

IRI INTELLIGENCE BRIEFING

NEWS AND DEVELOPMENTS AFFECTING THE WORKPLACE

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Consumer and Employee Trust— The Ultimate Balancing Act

As this election season has proven, the political environment is more heated than ever. And, as a result, organizations are more exposed than ever to external political pressures.

Consider Amazon, which is the second most trusted institution in the United States, behind the military, [according to a new survey](#).

Yet, in early October, Amazon came under fire and announced a move to pay all of its U.S. workers, regardless of contract, part-time or seasonal status, a \$15 minimum wage. Amazon employs about 566,000 people around the world.

In this Intelligence Briefing, we take a look at Amazon's decision, what led to it, and how we can learn from the challenges they faced.



BACKGROUND

Amazon's workforce more than doubled to 566,000 between 2015 to 2018, due to growth and the company's acquisition of Whole Foods, which added 87,000 employees to Amazon's global workforce.

Several years ago, maintenance and repair technicians at Amazon filed a petition with the National Labor Relations Board (NLRB) announcing their intention to form what would have been Amazon's first union. Ultimately, the union couldn't muster enough support.

Since then, Amazon has remained union free in its warehouses.

MASSIVE PROFITS

Just a few weeks ago, Amazon reported a third-quarter profit of \$2.9 billion, or \$5.75 a share, which topped a quarterly record set just three months earlier, as well as most analyst expectations.

In addition, the company's CEO Jeff Bezos has a net worth of around \$140 billion, making him the richest person in the world.

Many employees, on the other hand, felt like they weren't sharing in the wealth.

Amazon found itself under immediate pressure. One media outlet put the situation this way: "Amazon workers are not paid wages that reflect ... strenuous working conditions. In at least four states, the company is one of the top 20 employers of people dependent on food stamps. In a 2017 corporate filing, Amazon reported that the median salary of its employees is \$28,446, or roughly \$13.68 an hour for full-time employees. Jeff Bezos makes more than that every nine seconds."

Highlighting company profits and executive salaries is part of the labor organizing playbook, so it isn't a surprise that a grassroots labor campaign for "better pay" leveraged this in their push for a \$15 minimum wage at Amazon.



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Source: Vox

Pile onto that the claims of unfair working conditions and things are starting to look like the early 20th century again. Is it a fair comparison? No. Is it happening? Yes.

As a result of the grassroots effort, workers and shoppers mobilized to boycott Amazon on Prime Day – the annual shopping event that brings in more than \$2 billion for the company. While the effort made a splash on social media, it isn't clear whether it had any measurable impact on profits.

POLITICAL PRESSURE

The grassroots minimum wage movement at Amazon had an impact on lawmakers, as well.

Before, and even after Amazon agreed to the minimum wage increase, politicians have been applying pressure. Another tactic from the union playbook.

Most recently, Sens. Bernie Sanders (I-Vt.) and Elizabeth Warren (D-Mass.) asked Amazon to explain reports of “potentially illegal anti-union behavior.”

The Senators sent a letter to Amazon CEO Jeff Bezos regarding a [video](#) that allegedly warns managers at Amazon’s Whole Food Markets about the dangers of union organizing and asked the company to respond to worker allegations.

It wasn’t just the left-of-center going after Amazon. President Trump also jumped into the fray.



Donald J. Trump 
@realDonaldTrump 

I have stated my concerns with Amazon long before the Election. Unlike others, they pay little or no taxes to state & local governments, use our Postal System as their Delivery Boy (causing tremendous loss to the U.S.), and are putting many thousands of retailers out of business!

7:57 AM - Mar 29, 2018

 125K  82.5K people are talking about this 



We’ve got to start having a conversation in this country: How are we going to measure the success of the tech sector? Is it by its ability to create a small handful of billionaires, or the ability for us to create pro-democracy forces – empowering individuals, improving quality of life, improving financial security, expanding opportunity – the kind of things we want largely for democracy?”

–Sen. Cory Booker (D-N.J.)

PUBLIC RELATIONS PILE ON

The media reports over the past few years that chronicled widespread abuses of workers certainly had an impact on Amazon's current situation.

In a 2011 [essay](#) for the Atlantic, former employee Vanessa Veselka shared her perspective on working at an Amazon warehouse outside Seattle, revealing she took the position for the sole reason of organizing the employees.

Veselka was eventually fired from her temp position, but the public relations pile on was just getting started. Following the Atlantic piece, warehouse workers told Business Insider that time-crunched employees were using trash bins to go to the bathroom.

Employees also described an alleged work atmosphere rooted in fear of missing productivity targets, and said that employees spent most of their lunch breaks waiting in line for security screenings. Former Amazon workers have also said they were pressured to under-report warehouse injuries.

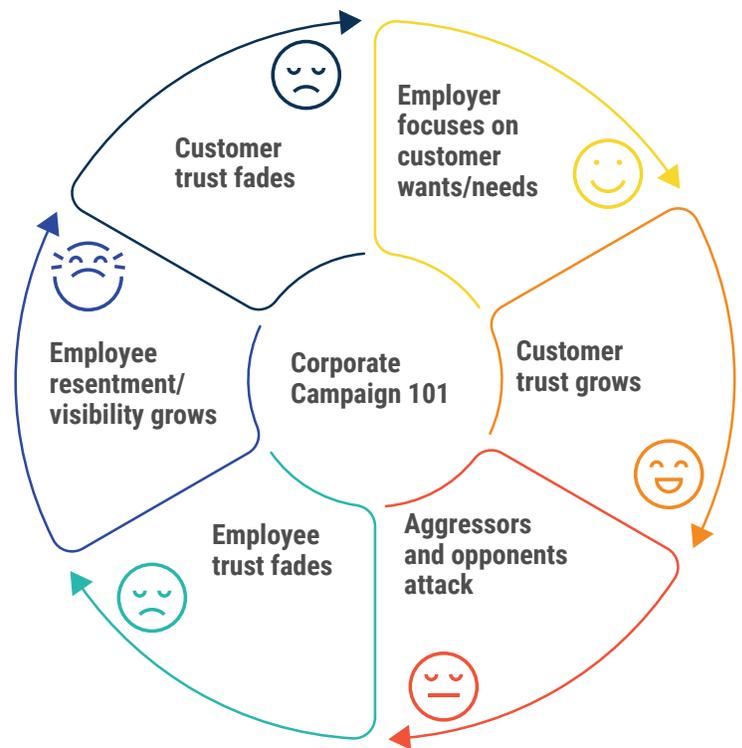
Under attack on all fronts, Amazon ultimately found a way to balance employee trust and consumer trust. "We listened to our critics, thought hard about what we wanted to do, and decided we want to lead," said Bezos, when announcing the organization's decision to move to the \$15 minimum wage. "We're excited about this change and encourage our competitors and other large employers to join us."

With the recent announcement of the two "HQ2" locations in Long Island City, New York and Northern Virginia, it remains to be seen how Amazon will move forward and keep up its positive momentum with employees while also building trust in two new communities.

FINAL THOUGHTS

Walt Disney World employees will soon see a similar increase in pay, after an agreement was reached between the company and unions representing resort staff. But you don't have to be unionized to face this sort of dilemma.

Invest now, or invest a lot more later. Amazon provides a cautionary tale. If even one of the most successful and respected companies in the world is open to attack, then everyone is.



WHAT CAN YOU DO?

Respond to employee concerns early and often

Initiating regular town hall meetings and getting a few "quick" wins on the scoreboard can go a long way.

Educate your leaders and prepare them for potential organizing

Internal organizing can be done quietly – and almost invisibly – these days. Make sure your leaders know how to recognize early warning signs and respond in a comfortable, confident and legal manner.

Engage the right legal and labor experts

Unless you have internal resources who are intimately familiar with labor law (and its constantly evolving nature), it's wise to consult experts who can provide accurate counsel in a situation that demands immediate action.