

Case Study 2

Aughinish Alumina Ltd

Aughinish Alumina in the early 1990s was losing \$1m per week. However based upon a committed and increasingly sophisticated approach to change and cooperation, Aughinish Alumina is in 2002 one of the most efficient alumina processing plants in the world. This enhanced competitive ability has occurred alongside significant improvements in the terms and conditions of employees.

Developments of interest at Aughinish Alumina include the introduction and development of team-based working arrangements, the creation of a positive and constructive working environment and recent ongoing efforts to mainstream partnership as a viable and sustainable approach to organisational change and survival.

The Company

Aughinish Alumina Ltd (AAL) is an alumina refinery located at Askeaton, Co. Limerick, designed to extract aluminium oxide from imported bauxite. It is part of the Glencore Group, a Swiss-based natural resource group with worldwide interests including an interest in two other alumina refineries. The plant processes approximately three and a half million tons of bauxite per annum, in order to extract approximately one and a half million tons of alumina, which then goes to a worldwide market for smelting to metal. AAL itself was established in 1983, and has 435 employees, 20 apprentices and 20 temporary employees. The unions on site are SIPTU, AEEU and TEEU.

The Partnership Context

Aughinish Alumina's competitive advantage is derived from its ability to produce more alumina with fewer staff than comparable plants worldwide. Given that the plant is located far from its raw material sources, AAL has to place a strong emphasis on effective people management and employee relations in order to ensure that the plant can fully utilise the attributes of its entire staff to meet production targets.

Prior to 1993, the AAL plant displayed a climate of adversarialism, with a hierarchical organisation and poor company/union relations. In 1993, a company-wide restructuring plan was agreed and implemented in a crisis situation in which the cost per tonne produced needed to be reduced significantly to ensure medium to long-term survival. A team-based structure was introduced, the

structure was flattened to just three levels, and a new internal strategy needed to be put in place to ensure that business targets could be met.

Over the rest of the 1990s significant advances were made in this regard. Through co-operation between the company and the unions, in an informal partnership arrangement, conditions of work were largely harmonised. An annualised hours system of working was introduced for all unionised employees.

An ethos developed within the organisation of the establishment of joint teams to address particular issues. Teams were formed, received appropriate training to complete their task, and then disbanded when the task had been completed. The company began to disseminate certain business information more freely, and employees knowledge and understanding and capacity to be involved in decisions concerning many facets of their work increased considerably. While a formal partnership forum did not exist, co-operation between unions and management was largely informal and meetings could be called by either side to discuss an issue.

All those employed at AAL acknowledge that there were always ongoing issues which needed to be resolved, but that the way in which they were addressed had fundamentally changed, and a genuine co-operative ethos had emerged to replace the previous conflictual one, based on trust and mutual respect.

Further Development of Partnership

The advent of Partnership 2000 focused both management and unions on the concept of partnership, a word that had been loosely used to describe the AAL experience since 1993. Activity was stepped up on two fronts. Firstly, a joint team attended a partnership training programme facilitated by ETS (a trade union research and training organisation) to learn about the fundamental concepts underlying partnership. This reported back to a joint forum and as a result of subsequent discussions, it was decided to develop a customised programme for 26 personnel representing senior management, co-ordinators/facilitators, shop stewards, full-time union officials (should they wish to avail themselves of it), and staff. This 6-module programme provided the opportunity to reflect on the experience since 1993, and allowed the participants to develop their understanding of what partnership could be.

As a result of this process, every team in the plant was briefed on the programme, and has been consulted in relation to its members' views on what partnership at AAL could be in the future. This feedback is in the process of being assimilated at the time of writing, and a coherent strategy going forward will develop as a result.

Secondly, a number of joint teams have begun to address issues of increasing importance within the plant. These teams are separate from the production teams formed within the formal teamwork structure and are cross-functional. The teams formed included:

- A pensions team was formed and successfully put in place arrangements to provide options

for retirement from age 50, based on employees transferring their PPF 2% entitlement to the pension fund, and a commensurate company contribution being forthcoming also.

- A business process improvement team was formed and its emphasis is on improving business processes through, for example, ensuring that each employee has access to data that can enable them to make informed decisions in their roles. Pilot approaches are currently taking place in process areas within the plant.
- The possibility of a gain-sharing arrangement has also been discussed in this context.

- Innovative projects addressing areas such as active ageing, with the assistance of a dietician, were also introduced.

While there are differing perspectives within the plant on how far the partnership process can progress, unions and management have been, and continue to be, willing to participate in the journey so far. Compared to the instability of the pre-1993 situation, this progress based on a partnership ethos, even with certain drawbacks, has produced more tangible results for both the company and its employees.

The Benefits

The benefits to both management and the employees are significant:

- AAL has addressed major organisational change issues using formal and informal partnership approaches, and as an organisation has become more competitive, guaranteeing better security of employment and enhanced terms and conditions of employment.
- The industrial relations climate stabilised, and indicators such as number of grievances have decreased significantly
- Production costs per ton are stabilised, and AAL has strengthened its competitive position in the marketplace
- The roles and responsibilities of employees have changed in such a way that, within the team-based structure, they now have more input into the decisions that affect them and the organisation
- The process itself has become more efficient, with less waste
- The working relationship with the workforce is by and large positive and constructive
- Security of employment for AAL's employees has been strengthened, and significant innovation in working arrangements, such as annualised hours agreements, achieved. This has been a key feature in enhancing the quality of working life for those employed at the plant
- Training and development focused not just on technical skills but also on so-called soft skills such as teamworking, conflict resolution, and facilitation skills.