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A Storied Union Takes On Starbucks

The Industrial Workers of the World is taking on the coffee giant and its much-praised workplace practices

by [Maira Herbst](#)

Daniel Gross looks a lot like your average Starbucks ([SBUX](#)) barista. The 28-year-old is slim and clean-shaven, dressed in tan cargo pants and a T-shirt.

But Gross would rather talk about worker solidarity than lattes and soy milk these days. A volunteer organizer for the Industrial Workers of the World (IWW), Gross claims his involvement with the union got him fired from a New York City Starbucks a year ago. Now he's preparing to go before a judge on Aug. 6 to make the case for himself and other baristas he says have been fired or intimidated for union activity. Seated in the one-room headquarters of the IWW's local in Queens (N.Y.), Gross says it's all part of a broader battle to change the way American companies treat their employees.

"This trial is putting corporate social responsibility itself on trial," says Gross. "Starbucks has been the paragon of socially responsible marketing, and if it's fake at Starbucks, it's very likely fake in general."

NLRB Gets Involved

Gross and the IWW contend that Starbucks not only discourages union activity, it also overstates the generosity of its benefits. Among other things, Gross points out that only 42% of Starbucks "partners," or employees, are covered by the company's health insurance, a figure the company confirms. That's below the 47% at Wal-Mart Stores ([WMT](#)), which has come under heavy fire for its pay and benefits (see [BusinessWeek.com](#), 11/16/06, "[Can Barack Wake Up Wal-Mart?](#)").

Starbucks, which doesn't recognize the IWW in its stores, takes great exception to the charges. The company points out that it has worked hard over the years to treat its employees well, earning a reputation as one of the country's best employers. Tara Darrow, a company spokesperson, says that many of its employees have health insurance coverage through other means, say from a spouse or a parent. Overall, 91% have health insurance coverage of some sort, she says. The company also offers health-care coverage to employees who work as little as 20 hours a week, one of the few to do so. And Starbucks offers affordable insurance, including a routine care health plan for \$5.45 a week.

While the IWW continues waging a battle to win public opinion, it's also working on the legal front. And the union has some independent support for its union-busting charges. After investigating the IWW's charges, the National Labor Relations Board (NLRB) found merit in claims the company fired three pro-union employees, gave others unfair negative performance reviews, and unfairly banned workers from wearing multiple union pins. The NLRB's regional office will hold further hearings on the issues Aug. 6. Darrow says that, "Starbucks believes the allegations are baseless, and will defend ourselves vigorously against them."

The NLRB hearing is set to begin just after Starbucks announces its quarterly earnings, slated for Aug. 1. Wall Street analysts are watching the company's margins and store traffic closely, to try to figure out whether the growth opportunities ahead are as strong as they have been in the past. They also would like an early indication of whether the company's recent prices are likely to crimp consumer demand for its coffee.

Unconventional Union

Gross is a lead organizer for an IWW Starbucks campaign that began in 2004. But the IWW has a storied history that stretches back to its founding in 1905. The "Wobblies," as they were known, included prominent labor leaders such as Eugene Debs, Mary Harris "Mother" Jones, and William "Big Bill" Haywood. They sought to bring all workers into "One Big Union" and ultimately abolish the wage system, which they considered slavery. At its height in 1923, the IWW had 100,000 members.

The union's membership dwindled over the years after numerous clashes with the government over its radical politics. Today, there are a mere 2,000 members nationwide. Its most active campaigns involve organizing bicycle messengers in Chicago, short-haul truckers in Northern California, and warehouse workers in Brooklyn, N.Y. Gross will not reveal the number of Starbucks Workers Union members, but says there is a "critical mass" of IWW members at 10 stores in four U.S. states.

The IWW isn't affiliated with more mainstream labor groups such as the AFL-CIO, and its tactics today are markedly different. Rather than try to negotiate with companies through contract bargaining or to support political candidates, the IWW engages in what Gross and others call "direct action." It puts pressure on companies like Starbucks by taking on their public image, picketing stores, and organizing Internet campaigns.

The IWW emphasizes rank-and-file activities, rather than those by a handful of leaders. Gross says this model is the most appropriate for organizing workers in today's global economy. "It's a way for workers to have an independent voice," says Charles Folstrom, 29, a former Starbucks worker.

Gross says the IWW takes "substantial" credit for wage increases and improved working conditions in stores with a "critical mass" of IWW workers. He points to a 25% wage increase in the New York metropolitan area since the union campaign began. Starbucks' Darrow disagrees. "The only group that can legitimately take credit for the wage increase is our partners," she writes in an e-mail, explaining that workers had

asked for a wage increase in a previous survey and that the pay hike went into effect nationwide last year.

Unlikely Target

When it comes to labor problems, Starbucks isn't the first company most people think about. While companies like Wal-Mart have struggled, Starbucks is considered somewhat of a model employer. It routinely makes *Fortune* magazine's list of the "100 Best Companies to Work for," and is known as the first major U.S. employer to offer health coverage to part-time employees.

Darrow says the criticisms are inconsistent with the company's principles. "Starbucks respects the free choice of our partners and remains committed to complying fully with all laws governing the right to organize collectively," she wrote in an e-mail. "We also are confident that our progressive, pro-partner work environment, coupled with our outstanding compensation and benefits, make unions unnecessary at Starbucks."

The August hearing is not the company's first NLRB encounter with the IWW. The board found merit in the IWW's allegations that Starbucks discharged two workers for union activity, banned union pins, and prohibited workers from discussing the union while on company property. In lieu of continuing with the trial, Starbucks settled the case without admitting guilt in March, 2006, paying \$2,000 to former employees and offering their jobs back. Starbucks also signed a consent decree promising it wouldn't threaten union supporters with negative performance reviews or transfers to other stores. It also agreed that it would not foster an atmosphere in which "union activities are under surveillance."

Broader Questions

Supporters of Starbucks say the IWW may be raising interesting points about the service industry and employee compensation, but that it could be wrestling with the wrong company. "People feel good about working at Starbucks; it has a great culture of employee involvement," says Joseph Michelli, a consultant and author of *The Starbucks Experience: 5 Principles for Turning Ordinary into Extraordinary*. "I think opening the discussion about living wages vs. entry-level wages and employer health insurance is a worthy one, but [the union] has picked the wrong target."

What is at stake for Starbucks in its legal and public relations battle with the Wobblies? If the NLRB finds against the company, Starbucks could be asked to reinstate fired employees and publicly state it will not try to break unions. But some experts say even a guilty verdict won't create the waves of public support Gross and the IWW are hoping for. "Would it render the brand undrinkable? No," says Robert Passikoff, president of Brand Keys, a New York marketing and brand consulting firm. "The unfortunate truth is that the general consumer doesn't base his/her brand loyalty on issues like employee coercion."

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