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A SIP AT A TIME: LABOR UNCERTAINTY WITHIN STARBUCKS

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A SIP AT A TIME
LABOR UNCERTAINTY WITHIN STARBUCKS

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ABSTRACT

Starbucks is the number one leading coffee company with over thirty-thousand locations across the world, while keeping a strong brand image. In 2021, Starbucks had the first store in Buffalo New York petition to unionize while over 300 stores slowly followed. Starbucks workers joined Starbucks Workers United in hopes to improve working conditions and safety concerns. Now almost two years later, both Starbucks and their workers are in unknown territory that creates challenges amongst managers and their employees due to this stand still. I plan to uncover the challenges and dynamics of managerial behaviors under the conditions of labor uncertainty along the lines of unionized versus non-unionized Starbucks locations. This capstone will uncover the dynamic of factors such as workforce demands, collective bargaining and shifts in the labor market. I will go into detail around the unionization efforts, the process of negotiations between Starbucks and Workers United, and Starbucks adaptation to the evolving labor practices that have been put into place. I will also focus on Starbucks leadership approaches and how it relates to the challenges between emotions with the partners and members of leadership who are not involved with the Union. Next, I will go into detail about the challenges managers and employees face with individual reactions regarding strikes and walkouts, and what this means for Starbucks as a whole. This research will include how Starbucks can navigate this labor uncertainty while upholding their third-place standards and ethical employment practices.

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TABLE OF CONTENTS

Abstract.....	2
Acknowledgements.....	3
Introduction.....	5
Background.....	5-7
Framework.....	7-11
Examples.....	12-14
Emotions.....	14-16
Current Status.....	16-17
References.....	18-19

INTRODUCTION

A cup of coffee and a set of coffee beans is where it all started. Starbucks was founded in 1971 and originally sold only coffee beans to the public, and now 53 years later, they have opened over 34,000 locations, employing many that call themselves “partners.” Starbucks is not only a coffee shop, but a third place where customers can come in and be themselves. As Starbucks expands globally, questions have risen about the treatment of Starbucks partners and how it impacts the unionization of its corporate culture. Over the past 2 years Starbucks partners around the United States have decided to organize and demand change within the company regarding benefits and safer working conditions, becoming certified union in some stores. This change has led Starbucks and its leaders in an unmarked territory journey on how to adapt to these new changes. Starbucks leadership has been impacted and had to adapt to new leadership styles to adjust to union members being present as well as how to manage these specific locations. This paper will examine the dynamics of emotions between Starbucks locations that are unionized, exploring the implications of partners and management and how it affects the culture within the store. This study will shed some light on the relationship between Starbucks organizations that are unionized partners and how emotions challenge the workplace dynamics.

Background (Starbucks)

Starbucks was founded by Jerry Baldwin, Zev Seigl, and Gordon Bowker, and started by selling coffee beans and espresso equipment. Starbucks has been open since March 30, 1971, and it was not until Howard Shultz joined Starbucks in 1982 to transform Starbucks into what it is today, by going public 10 years later in 1992, and expanding their beverages and snacks. Starbucks expanded domestically and internationally in 1996 by opening thousands of locations in about 80 countries. Starbucks turned their market from selling coffee beans to selling teas, juices, refreshers,

and specialty drinks, even adding snacks, sandwiches, and pastries to their menus. Being open for over 50 years, the coffee chain has changed and adapted to what it is today, including leading into unionization.

Background (union)

The national labor board was created on August 20, 1866, in hopes for Congress to mandate an 8-hour workday. The key issues that brought labor unions together was to address the unfair working conditions that started in factories and mills and other industries. Another reason why unions were created was for fair wage practices and low benefits. During the industrial period individuals were paid extremely low wages and could barely afford to live. Job security was another reason. During the industrial period workers were hired and fired, so labor unions advocated for job security and unjust terminations.

Background (Starbucks united) and how it came to be, where it all started and why Starbucks partnered with unions.

Starbucks partners in Buffalo, New York started the vote to unionize and was successful in doing so in 2021. “Amid a tight labor market, employees have been pushing for higher wages, expanded benefits, safer workplaces, and added staffing.” (Prang, A. 2021). Starbucks Workers United is a union that is organized for Starbucks partners across the United States.

“Employees in favor of unionizing are increasingly voicing concerns regarding their workplace conditions, low wages set hours among many other problems. Meanwhile, the leaders at the coffee chain’s headquarters are attempting to deal not only with the repercussions of poor employee satisfaction but also with the public consequences of negatively handling the movement toward unionization.” (Peak, Sean. 2023).

When partners first chose to form a union, they expected to receive better benefits quickly. Now we are two years into the collective bargaining process, and nothing has changed. The downside of becoming a part of the union is that partners must bargain for new benefits. For example, digital tipping, weekly pay, and accrual of vacation and sick time quicker are all benefits Starbucks gave to all their partners, after (key word) locations started to want to become certified. Since then, these certified stores have not received any of these newer benefits because they need to bargain for them. This led to many frustrations that the partners had, and sometimes they would take their emotions out on management, and not want to even work.

Framework

Leadership in labor relations

Being a leader within a certified union store, you are not considered a part of the union and you do not qualify for those benefits, it is as though you are competing amongst the union during this bargaining phase. Providing corrective actions in a certified union store has a different process than those who do not have a union vote, or members present. "... that Starbucks management be required to attend a meeting with the employees and a union representative present, at which the manager or a labor board agent reads a notice to the employees about their rights." (Edilson, Josh. 2022). Weingarten rights were created in 1975 to protect employees from disciplinary actions. Partners are allowed to request or invoke their Weingarten rights to have a member of the union present during any investigatory conversations, as well as verbal, written, or final documentations.

Management and approaches in the labor environment

When dealing with unions, leaders may apply different leadership styles to effectively engage with and address the concerns of unionized workers, such as Starbucks Workers United. The leadership styles depend on specific situations, organizational culture, and the nature of the

labor management relationship. Managers will face their own unique challenges and opportunities as situations arise. Successful management in a certified union setting requires a lot of courage and grit, to maintain a positive work environment between partners and their managers.

Open communication is one of the most important management skills and leadership approaches that is necessary when dealing with labor unions. Being clear and concise to policies and procedures is very important to make sure that management is giving direct instructions on a plan of action and how to succeed, to hold partners accountable. With clear communication this will help build trust between leaders and partners.

Conflict resolution is an essential aspect of managing labor relations effectively. Because there are different interests between partners and management, conflict resolution is crucial for the sake of the business and the dynamics of the organization. By investing in the development of these skills such as actively listening, listening, and speaking with empathy, problem solving and using emotional intelligence will maintain the positive working relationships between both parties.

Patience and understanding employees' concerns is another approach management needs to take into consideration in unionized locations. Understanding the perspective of other partners and the unionized workers can help managers empathize with each other's needs which could lead to productive negotiations. Although conflicts and disputes are inevitable in a work environment, especially in a certified union location since there are indifferences of opinions of policies and procedures, patience will allow managers to approach these conflicts in a calm and collective manner, and willingness to listen to other parties' concerns and objections. Also, patience and understanding sets the tone to build trust and positive relationships between the union and its members.

Management must demonstrate high levels of adaptability to disruptive situations that could involve the decision-making process of situations. Management must lean into their partners and leadership team to adapt to their personalities and how they work. Their approach must be tailored to each individual and adjust to the demands of the union. Not only is management following their store manager approach and job description, but they must also adapt to the union's requirements as well. Managers must also stay resilient as setbacks and obstacles arise and stay positive during these times to continue to empower and motivate their partners to continue to achieve the common goals within Starbucks.

Employee development is still very important to those in unionized locations because these partners feel singled out. Partners feel that because they are a certified union location, they are the black sheep of Starbucks. Partner development within Starbucks consists of partner development plans (also known as PDP's) that include skills that are needed to develop the partner and the follow up after the initial conversation. There are also second store experiences that the partner could request to make a change at another store, this could be something that is lacking at the other store. There is also performance feedback and continuous coaching, managers ask partners who want to develop to lead by example and constantly coach to the barista approach.

Management uses collaborative leadership and works closely with neighboring store managers to keep the doors open at all times at Starbucks. During the times of strikes and walkouts, managers use their contacts and their peers to help staff the store when they can. For example, on Red Cup Day at Candlewood and Lakewood Starbucks, management knew that partners were going to go on strike, so upper management prepared for others to open the store and stay open until the "free red cup" was gone. Starbucks wants to provide a great experience to their customers and remain open as many days as they can.

There was also a study by Paul S. Alder and Bryan Borys in 1996 regarding the 2 types of bureaucracy of enabling and coerciveness. “According to the negative view, the bureaucratic form of organization stifles creativity, fosters dissatisfaction, and demotivates employees. According to the positive view it provides needed guidance and clarifies responsibilities, thereby easing role stress and helping individuals be and feel more effective.” (Alder and Borys. 1996). This concept of formal flexibility relates to management and how they lead through a unionized organization like Starbucks. This example provides a framework that allows labor unions and management to navigate amongst each other to create a cohesive working environment where both parties can have a stable workplace, aiming to achieve innovation excellence as well as success. Starbucks upper management can help level the bureaucratic form of the organization within the employees by providing more employee benefits and higher compensations (which has recently happened and will be discussed later in this paper), and operational flexibility.

Collective bargaining

“Collective bargaining is a process through which the union and employer exchange proposals, share ideas, mutually solve problems, and reach a written agreement.” There is usually a 5-step process in which the collective bargaining happens. The first step is preparing for the bargaining process. The second step is conducting negotiations which usually takes several rounds. The third step includes ratification of the contract. The ratification meeting is conducted whereas the employees ask questions and offer their opinions on the draft of the contract. The fourth step in the process is resolving the contract dispute. This would mean if both the union and the organization cannot reach an agreement the state law will then specify how these disputes and challenges will be solved. The last and the final step in the collective bargaining process is changing or clarifying the contract itself. The union, or labor organization for that specific

company will meet regularly to determine how to resolve issues and voice the concerns that they are both having. (National Education Association 2022).

How it relates to Starbucks.

Impact that the union has within businesses and how it will relate to Starbucks.

Positive

There are some positive impacts that the union has on Starbucks. There are clear guidelines that have been enforced about various parts of the business. Since the forming of the union was partner led, they wanted to give management a simplified decision-making process that would provide a leadership framework that the managers could go by. Another positive impact that the unions can have been the employee advocacy for partners. Managers will be able to understand the needs that their employees have because it is given to them by the union. When management knows the needs and of the employees, this will lead to a better relationship amongst both parties. Another positive aspect is the receiving help regarding conflict. The union provided conflict solution support. They are there to serve as the middleman, mostly for the partner, but it will give management a devil's advocate train of thought.

Negative

“...disagreements between union members and management during labor negotiations often cannot be resolved through appeals to some higher formal authority. Instead, labor negotiations demand some degree of reciprocity and trust to resolve value conflicts between the union and organization.” (Davis. Randall, et al. 2022). Because Starbucks has already put policies and procedures into place, adding a third party could lead into frustration. For example, this is like when someone comes into your home and changes everything to the way they like. This could be frustrating because Starbucks is already one of the top coffee chains, and they continue to grow

their profits year over year, so this change management felt is unneeded. The union was made for the employees, and when the employees are happy there is better cohesion in the workplace and organization.

Examples

Strikes

The first strike was done on November 17, 2022, because that was when the coffee chain Starbucks would not sit at the bargaining table to create a contract with the labor union, and since then there has been no contract, 2 years later. Since then, partners have continued to stand in solidarity on striking on the busier days to be taken seriously. For example, Starbucks Workers United wanted to make a statement on the busiest day of the year, Red Cup Day. A partner by the name of Damien Pruettt stated, “Red Cup Day is by far the busiest day of the year, and we are constantly understaffed, underpaid, and the strike is just a reflection of that.” (University Wire, 2023).

There were other strikes when some locations wanted to make noise regarding Pride Month. There were some locations that strike while others did not. It was said that Starbucks wanted to take down all pride decorations during pride month, although that was not the case. There was another 3-day strike in efforts to gain traction on getting Starbucks to sit at the bargaining table and make this an urgent matter. The purpose of these strikes was to make noise and a scene to show that the company cannot make money without its workers.

Walk outs.

As stated above there are strikes, in which partners will leave in solidarity with the union to protest and make a statement regarding what they want changed. For example, the “Red Cup Day” strike. Then there are also things called “Walkouts.” For example, just last July there was a

walk out, where partners took a vote, in which majority of the votes would win, to walk out during business hours, leaving customers inside the store and as well as in the drive thru lane, because of a partner being terminated. Although I cannot discuss the reasons behind this termination, the walk out still happened leaving the store manager and district manager to close by themselves. The walk out was for unfair labor practices and the team wanted to make a statement.

There have been other walkouts that have been done at many locations due to unfair labor working conditions, such as a non-working restroom, which is an OSHA issue. It states that if you sell food, and have customers sitting in the lobby, there must be a customer restroom as well as an employee restroom. There have been other times where partners walked out due to too many call outs for one shift leaving a minimal number of partners on the floor where it is too stressful to work in those conditions.

Other Current Examples (Outside of Starbucks)

There have been some great success stories for employees that have been incorporated into unions. Studies have shown that “... union membership offers a range of economic benefits for members of the working class including increased wages for members that spill over to nonunion workers, improved access to benefits, particularly for women and black workers, higher predicted returns to make workers’ earnings over the course of their lifetime than a four-year college degree, increased wealth and narrow racial wealth gaps, and increased intergenerational mobility for the children of union parents.” (Glass and Madland, 2023). By joining the union there are so many benefits for employees that could lead to motivation for these benefits. Unions are for the working class, and not management. However, by the 2 parties working side by side, they can both get what they want. With employees being treated how they want, and management running a successful business due to the increase of motivation.

Partners vs. managers (emotions)

Partners Emotions

Emotions vary differently between managers and the partners of a certified union location. First and foremost, it depends on the individual and how they perceive situations. These situations can be influenced by individual experiences within the company, perceptions, and expectations of these partners regarding the unions impact in the workplace. Emotions are an important factor because one partner's negative emotion can impact the other partners that are working on the floor. If everyone is positive in the work environment that specific team would work closely to achieving goals.

Partners within Starbucks feel a sense of relief. In a certified union location as stated before there cannot be a corrective action (verbal, written, or final), without a partner expressing their Weingarten rights if they want to. The union will be a more formal channel in expressing their concerns within Starbucks to negotiate better working conditions as well as any disciplinary actions. Partners may also feel a sense of empowerment. Most organizations the managers and above have an opinion or say within their company. These partners since the unionization might feel as though they have a voice now that they have collective bargaining power.

Partners also feel a sense of empowerment. Partners within Starbucks once felt voiceless and powerless, but with the Starbucks locations that have organized, they have a collective bargaining unit to represent them individually and collectively. Most organizations, employees do not have any say or input on policies or tools that are used during their working shifts. If an employee does not like something that has been put into place by the company, usually there is nothing anyone can do about it. This could be different amongst Starbucks partners. With

unionization they can bargain for certain things which could lead to a vote, then lead to collective bargaining between Starbucks and Starbucks Workers United (the unionized workers).

Managers Emotions

Dealing with the Union, management also has their share of feelings as well. One feeling that managers have dealt with is a sense of frustration due to the challenges that are ahead of them. Managers are influenced by many factors that are related to the union presence which can impact the workplace dynamics. Managers feel a sense of autonomy or less of control of certain situations and decisions they used to be able to make prior to union involvement. While navigating through these new workplace dynamics managers can also feel a sense of frustration due to navigating through newer challenges that have led to conflicts.

Effective communication and collaboration between the partners and Starbucks itself are crucial for the success of a positive working environment and a working relationship. To be successful in an organization all parties involved must agree and focus on the main goal. In Starbucks this is providing a clean, safe, and ready environment (since it is considered a food establishment) while providing the best possible customer experience and making more money year over year to continue to open more locations and keep up with supply and demand. They also want to stay competitive when it comes to wages. The communication between management and employees needs to be tight so everyone is on the same page and there are no gaps in the training and development process. If both Starbucks leaders and their employees work hand in hand, this would lead to a very positive working environment and easier to coach and develop employees.

Current Status

As of March 2024, Starbucks and Starbucks Workers United have come to an agreement to join and come to the bargaining table to discuss what partners have been asking for since the

first store in Buffalo New York unionized. Every store must come to an agreement, this is not just all in one, but every store must bargain for themselves. Sara Kelly, Starbucks EVP and chief partner office stated, “We have agreed with Workers United that we will begin discussions on a foundational framework designed to achieve collective bargaining agreements, including fair process for organizing and the resolution of some outstanding litigation.” (Canham-Clyne, Aneurin. 2024). Although they will not sit at the bargaining table until the end of April 2024, there has been a positive turn for the certified union locations and the benefits that they have not received since they organized. By the end of March, the certified union locations can now wear the extended dress code that was put into place as of August 2022. Starbucks is allowing the certified union partners to enroll in a Coffee Master Program that allows these partners to enter to win a trip to Hacienda Alsacia in Costa Rica and learn the history of coffee beans and where it all started. By Mid-April Starbucks has agreed to give the certified locations to refinance better student loan terms, and they will be able to update their hour preferences. By the end of May these partners should accrue sick time faster (every 25 hours, 1 hour will be given). Starbucks will also review wage increases for certified partners, because there was a time, they did not receive an increase due to having to sit down and bargain for this increase. All these changes are heading in the right direction.

Another thing that has changed is the forthcoming Labor Code section 1475 (LC 1475) or AB 1228 which increases fast food minimum wage to \$20 an hour in California as of April 1, 2024. With this new minimum food wage that passed April 1, 2024, and the partners in California learned about their increase, which was about \$3, there has been a more positive outlook on what is ahead in the Starbucks organization.

Then on April 25, 2024, all union organizations that are apart of Starbucks Workers United and one leader within each of the unionized locations finally sat down at the bargaining table to review concerns that these unionized partners had regarding things like benefits to working conditions and labor algorithms in the store and how many partners are on the floor at a time. There has not been a contract in place for any of the certified union locations at Starbucks but there has been movement regarding collective bargaining. This is still an ongoing process and I hope to continue my research and provide more information as it comes about.

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