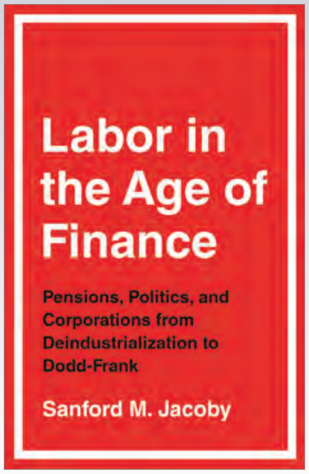
BOOK REVIEW

by Nathan Wilmers



Bargaining from the boardroom

American labor relations typically features an employer on one side of the table and the workers and their union on the other. But when activist Relational Investors pressured Timken Corp. to cut contributions to its steelworkers' pension, the California teachers' pension fund benefited (as a Relational general partner and Timken shareholder).

How do we make sense of that? Or that militant union organizers who came out of the United Farmworkers found themselves by the 1990s arguing against poison pill provisions — provisions meant to protect companies from hostile takeovers?

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These betrayals and strange bedfellows resulted from economic changes and strategic choices that brought unions from the shop floor to the boardroom. Sanford Jacoby's *Labor in the Age of Finance* provides the definitive account of these dizzying developments.

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Jacoby opens the book with a crisp outline of corporate governance developments over the entire twentieth century (chapter 1). He then recounts the 1980s shareholder revolution, as seen from the pension funds that were often arbiters of the dramatic takeovers and downsizings that define that era (chapter 2). Pension funds began targeting underperforming firms with shareholder proposals against management defenses (chapter 8).

Jacoby's focus, however, is not on the role of pension funds in general in the shareholder revolution, but specifically on the way unions navigated their contradictory position as trustees of funds and representatives of workers. The highlight of the book is the author's exhaustive catalog of union shareholder activism in organizing campaigns (chapter 3).

For example, academic accounts of Justice for Janitors still focus on the photogenic rallies that formed the public face of the most successful union campaign for outsourced or "fissured" workers. These were important but likely insufficient had union-friendly pension funds, which owned large swaths of commercial buildings from Atlanta to Los Angeles, not been pressured to intervene.

In telling these stories, Jacoby acknowledges the contradictions of unions' capital strategies, and he covers defeats along with union victories. But his admiration for the unionists he writes about, such as Bill Patterson, Damon Silvers, and Stephen Lerner — who developed creative approaches during some of labor's darkest hours — is apparent.

In the wake of these tactical victories, unions also explored less-instrumental applications of financial expertise. First, unions developed working ties with the mainstream shareholder governance movement, which meant largely endorsing its good-governance playbook (chapter 4). This alliance was always risky, and Jacoby deftly threads the needle between characterizing union strategists neither as useful dupes of shareholders nor as masters of multidimensional chess.

For example, union campaigns against excessive executive compensation brought unprecedented public attention to CEO pay. But they also cemented the shift from lower fixed pay to astronomical stock option grants and vesting

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equity (chapter 6). The push for proxy access (which makes it easier for shareholders to nominate board directors) evokes co-determination and worker representation but has not yet been used in this way (chapter 7).

Second, unions' growing expertise in financial markets gave them a key role in policy debates on corporate governance and finance. Unions defended Social Security against privatization by targeting the mutual funds lobby (chapter 3). They had a voice in corporate reform after the Enron scandal (chapter 5), and, ultimately, in the financial crisis and in the drafting of the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) (chapter 8). At their best, these initiatives positioned unions for the current progressive political moment and helped reinvigorate public perception of unions as a movement fighting against corporate excess.

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Throughout the book, Jacoby focuses on explaining his source material, rather than belaboring broad lessons. This will make the book of interest to employment relations practitioners and to academics across multiple disciplines.

Still, several general themes emerge. First, Jacoby asserts labor's role (both as handmaid and as critic) in the shareholder revolution and financialization. These topics have recently been a focus of research in employment relations, sociology, and economics. But unions' multidimensional role has rarely been explored.

Second, the ubiquity of feuds and unlikely bedfellows in strategic campaigning paints a complex picture of the many actors involved in modern employment relations. Jacoby demonstrates how complex webs of ownership and employment intermediation, often identified as a barrier to traditional worker bargaining power, also offer new sources of worker leverage.

Beyond these core themes, Jacoby's work raises a series of questions, the answers to which could fill a whole shelf of future dissertations. How does the influx of college-educated researchers into union ranks affect strategy and union democracy? Is the dwindling number of publicly traded corporations in part a legacy of the increasingly routinized shareholder activism outlined here? To what extent has investment managers' extraction of pension fund fees, sometimes fraudulent and frequently unscrupulous, fueled financialization?

Perhaps the biggest questions concern the relationship between shareholder primacy and commitment models of employment relations: if there are times when reneging on relational contracts with workers is profitable (as Jacoby's discussion of private equity demonstrates), are there times when honoring these contracts improves long-term performance? If so, how can corporate governance be structured to support such commitments?

Jacoby passes quickly over proactive attempts at directing pension capital toward good employers (envisioned by the practitioner-oriented book that launched it all, Rifkin and Barber's *The North Will Rise Again*). He rightly notes that these efforts fizzled and have only been consistently successful for building trades unions. But if there are corporate governance models that facilitate high-road employment, perhaps union-influenced pension funds will be the investors to discover them. ■

Labor in the Age of Finance, by Sanford M. Jacoby. Princeton University Press, 2021. $35.00.