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Why Is Organized Labor Suddenly Taking an Interest in America's Big Banks?

Fairly or not, America's commercial banks have been vilified by many as the cause of the nation's financial meltdown. The CEOs of America's most venerable financial institutions have been called to Washington and excoriated by an angry Congress, and on talk shows across the nation their salaries have been contrasted with those of hourly-paid financial workers. The new administration has called for tighter regulation of the financial sector and even appointed a "pay czar" to review the compensation structures of banks that have received bailout funds. While most of the attention over the banking crisis is focused on whether, and to what extent, the industry is in need of reform, far less attention has been placed on the veritable "perfect storm" the current political and economic climate has created for unions eager to make inroads into an industry that has been largely untouched by big labor.

Consider the current circumstances facing unions. They are in desperate straits. Unions represent less than 8 percent of the employees in the private workforce. With an eroding manufacturing base from which to draw support, they need new members from untapped sectors of the economy…people in stable jobs. Historically, unions have never focused on the financial industry as a source of membership. Less than 2 percent of all financial services employees are unionized. However, the declining rate of union membership in the United States has forced big labor to reevaluate itself and to develop new strategies for increasing its ranks. One strategy was to change the balance of power in Washington. Putting people in the field and contributing millions of dollars, labor helped create and increase Democratic majorities in both houses of Congress and elect the President. The president of one union interested in the financial industry, the Service Employees International Union (SEIU), virtually emptied the union's coffers to effect this political change. One prize for organized labor in this political gambit is the realistic opportunity to turn into law the so-called Employee Free Choice Act (EFCA), any version of which would greatly facilitate the ability of unions to organize blue- and pink-collar workers.

Irrespective of EFCA, however, the banking crisis presents organized labor with another opportunity. Those watching closely are aware that big labor already has placed some of America's largest financial institutions in its crosshairs. Unions like the SEIU have initiated "corporate campaigns" around issues that are seemingly peripheral to traditional organizing goals, such as advocating for consumer protection and executive pay reform. These campaigns reach out to all of the bank's constituents through the press, the Internet, regulators, analysts and the courts in an effort to paint the bank (and its executives and board members) in a poor light as a business, an employer and a corporate citizen. The purpose is to put enough pressure on the business to bludgeon it into agreeing to something the union wants: usually an agreement to organize employees without a vote (card check) and without employer interference (neutrality).

Earlier this year, the SEIU circulated a petition calling for the resignation of the CEO of one of America's largest banks. The union also took credit for his ouster as chairman of the company's board of directors after a shareholder vote at the company's annual meeting. And, in an October 8 letter to pay czar Kenneth Feinberg, SEIU Secretary-Treasurer Anna Burger demanded that Treasury strip the CEO of his retirement package. Burger's letter also demanded that, as recipients of federal funds, "...banks commit to: Allowing employees to negotiate compensation practices…." The SEIU now is attempting to influence the selection of the firm's new CEO by calling on the public to write to its new chairman and to demand the hiring of a CEO "who will put the interests of Main Street above Wall Street."

Organized labor's interest in the financial industry stretches out to seemingly unconnected investments and affiliates. The SEIU, for example, has staged demonstrations outside Burger King stores in Boston. Why? According to the union, because Burger King has opposed passage of EFCA and because it is owned by Goldman Sachs, a recipient of government bailout funds.In September, SEIU's Burger testified before the House Financial Services Committee in a hearing on the need for the creation of a Consumer Financial Protection Agency. In her testimony, Burger cited worker accounts of being forced to engage in deceptive practices with investors. Finally, numerous "advocacy groups" descended upon the annual ABA convention in Chicago at the end of October and demanded "a banking system that puts the American people first." The SEIU and its supporters have built upon this effort, staging protests at the offices of several major banks and even going so far as to display a "Wanted" poster with the picture of the CEO of a major investment bank during one of these protests. SEIU's website lists several large banks as targets for potential future actions.

So why are unions taking a front seat in the fight to reform America's banks? Banks have what unions want… thousands of back-office employees in well-paying, stable jobs. Some commentators have opined that these actions are big labor's first step to organizing the financial sector. Indeed, emails have been discovered in which union and ACORN officials discuss the prospect of organizing bank workers "since the banking industry is now being infused with billions of taxpayer dollars." A closer look at all of these actions reveals what may be a two-pronged strategy. First, by taking credit for the removal of a CEO whom the union labeled as reckless or for the passage of legislative reform, unions will be able to tout their importance and value to the rank-and-file banking employees, who until now may not have considered union representation. Over time the union's rhetoric will focus more and more on employee issues, both real and imaginary. Simultaneously, relentless and damaging corporate campaigns send employers a blunt message: hand over your employees and the pain caused by the campaign will stop. In this way, big labor can work to organize banking employees, expecting EFCA to make that task easier and, at the same time, attempt to "organize" banking employers by pressuring them into agreeing to card check and neutrality agreements in exchange for the cessation of bad publicity and further attacks. Unions have used this tactic before as recent civil RICO suits by Smithfield Foods, Cintas and Wackenhut against big labor unions demonstrate.

Whether or not big labor follows through on its apparent intentions, financial services institutions are well served to evaluate the potential impact on their business and employees of union organizing. They should consider now whether they are prepared to respond to organizing efforts which may loom on the horizon. Identifying and addressing concerns about working conditions or benefits can eliminate the employee discontent that a union would seek to exploit in an organizing drive. In addition, careful thought as to how a union might attempt to misrepresent certain business practices as examples of corporate, social or legal irresponsibility, and preparing a strategic public relations response, can reduce the effectiveness of a corporate campaign. One thing is certain: waiting to act until a union knocks at the front door could easily be too late for any response to be effective.

Hunton & Williams Labor Policy Task Force Contacts

Atlanta

Kurt A. Powell
kpowell@hunton.com

Charlotte

Wood W. Lay
wlay@hunton.com

Dallas

David C. Lonergan
dlonergan@hunton.com

Houston

Holly H. Williamson
hwilliamson@hunton.com

Los Angeles

Laura M. Franze
lfranze@hunton.com

McLean

Thomas P. Murphy
tpmurphy@hunton.com

Miami

Juan C. Enjamio
jenjamio@hunton.com

Norfolk

James P. Naughton
jnaughton@hunton.com

Richmond

Gregory B. Robertson
grobertson@hunton.com

San Francisco

Fraser A. McAlpine
fmcalpine@hunton.com

Washington, DC

Susan F. Wiltsie
swiltsie@hunton.com