of our reputation nationally.

City officials needed constantly to work on sending the right signals because issues inevitably could take on quite counterproductive lives. The discipline of a popular co-worker or an exaggerated story about a proposed cut, for example, could undermine good will quickly. Therefore I personally delivered the bonus checks to work groups and attended events the workers viewed as important. Equally important, whenever we "managed by walking around," any reasonable suggestion was given a response within two weeks. People needed to see their ideas taken seriously.

Moreover, the union-management cooperation encouraged by the competition fundamentally changed the quality of work life. For example,

in the fleet management local, the number of days lost to worker's compensation injuries dropped from over 500 in 1992 to just 4 in 1998 and grievances plummeted 80 percent.

Communication and Partnership. Better communication is a common refrain, but Indianapolis and many other government employers do not accomplish it in a pervasive and effective manner. Government is filled with gatekeepers and none work with more vigilance than those who hold the keys to information. So shopping ideas inside a government is rough going. Good ideas require an open market where workers can compare notes, talk to others with different assets, and finally try their ideas out on someone other than their immediate boss. Chief Smith recognized this when he noted:

I'm a little different model of a fire chief because I had five years as the assistant chief. The adversarial relationship was obviously not working. The previous chief said, "I don't want to talk to them (the union), because all they do is embarrass me or surprise me. As the assistant chief, your role is to talk to the union." The union would say to me, "Here's what we're trying to accomplish. Why does he disagree with us?"

Tom Hanify described the relationship he had with the new chief in this manner:

He listened to people. He engaged people. It took time, but good management takes time, and bad management is easy. He sat there and he would engage people and make people feel that he cared about their concerns. That is extremely important for anyone who manages a huge workforce. He did recognize that he had multiple customers. His job was to facilitate, but the product he was delivering was, "How do I get the rank and file to serve the people and keep them safe?" He recognized the mission and he identified the tools to get there.

Mid-management, often acting as the preservers of the status quo, often take the side of labor in their common complaint about some superior level of government or management. They blame higher-ups for circumstances rather than take the more-difficult steps to solve a particular issue. Therefore, small problems that could be corrected are not, and the failure to respond is taken as indifference to the quality of the workplace and the product. Some union and management leaders prefer that information pass through them and then to members. Both groups often believe that control of information is one way to control others.

Real communication is real work; it takes time and multiple channels. More importantly, communication is not merely management dissemination. Listening is not enough. There needs to be an agreement on specific forums for, and energy devoted to, sustained action and problem solving. As Mike Beaver explained: "You walk away from every meeting with action steps that you will accomplish before meeting next. You don't just meet." Each small problem resolved built up the reservoir of trust that would be necessary. We tried many channels for this communication, some of which worked, like those described in the next subsections, and some of which did not, like a bonus for hot ideas. Who listens and how became critical.

Meetings and Mayor's Office Attention. None of these changes occurs easily or naturally. Bureaucracies, whether union or management, fight off these reforms as if they were infections. We established a small group in the mayor's office to power the changes, oversee the analytical work, and interact directly with labor. In addition, we imposed a chief operating officer who had direct access to the mayor's office over the civilian blue-collar workers. This official had specific instructions to solve every reasonable labor complaint quickly and in a way that proved to union members that their leaders' participation in our cooperative partnerships would translate into much faster and better resolution of issues than the previous grievance and lawsuit procedure.

Each month for our regular meeting, an AFSCME local president, along with his or her officers, would arrive in the mayor's office with an agenda of suggestions and complaints. The mayor's staff, but no other managers, attended these meetings. The items discussed provided insights into how middle management operated. We pledged a solution or a thorough answer of why not, by the next meeting. The fact that these meetings occurred regularly had a therapeutic effect on middle management, who knew that access to the top existed.

The meetings helped focus sustained attention by the city's staff on the importance of labor issues. Absent meetings at this level, the natural tendency is to push issues farther down in the organization, a tactic that may seem best but results in constant backsliding. Some managers began to understand that the program had changed, but many remained convinced of their superiority over labor. In fact, that was how they defined their worth. Without high-level attention they could not be convinced to change.

Deputy Mayor Skip Stitt was in charge of the city's managed competition. He had access to all performance metrics and cost records and

could see whether management was truly interested in change. He could evaluate a union suggestion for cost effectiveness quickly. Even so, many managers could or would not change their autocratic behavior. That made us create a new senior administrative position so we could add a person with operations experience, giving him authority over blue-collar lines of business. Specifically, he was charged with quickly solving even small workplace problems that had previously eroded trust and prevented a partnership from flourishing.

Web Boundary Busting. Empowering workers required that we find as many ways as possible to provide them with access to information and upper management. During one interesting collective bargaining session, AFSCME solid waste workers asked for access to e-mail next to their time clocks in the morning. They wanted both to see on-line the customer complaints and to send reform ideas directly to the mayor's office. If they were to be held accountable for results, they wanted to make sure senior management saw their ideas and understood their frustrations. Digital file sharing and e-mail caused rigid boundaries to become permeable and eroded the gatekeeper's control. Similarly, intra- and Internet expansion allowed us to move to decentralized electronic systems without loss of accountability. Older command and control procurement systems, tightly managed from the top in a way that reduced worker discretion, for example, were replaced with purchasing systems that allowed many more individuals, at all levels, to procure through web tools. At the same time, those electronic systems enhanced auditing trails.

Transparency. The city financial office used to protect financial information closely on the belief it helped them manage union leaders more completely. This game-like atmosphere produced and reinforced predictable distrust. We tried the opposite: maximum and timely disclosure of financial information, performance data, and everything else that would aid the unions in better production. No longer was the goal to reduce the chances that labor would earn more, but rather to increase the likelihood that productivity would increase by more than labor costs. Armed with costing data and sharing in the benefits, union members offered suggestions concerning waste in materials, equipment, route structures, management, and more.

Moving from a System Designed Not to Work

These early dysfunctional relationships did not simply result from short-sighted approaches; rather, they were baked into the government.

The relationship structures reinforced hierarchical and programmatic boundaries, reduced discretion, micromanaged inputs, and centralized decisions.

Rigid pay systems did not allow bonuses, but the pay systems could not be changed until the city created better approaches to measuring performance. Worker empowerment meant that purchasing needed to be devolved to the lowest practical level, which in turn necessitated changes to internal audit practices and major changes to procurement software. Personalities and attitudes aggravated these structures: many employees found it difficult to move from a command-and-control atmosphere to a coaching atmosphere. Racial biases, and the view by many bureaucrats that power is positional and that if you are superior in rank you need to act that way, erode good will. The fire chief was clearly aware of this as his comments about his appointed deputy chiefs reveals:

I also wanted them to think like me. I wanted them to have common sense, but not be Mr. Muscle either. Any sign of arrogance, and they were out. I told each one of them, "I'm going to give you the tools and resources. The first thing you've gotta do is be nice, and you've gotta work with the union."

A labor-management agenda based on empowerment cannot succeed without major internal governance changes. The outdated bureaucratic mold needs to be replaced by a much more flexible, networked, decentralized, and performance-driven system. Here are some of the structural changes we undertook.

Close to the Customer (or Customer's Data)

We knew that our vision for the city would not motivate employees unless they viewed it as important to them. Although most public employees I had met over the last 20 years work for government in order to contribute to the public good, most of the municipal workforce at the time performed in hierarchical systems, in narrow jobs, with inadequate training, and disconnected from solving tangible public problems.

Celebrating this public service role, we thought, would motivate employees to do better and cause them to engage in changes that would improve results. It became important to increase both employee discretion and their connection with citizens. Workers needed to be reorganized around problems and neighborhoods; they needed to fight their way out of prescriptive motions and measured activities. We thought the way the union workers thought of themselves, and us, could change dramatically from the reinforced pride that went with making their city a better place.

So city officials needed to cultivate this sense of public service and shared goal of making the city competitive. Employees needed more opportunity to have firsthand citizen feedback. A series of reforms allowed this to occur. Broadbanding replaced narrow job descriptions, allowing workers much more discretion. In addition, city employees from different specialties were assigned to projects involving a specific neighborhood and its leadership. These employees moved from situations that were functionally specific but geographically general to work that was more the opposite, allowing them to see and feel the results of their efforts.

Citizens have always complained to city hall, but traditionally that information was neither integrated with broader performance data nor adequately decentralized. We started by centralizing the call centers and securing software that allowed the call taker easily to answer and route complaints. But at first the front office was disconnected from the back office, and officials could not determine when, or even whether, a complaint was resolved. Eventually enhancements allowed the information to be compiled and distributed to the work groups.

A continuing and difficult effort to establish performance measures included attempts to gather information on customer satisfaction, for example, how many homes were missed by trash collectors or how long it took to tow an abandoned car. Electronic tools allowed all of these data to be disaggregated easily and distributed in a way that enabled each work team to see the results of its efforts. Internal customer satisfaction mattered as well. The fleet services group, for example, proudly claimed that even with *fewer* workers than there were before the competition the number of vehicles serviced within eight hours had jumped from 70 percent to over 80 percent. The complaints thus evolved to a more-integrated citizen satisfaction measurement, which showed dramatic improvement in how the public viewed most of its services and infused workers with pride, reinforcing the collaborative commitment to the city's vision.

Pay and Progress

Weaving these numerous changes together produced tangible results that further encouraged labor and management to operate as a team. Increased productivity exceeded attrition by enough that we could offer performance pay resulting from gain sharing. In 1995 and 1996, for example, the Department of Public Works' employees fulfilled their contractual obligations for even less money than they bid and therefore

received year-end bonuses negotiated under the gain-sharing formula. As one union leader explained, "We corrected problems and found ways to save money that we hadn't thought of before. Employees started turning out lights when they weren't in the rooms to save on electricity; it's amazing how much money you can save through little things."

Another city union worker added:

We didn't do preventive stuff in the past. We let things run, and then fix them when they broke. We realized if we do preventive maintenance, that makes costs cheaper. In the past, nobody cared if the nut on that machine was loose—you worried about it when the machine broke. Now, a guy tightens it as soon as he notices it because that saves money.

The structural change in the pay system, coupled with the empowerment to affect how work was done, produced a dynamic that encouraged both sides to solve problems quickly. The president of the largest local, Steve Quick, explained how his local went from 300 grievances a year to none:

Grievances vanished overnight, because now the union managed itself. Attitudes changed dramatically, because again, people had ownership of their jobs. They made the decisions, they did the work, and they suffered the consequences when they did something wrong. But people took a lot more pride in what they did.

When procurement, classification, and supervision reduce work to carefully controlled tasks, and pay is disassociated from performance, individuals with little discretion have equally little job satisfaction. Conversely, when these reforms converge, as they did in one of the first years after competition, the employees can receive bonuses—like the mechanics' \$1,900 each—which motivate even greater commitment the next year.

Conclusion

I campaigned committed to providing higher-quality services, especially to those in the most neglected areas, and to increasing the economic base of the city. Yet competition from our own suburbs limited our resources. Privatization as the first solution conceived quickly gave way to competition when the workers recognized that most city services could continue to be provided by city employees. Surprisingly, it became apparent that most of the city's unions, if engaged correctly, would help

provide the necessary service levels. The ever-present risk of outsourcing provided motivation, of course, but conversion to a managed-competition model brought out the best in union initiative and forced the managers to pay attention. Working together in managed competition under new empowering internal rules led to service-oriented partnerships.

The results of this partnership were impressive:

- From 1992 to 1998 the city went from a deficit to a 102-million-dollar surplus in its half-billion-dollar base budget.
- Property tax rates were reduced four times.
- No union employee was laid off.
- Over 90 percent reduction in labor grievances.
- Over 80 percent reduction in accident rates and lost days from injuries in areas of competition.
- Pay and benefits increased in every case.
- Customer satisfaction increased.
- The unions won two thirds of the work they chose to bid on.

The transformation was neither easy nor quick. It took over two years of demonstrable and reciprocal good faith and then sustained follow-up to maintain trust and get results. En route strong union leadership facing management with a failing status quo engaged around a new vision. We were able to improve services to the citizens and working conditions for labor because of increased productivity. The productivity increases made it possible to continue to fund performance pay and training. Eroding boundaries played a key role, both vertically as workers could speak with the mayor or other policy makers and horizontally as teams came together to furnish cross-department services to citizens of a specific area.

One day while working alongside a transportation worker sealing cracks, I asked him what he thought about all these changes and the pressures of competition. His response spoke volumes: "Mayor, you can bid this all you want, but we are the very best at this work in the entire state, we are making you proud, and we will win every time you bid something out." This terrific response explained how almost everyone managed to win: better services for less money combined with more-satisfying and better-paying work.

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