

AUGHINISH ALUMINA

Aughinish Alumina, Ireland: Embedding Workplace Partnership and Direct Participation

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This case study draws on previous published work (Totterdill et al, 2002; Dobbins & Dundon, 2017) as well as recent interviews conducted with Michael O'Toole (Health, Safety, Human Resources & Community Affairs Manager at Aughinish Alumina) and Stephen Lavelle (SIPTU). Additional information was provided by Tony Murphy (IDEAS). Any errors or inaccuracies remain the sole responsibility of the authors.

Background

This case study describes how the introduction of union-management partnership in a large processing plant not only led to a new era of co-operative industrial relations but enabled the introduction of participative working practices based on a flatter organisational structure. The case is notable in the context of Ireland's voluntarist system of industrial relations because of the sustained and embedded nature of these practices, enduring for more than three decades and resulting in continuing win-win outcomes for the company and its workers alike.

Aughinish Alumina, located in Askeaton, Co. Limerick, Ireland, is Europe's largest alumina refinery employing 475 full-time employees, along with 16 apprentices. The plant processes bauxite imported from Africa and Brazil to extract 1.75 million tons of alumina, which is then supplied to a global market for smelting into metal.

Opened in 1983, the plant's location in a rural area on the west coast of Ireland may at first seem puzzling. Alcan, its original owners, conceived the plant as a vital link between Guinea and its smelter in North-East England, as well as those in continental Europe. Access to the deep water port on the Shannon estuary and the availability of sites to store the residues were instrumental in the selection of Askeaton. However intervention by the Irish government may well have been the deciding factor. During the 1960s and 1970s, manufacturing employment in Co. Limerick declined sharply, and reindustrialisation was a political priority. Government support for "Ireland's biggest-ever private investment" took the form of direct subsidies, tax exemptions, grants for training costs, improvements to the road and water supply networks, and grants for housing construction¹. When the plant first opened, it employed some 800 people, a number that has gradually reduced due to successive market downturns and improvements in productivity.

Aughinish Alumina was acquired by the Swiss firm Glencore International AG in 1999 before its 2007 acquisition by Rusal, a Russian company and the world's second biggest aluminium producer. Rusal has been supportive of Aughinish Alumina, providing funding for capital programmes to help secure stability and consistency in operations, as well as reducing the plant's environmental impact. However, Russian ownership has brought challenges due to sanctions and companies self-sanctioning. This has affected the refinery's ability to secure suppliers and financial services, creating additional operational challenges.

Despite widespread concerns during the 1980s about local pollution and the plant's wider impact on the environment, successive investments have led to considerable improvement, and Aughinish Alumina is now one of the most energy efficient plants of its kind in the world according to Rusalⁱⁱ. The company is also working on treating by-products to be used in cement production, with the potential to create new employment and reduce environmental impact.

Aughinish Alumina operates in a heavy industry environment and has many associated potential hazards that need to be controlled. The company has a strong focus on health and safety, with an emergency response team, on-site fire brigade, ambulance, and nurses. Union density stands at around 370, divided between SIPTU, Connect and Unite. The company operates a 'closed shop' for manual workers, with union membership forming part of the terms and conditions of employment.

Aughinish Alumina is seen locally as a good employer with above average pay and conditions, and advertised vacancies always attract a large number of applicants. The workforce is transitioning, with many older employees retiring and younger ones joining.

In consultation with the unions, the company introduced annualised hours for its employees based on a fixed basic salary incorporating payment for 250 extra (reserve) hours that may need to be worked in unforeseen circumstances, or for additional training and meetings. In practice only a small percentage of those hours are actually worked (4% in 2024), yet for the company the scheme was seen to improve the productivity of working time and break down a costly "overtime culture" (Dundon & Dobbins, 2017).

The Emergence of Workplace Partnership

The plant experienced a period of major turbulence during its first decade. Industrial relations were poor and often conflictual, whilst management made little attempt to contain costs, almost resulting in closure during the early 1990s. A new managing director was appointed early in 1992, and the senior team felt that it had no option but to take drastic action to save the plant. The first major initiative was a redundancy programme which cut the workforce from 580 to 435. The redundancies occurred with little union resistance, because unions were aware that the alternative was plant closure.

After administering the shock of redundancy, management began to seek better, more co-operative relations with unions and workers. According to an internal document (quoted in Dundon & Dobbins, 2017):

"We see a partnership role for the trade union in the new AAL. Our objective is to create a climate of trust where this partnership can develop to ensure that AAL remains competitive. Our common interests allow for a significant trade union role in shaping

AAL's future. We believe that the new culture and the change in management style will allow the trade unions to respond with a flexible and supportive approach. The use of the 'Getting to Yes' principles will support and facilitate the new style and culture."

The journey began with joint offsite training programmes for managers and employee representatives, focusing on team working. Conflict resolution was also addressed through a 'Getting to Yes' course. According to one union representative quoted by Dundon & Dobbins, (2017):

"It was certainly helpful. It opened the door to a new way of doing things. It demonstrated that you don't have to follow the adversarial approach. Most of us followed the adversarial approach because as shop stewards we had never seen an alternative and that was the way things were done, so you just fall in. But having been shown an alternative we were certainly ready to try it. The trust was then gradually built."

A series of benchmarking visits to other organisations was also undertaken, enabling learning from good partnership practices elsewhere to be assimilated within Aughinish Alumina. In addition, the company participated in an EU-funded ADAPT project, further fostering shared learning between unions and management.

Initially referred to as 'co-operation', the term 'partnership' was formally adopted following the 'Partnership 2000' National Agreement in Ireland. At this time, the Education & Training Services Trust (ETS) was retained to deliver a six month course on partnership, the aim of which was to illustrate how a continuing partnership process could be embedded within the organisation. One of the key components of the ensuing strategy was the creation of a learning climate where self-learning and self-development was supported and facilitated based on the following objectives:

- To give people the skills and opportunity to think creatively
- To identify a range of development opportunities for individuals, both internally and externally and the entry points to such development.
- To create possible development paths internal and external to the organisation.

The resulting partnership structure did not rely on a single partnership forum. From the outset, partnership at Aughinish Alumina was characterised by a continuing series of ad hoc, issue-based teams comprising both management and union representatives. These teams are formed to address specific organisational issues or to exploit opportunities and are disbanded once their objectives are achieved. This flexible and dynamic approach ensures that the partnership remains relevant and effective for both workers and management.

Management and unions also meet on a quarterly basis to review policies and procedures. As in other companies operating within the Irish partnership model, bargaining over wages and conditions takes place in a separate industrial relations forum, and is excluded from these meetings.

Direct Participation

Alongside the development of workplace partnership, management and unions introduced new forms of work organisation from 1994 that led to significant local empowerment and autonomy among employees. As a consequence, a flatter organisational structure emerged at Aughinish

Alumina, minimising hierarchical levels, reducing overhead costs, and allowing for more direct communication and decision-making.

The structure comprises eight senior managers, including a Managing Director. Below this layer is a stratum of eighteen coordinators/facilitators, followed by a matrix of self-managed teams. Teams are responsible for their own tasks, training, and vacation scheduling, with facilitators supporting their work in place of traditional supervisors. This structure avoids any close supervision, though facilitators play a crucial role in enabling the work of self-managed teams by providing guidance and support, helping to maintain a collaborative and empowering work environment. Employees are trained in teamwork principles and are trusted to complete their tasks without micromanagement, though indirect controls include the expectation that workers will meet performance targets (KPIs).

The flat hierarchy also promotes a collaborative work environment across the whole production flow where employees from different departments can work together on projects and initiatives. This cross-functional collaboration enhances the quality of decisions by incorporating diverse perspectives and expertise.

Aughinish Alumina also places strong emphasis on continuous improvement, with each area targeting specific improvements annually. These improvements, suggested by engineers, craft workers, and operations staff, are funded and implemented to enhance safety, work efficiency, and overall job satisfaction. The company also encourages employees to take ownership of improvement projects. For example, a team of craft workers proposed and implemented a project to improve the maintenance schedule for critical equipment, resulting in reduced downtime and increased equipment reliability.

Further examples of continuous improvement initiatives include:

- **Safety Enhancements:** Employees are encouraged to identify potential safety hazards and suggest improvements. For instance, engineers and operations staff collaborated to redesign a section of the plant to reduce the risk of accidents. This initiative has not only improved safety but also increased operational efficiency.
- **Process Optimisation:** Craft workers and engineers worked together to streamline the bauxite processing workflow, reducing downtime and increasing the yield of alumina. This initiative involved implementing new technologies and refining existing processes to achieve better results.
- **Energy Efficiency:** The company is a heavy energy user and actively involves employees in identifying potential energy-saving measures as part of its culture of continuous improvement. Initiatives include the introduction of advanced monitoring and control systems to optimise energy usage patterns. These systems allow for real-time tracking of energy consumption and enable the identification of areas where energy can be saved. The company has also installed heat recovery systems to capture and reuse waste heat generated during the production process. The integration of renewable energy sources, such as solar and wind power, has also been explored in order to decrease reliance on fossil fuels. Overall these initiatives have led to significant cost savings and reduced the environmental impact of the plant, for example by cutting greenhouse gas emissions.

- **Training and Development Programmes:** Continuous improvement is also supported by comprehensive training and development programmes. Employees receive training on the latest industry practices, safety protocols, and technical skills. This ensures that the workforce is well-equipped to contribute to ongoing improvement efforts.

To support a culture of learning and experimentation, the company actively promotes a no-blame culture when investigating incidents, focusing on learning from mistakes and communicating those learnings to the teams. The company uses *Just Culture* modelling to determine the appropriate response to incidents, ensuring that employees are not unfairly blamed for lapses in judgment, and contributing to a safer and more collaborative work environment.

The benefits of direct participation at Aughinish Alumina have been two-fold. The company has enjoyed significant financial benefits, for example, employee-led energy efficiency measures alone have led to substantial cost savings, whilst the process optimisation initiatives increased the yield of alumina leading to higher production output and enhanced revenue. Employee-led projects have also contributed to cost savings by reducing downtime and increasing equipment reliability, which has minimised maintenance costs and improved overall operational efficiency.

Employees benefit from an empowering, high-trust culture based on delegated decision-making and the absence of micro-management, as a result of the flatter organisational structure. They also have the opportunity to develop and deploy creative thinking skills through regular participation in continuous improvement initiatives.

As part of this culture of empowerment, the company also makes significant investment in creating opportunities for employee learning and development. The company offers 50% funding for external education and adopts a joint approach to skill requirements, creating a vibrant internal labour market and encouraging employees to pursue career paths based on their own areas of interest and aptitude. Training programmes also focus on business literacy, helping employees understand the broader business context and their role in achieving organisational goals, designed to foster a sense of ownership and accountability.

Conclusion: the endurance of cooperative partnership at Aughinish Alumina

The case of Aughinish Alumina demonstrates how effective workplace cooperation and partnership can lead to significant organisational innovations, resulting in win-win outcomes for management and workers. By promoting local empowerment, continuous improvement and a strong focus on training and development, Aughinish Alumina has created a responsive and dynamic work environment that builds competitive advantage by leveraging the full potential of its workforce.

In terms of the resilience of workplace partnership, co-operative relations at Aughinish Alumina remain in place after more than thirty years. A confluence of external and internal conditions has underpinned the durability of co-operation including a parent company with a focus on stability and consistency in operations and which continues to support investment, and the internal institutionalisation of cooperation as part of the company's business strategy, supported by a complementary bundle of industrial relations and HRM policies and practices. This contrasts vividly with many other voluntarist workplace partnerships in Ireland which collapsed due to exposure to market forces and various internal tensions, lacking these same embedded conditions for sustainability.

However this does not provide grounds for complacency. The rapid growth of China as a global supplier of aluminium, high energy costs in Ireland and other external factors will present growing challenges to Aughinish Alumina's competitiveness in the medium-term future. These challenges will need to be met through continuing employee-led innovation and improvement. At the same time, the 'founding generation' of managers and union representatives involved in the establishment of workplace partnership in the company are now moving on. The incoming generation will need to make partnership and participation their own rather than allowing the onset of 'innovation decay'.

References

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ⁱ <https://hstmnetworkireland.org/2024/08/29/the-largest-industrial-investment-in-irelands-history-the-aughinish-alumina-refinery-in-a-globalised-aluminium-economy/>

ⁱⁱ <https://rusal.ru/en/about/geography/aughinish-alumina/>