

Coca-Cola agrees to record discrimination settlement

BY LORE LAWRENCE

Corporate giant Coca-Cola has agreed to pay a record-breaking \$192.5 million to settle a class-action discrimination suit brought by a group of black employees in April 1999. The size of the award is indication that the stakes have been raised for companies taking nonchalant attitudes toward diversity management, some diversity experts told *HR News*.

"For corporations, the settlement serves as a reminder that commitments to workplace diversity are critical and have a direct impact on the bottom line," said Todd Campbell, manager of diversity initiatives for the Society for Human Resource Management (SHRM). "For employees, particularly those who feel they have been discriminated against, the record-breaking settlement against the world's largest soft-drink company could be the catalyst to file their own charges."

Bottled frustrations

Greg Clark, a security officer for Coca-Cola, was the first plaintiff to file suit against the soft drink company. He said that he had pursued career advancement at the company, only to be continually denied opportunities.

"I would apply for a position, and my education and experience clearly exceeded what the job description would ask for," said Clark, who holds a B.A. in criminal justice and a master's degree in administration. "With many of the positions I would
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Coca-Cola commits to 'gold standard' in settlement of discrimination suit

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not get an interview and others I never heard back from. It was occurring too many times."

Clark began asking other black employees if they had the same experience. He began holding meetings in employee homes, and the group grew so large it moved to a restaurant. Clark said other employees all had similar stories.

• He said that complaints were handled through the company's EEO department and human resources. Employees got nowhere, he said, and ensuing relationships with managers often worsened. Even when investigations were done, Clark claimed, they were done so only for formality.

Clark was later joined in the suit by seven other black employees who claimed the company had subjected them to a systematic pat-

tern of discrimination in both career advancement and salary.

The suit was litigated by Mehri, Malkin & Ross (MMR)—the same legal team that successfully negotiated the then record-breaking \$176.1 million settlement with Texaco, which also was sued for discrimination in 1994 by a group of its black employees.

"The long-term impact [of this settlement] we certainly all hope will be a level playing field at Coca-Cola and improved human resource practices," said Pamela Coukos, one of the MMR attorneys representing the plaintiffs.

Coke denies wrongdoing

As part of the settlement, Coca-Cola did not admit any wrongdoing. In fact, the company's director of corporate and media rela-

tions, Rob Baskin, said, "With respect to discrimination, it has no place at Coca-Cola, it is not tolerated at Coca-Cola, and if in the past there ever was a specific allegation of discrimination, it was investigated. If [the charge] was found to be true, the practice was eliminated."

Baskin did admit, however, that "... the company was not at the gold standard where we wanted to be. One needs to make a distinction between doing things at the gold standard and doing things that are legal and acceptable."

Coca-Cola has agreed to commit to such a "gold standard" and has had an advisory board draw up a diversity statement. It also has begun ongoing diversity training for all its employees and will hire an independent ombudsperson to handle complaints of dis-

crimination and retaliation, and who also will monitor the handling of such complaints by human resources.

In addition, a seven-person task force comprising three representatives chosen by the class counsel and three by Coca-Cola will review the company's employment practices. A mutually agreed upon person will serve as chair. The task force, whose recommendations are binding, unless Coca-Cola objects and successfully argues its case in court, has a four-year mandate.

Cost of classic Coke

Developing a new formula for its workplace diversity has proven costly. Under the settlement negotiated in the U.S. District Court for the Northern District of Georgia, the four plaintiffs will receive \$300,000 each. SEE DISCRIMINATION, PAGE 8

Coke still denies wrongdoing despite settlement in discrimination suit

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Each of Coke's other 2,000 black employees will receive an average of \$40,000 each. Nearly \$59 million has been set aside for a compensatory damages fund to cover emotional distress; \$23.7 million to a back pay fund to make up for pay disparities between white and black employees; and \$10 million for a promotional achievement award fund for black promoted within the next 10 years. An esti-

ated \$20.6 million will go to pay attorney's fees, pending approval of the court. Coca-Cola also agreed to make pay adjustments worth \$43.5 million over the next 10 years and employment reforms valued at \$36 million.

Pay for officers and managers also will be tied directly to the level of improvement seen at the company.

"Essentially these people's performance will be measured by how well they comply

with [equal employment opportunity] and diversity efforts," said Tim Bland, an attorney serving on SHRM's Workplace Diversity Committee, "and their pay will reflect in some way how they are doing in this area."

"Companies need to review their employment and payroll policies and procedures [to ensure they're] in compliance with the law [and] to help ensure that employees do not have a basis for seeking these class-wide cases,"

said Donn Broich, SPHR, vice chair of SHRM's Workplace Diversity Committee. Close monitoring of a company's diversity efforts also may avoid expensive class-action suits.

Coukos said that the last time Coca-Cola board received a diversity report was in 1999: "It's important for the board of directors to get regular reporting on this issue," she said.

Confrontations continue

Before the settlement was reached, Clark and three other plaintiffs broke their association with MMR and are now pursuing a suit through Florida attorney Willie Gary.

"Here at the company, everyone feels that there's a problem, the company is so powerful it will back the managers. [Human resource did their jobs in such a way of going through policy and procedure. We have policies at Coca-Cola, but following policy and doing your job are two different things.]"

But change cannot be effected through human resource managers alone, said SHRM's Campbell.

"It can't be on the shoulders of human resources to drive diversity. It has to come from the leaders of a company. If you're not infusing diversity into every aspect of a organization, it's not going to be successful," he pointed out.

HR professionals often find themselves in a difficult spot, Campbell added, because they want to support the company's leader: yet at the same time want to support employees as well. A very big problem is that often managers see diversity as a "soft issue."

"It's hard for them to measure how diversity really affects the bottom line or company profits. And until they are given solid answers on how diversity can affect a company's profits, they really don't feel the need to invest the time, commitment or resources to support it," said Campbell. "Leaders should realize that diversity should be valued as an organization resource, because a fairer environment pretty much eliminates lawsuits."

Broich stated that if a human resource manager receives a discrimination complaint, it should be thoroughly investigated. If a policy or procedure wasn't being followed correctly, HR managers should turn to company guidelines on how to handle the situation.

"If there aren't any guidelines out there, maybe this is where HR should propose and develop some, and have upper management review it and look at it to see if a company-wide policy should be developed to eliminate the possibility of misunderstanding," he said.

Broich added that a report backed by statistics and facts often leave management with a different view of the situation than they may have had before. ■

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