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CAN VOLUNTARY WORKPLACE PARTNERSHIPS DELIVER SUSTAINABLE MUTUAL GAINS?

Anthony Dobbins and Patrick Gunnigle

Introduction

Despite national-level ‘social partnership’ being seen by many as well-developed in Ireland (see Hastings *et al.,* 2007), genuine workplace partnership (WP) remains rare (Roche, 2006). Crucially, in the context of Ireland’s voluntarist industrial relations (IR) traditions, employers possess the sole authority to initiate workplace partnership. Thus, WP remains a voluntary endeavour.

This paper initially summarises the WP literature, focusing on the nature of voluntary partnership, its potential to generate mutual gains for employers, employees and their representatives, and contextual conditions impacting upon its adoption, outcomes and sustainability. In particular, the balance of mutuality and the conditions supporting workplace compromise warrants analytical and empirical examination. We highlight the in-depth, longitudinal nature of our research, incorporating extremely strong access to multiple respondents and perspectives. We then outline the main case findings in two companies, Waterford Crystal (WC) and Aughinish Alumina Limited (AAL). Finally, referring to relevant literature, we synthesise the balance of mutual gains (and losses) and conditions promoting and sustaining WP.

Workplace partnership – nature, outcomes and conditions

The rationale for this paper is to add to understanding of the nature, outcomes and contextual conditions associated with voluntary WP – in particular, to add to knowledge on the balance of mutuality arising from, and the conditions supporting WP. For many years the debate was largely polarised around positions which were either supportive or critical of partnership. More recently all sides have become more aware of the influence of context and contingency on WP. Notwithstanding this common ground, there remain key differences between various perspectives on the broad thrust of WP and the underlying nature of industrial relations (IR).

Kochan and Osterman (1994) are the most widely quoted proponents of the premise that integrated bundles of WP practices can deliver mutual gains for all workplace stakeholders. They present a multi-level model of the 'mutual gains enterprise', comprised of interlocking mutual gains workplace practices and supportive 'strategic level' contextual conditions. They identify mutual gains practices encompassing union-management forums, direct employee participation (e.g. teamwork) and bundles of complementary HRM practices, notably employment security clauses, training and financial stakeholding. These practices are deemed to produce the best results when combined in bundles, but do not work well alone. Positive outcomes for employers include higher commitment, increased productivity, lower conflict, and improved product quality/innovation. Kochan and Osterman claim that workers also benefit, principally through enhanced employment security and opportunities for direct participation and representative voice at operational and strategic levels. Also, union-management cooperation provides unions with inputs into business decision making and, they argue, may provide the only basis for union renewal. However, Kochan and Osterman do not claim mutual gains partnership is universally applicable, but rather that it requires supportive conditions, notably business strategies centred on innovation, top management backing and effective employee voice.

Rubinstein and Kochan (2001) identify mutual gains arising from WP at the American company *Saturn* (a General Motors subsidiary), which is lauded for the extent to which unions are involved in co-management initiatives from shopfloor level up to corporate strategy and workers participate in self-managed work teams and enjoy employment security. Management also benefit from better product quality and customer service. But despite the equal balance of mutual gains at Saturn, Rubinstein and Kochan identified contextual vulnerabilities, notably doubts over GM's commitment to the project, coupled with weak external institutional supports (America's corporate governance and labour relations system is seen to retard WP). Elsewhere, Rubinstein and Heckscher (2003) suggest limited diffusion of WP may be due to employer perceptions that the stability and job security associated with partnership may constrain, and clash with, the priority of achieving flexibility and cost containment in turbulent competitive conditions.

Drawing on the Saturn experience in another paper, Kochan and Rubinstein (2000) outline a theory of the stakeholder firm based around three key questions. First, under what conditions do stakeholder firms emerge? Kochan and Rubinstein argue that company stakeholders must hold assets (like knowledge) critical to competitive success; stakeholders must be willing to risk assets and must have sufficient power, and shareholder and stakeholder leaders must trust that partnership can work, thus preventing exit. Martinez-Lucio and Stuart (2005:812) develop this concept of ‘risk’, concluding, in the UK context, that the risks to workers and unions, and indeed management, of adopting WP are significant because “institutional frames of support are lacking”, rendering partnership unstable. Second, Kochan and Rubinstein ask what organizational/governance features contribute to successful outcomes? Stakeholders need to add value to achieve high performance, employment and governance systems need to support employee stakeholding in company performance, and stakeholder interests must be aggregated and conflict carefully managed. Finally, for partnership to endure, Kochan and Rubinstein believe stakeholders must have a voice in leadership succession and leaders must be held accountable to all stakeholders. Also, resistance to the legitimacy of stakeholders other than shareholders needs to be overcome. But, they argue, “ultimately, a change in the political environment from one that reinforces the ideology of unregulated capital markets and enterprises to one that legitimates other stakeholders is likely to be necessary to sustain these alternative organizational forms” (2000: 384). Deakin et al., (2006) express more optimism, concluding that enduring partnerships may develop in Anglo-American corporate governance systems under conditions where management can convince shareholders of long-term gains from WP, notably where regulation promotes quality-focused strategies and employee voice.

In Ireland, Roche and Geary’s (2006) comprehensive examination of WP at the Irish Airports’ Authority, *Aer Rianta*, provides support for ‘mutuality of gains’, finding that all stakeholders benefited (in part) from that company’s ambitious ‘Compact for Constructive Participation’. The ‘Compact’ encompassed joint union-employee-management forums at both strategic and operational levels. In particular, management, unions and employees addressed major commercial challenges, notably by developing a joint strategy to deal with the company’s future status and ending of duty-free sales. However, the experiment broke down after eight years, with the authors attributing this to weak internal institutional bulwarks; tensions between supporters and critics of the ‘Compact’; a succession crisis after key management and union advocates retired; failure to vertically align interlocking partnership architecture from top to bottom by implementing direct participation and complementary HR policies alongside representative forums (WP at Aer Rianta was largely restricted to representative level). These factors interacted with external obstacles, notably "prolonged indecision and inaction by government regarding the future of Aer Rianta" (2006: 252).

In a UK context, though Guest and Peccei (2001: 231) express optimism about the mutual gains potential of WP, they differ from some advocates by arguing that employers gain most, seeing "..the balance of advantage leaning clearly towards management". They find that the most positive gains for employers include superior productivity and better IR, while workers benefit from greater involvement, satisfaction and voice, and unions benefit from engagement in business decision-making. For Guest and Peccei (2001), the most positive mutual gains outcomes emanate from combined bundles of representative participation in company decision-making, direct employee participation in work decisions, flexible job design, focus on quality, employment security, and financial participation.

The claims of advocates have been attacked by those critical of WP, its capacity to deliver mutual gains and durability. Critics like John Kelly (1998, 2004) would not disagree that context plays a major role in mediating outcomes, but their fundamental position is that partnership is unendurable because it is incompatible with the nature of IR in a market economy. Critics argue that instability and conflict is far more deep-rooted in capitalism than advocates accept and, accordingly, the conditions retarding WP are far more acute than those sustaining it (D'Art and Turner 2005; Kelly 1998; Thompson 2003). Many critics view WP as a vehicle for recasting management control over workers and argue that while it may deliver significant benefits for employers, it delivers few for workers and may even entail significant costs, such as work intensification and job insecurity (Danford *et al*. 2005). Furthermore, critics claim that employers are intent, at best, on incorporating unions into a managerial agenda and, at worst, on marginalizing and even eradicating them (Danford *et al*. 2005; Kelly 1998, 2004).

Kelly (1998, 2004) argues that WP clearly favours management, with few benefits for unions and their members. For Kelly, union incorporation reduces capacity to resist employers, and unions are best served by engaging in independent militant strategies. His 2004 study of 22 partnership agreements contrasts what he calls 'employer-dominant' with 'labour-parity' partnerships. Under the former, partnership agendas reflect employer interests and unions are compliant. Labour-parity partnerships reflect a more equal power balance, unions are better organized, partnership agendas better reflect the interests of both parties, and employers are more dependent on co-operation. Although the latter are more likely to generate some mutual gains than employer-dominant forms, even here Kelly concludes that unions and their members reap little tangible benefit. Product market turbulence, capital market short-termism, and fundamental conflicts of interest, are seen by Kelly as retarding WP.

Paul Edwards' (2003) nuanced theoretical work is valuable in understanding the nature, outcomes and conditions underpinning workplace compromise. Edwards emphasises the vital concept of 'contradiction' to illustrate how managing the employment relationship involves balancing contradictory forces pushing in opposite directions. Employers have to manage uncertainties associated with external economic pressures, and also the internal contradictions of IR: management has to secure workers' consent to release discretionary effort (e.g. through teamwork) while simultaneously maintaining control of their activities to ensure compliance with employer goals (e.g. through performance management). These contradictions are universal attributes of IR, but are organised by employers in different ways, leading to diverse outcomes. Contradictions create in-built 'structured antagonism' in the employment relationship because managerial strategies seek to deploy workers' labour power to accumulate a surplus in the production process, which is linked to a wider 'circuit of capital accumulation'. Furthermore, workplaces are 'negotiated orders' comprising stakeholders who may have conflicting as well as common interests, and patterns of IR are (re)created by 'power relations' and negotiation (Edwards 2003:16-17). In a recent paper, Edwards & Belanger (2007) outline how product market context, technology, and institutional regulation generate different patterns of IR, depending how the contradictions of cooperation and conflict are regulated. They argue that capital-intensive continuous process technology is conducive to workplace cooperation/worker autonomy. They also suggest stable product markets/relative market immunity may partly insulate employers from competition and promote employment security, which is important for WP to flourish.

They conclude that conditions generating positive and sustainable WP outcomes are feasible but rare, and that stronger 'beneficial constraints' (proactive institutional regulation by the state) are needed to protect partnerships from market pressures. This echoes Streeck's idea (1995) that durable workplace cooperation needs to be embedded within supportive hard institutional constraints like the German co-determination laws, and that voluntary cooperation in liberal economies is overly dependent on employer approval and special market conditions.

Research questions and methods

Having reviewed perspectives on WP, four questions are posited:

- What are the antecedents and practices associated with WP, and has it displaced management control?
- Does workplace partnership deliver mutual gains for workers, unions and employers, and what is the balance of mutuality?
- How do external and internal contextual conditions influence the balance of mutuality and the sustainability of partnership?
- If mutual gains partnership 'works', why do relatively few employers adopt it?

Given that workplace cooperation is shaped by its context, we felt it was critical to use a context sensitive research method; which is why a case study methodology was deployed. It is crucial that such case investigations incorporate a breadth of perspectives and long-term engagement with participants. We feel our case studies meet these criteria. We were afforded exceptional (and perhaps) unique access at all levels, from top management down. We had particularly strong access to union representatives and employees, a constituency often under-represented in studies of this nature. Furthermore, our study incorporated an important longitudinal element, which meant the two organisations could be studied over a fairly lengthy period, involving repeat visits and 'follow-up' discussions. In sum, we feel the comprehensive case investigations greatly strengthen the validity of our findings.

Waterford Crystal (WC) and Aughinish Alumina (AAL) were chosen because they constitute 'ideal/critical' cases for in-depth empirical analysis of WP. Both are long established, highly unionised manufacturing firms owned by multinationals

(Waterford Wedgwood and United Company RUSAL [UCR]), and have experienced serious industrial conflict. Responding to intensified international competition and market crisis, both attempted to move away from adversarial IR towards WP.

Various primary and secondary research methods were used. The findings are based largely on semi-structured interviews (lasting between 1 and 3 hours) with all levels of management, union officials and shop stewards, as well as shorter interviews (up to one hour) with samples of employees. This amounted to 92 interviews over a two-year period (29 with managers, 13 with union officials and shop stewards and 50 with employees), (see table 1). All interviews were taped and transcribed.

Insert table 1.

At WC, in-depth semi-structured interviews took place with 20 senior, middle-level and front line managers. The senior and middle managers were drawn from HR, and manufacturing, quality, finance, health and safety, industrial engineering and communications. Detailed interviews were also conducted with two union officials (one retired) and five shop stewards. Next, shorter interviews were conducted a random sample of 28 workers from the three main sections/production stages: 10 from glass blowing; 10 from cutting and engraving; 8 from polishing/packing. The worker interviewees were drawn from different skill levels: craft/maintenance, semi-skilled and operatives. A similar methodology was deployed at AAL, a much ‘flatter’ organisation. Semi-structured interviews were conducted with three out of four members of the top management team, and with ‘lower-level’ HR management, and facilitators (9 managers in total). Interviews took place with two union officials and four shop stewards. Shorter interviews were then conducted with a random sample of 22 electrical/instrumentation workers, maintenance fitters, and operators. Worker interviews covered the main production areas (digestion, filtration & mud washing, hydrate filtration & calcinations, and central workshops).

An element of ethnography was also employed through non-participant observation. This was operationalised through widespread informal contact with people in their work areas, and during meal/tea breaks and proved critical in getting a ‘feel’ for shopfloor realities. The findings were also informed by discussions with previous senior managers and external IR ‘experts’. Finally, secondary methods consisted of extensive internal (company/union) and external archival and documentary material, derived over almost four years.

Case Study Findings

Waterford Crystal

Background and historical legacy

Waterford Crystal is a long-established indigenous company based in Waterford City and became part of the Waterford Wedgwood group in 1986. When fieldwork began, WC employed 1700 people, but this has since shrunk to less than 1000 after major redundancies. WC is primarily known for its high quality crystal and exports to 106 countries. The U.S. is by far its largest market and it is critically dependent on the U.S. economy and particularly sensitive to dollar fluctuations. WC was hit by a severe crisis between 1987 and 1993 but its competitive position improved significantly up to 2003. Since then it has encountered very serious competitive challenges. It faces particularly intense competition in international product markets, especially from low-cost producers in Eastern Europe (since communism imploded). Until 1990, WC was a single source producer of a single product. From the early 1990s, its product range became more diversified, aided by the outsourcing of 'lower-end' products to overseas producers. In Waterford, the company focused on producing higher-end quality crystal in small batches using advanced technology. The company remains highly unionised. The *Unite* union represents workers across all grades, equating to over 95% of the shopfloor workforce.

Three distinct historical IR patterns are evident at WC: the 'indulgency', 'adversarial' and 'pragmatic partnership' phases. The indulgency period lasted from 1947-1985, and set a benchmark for what followed. The benefits of high product demand and profitability (notably in the lucrative US market) meant management could buy workforce consent by offering financial rewards in exchange for production. Skilled craft workers experienced considerable autonomy. Indeed, management largely abdicated shopfloor control to the union which - in the vacuum - grew increasingly powerful, securing many concessions. In sum, for management, workers and the union, the benefits of the indulgency pattern outweighed the costs, and the balance of mutuality suited all. However, the indulgency pattern was built on brittle and unsustainable foundations, and, eventually, spiralling costs collided with intensified competitive pressures from the 1980s leading to crisis.

The ensuing adversarial period lasted from 1986-1993. Due to competitive crisis, management tightened control over the workforce and union and forced massive cost cuts. Management implemented many redundancies, 'concession bargaining', outsourcing, tighter supervision, and issued closure threats. Serious conflict arose, culminating in a bitter 14-week strike in 1990. Management 'won' but lost workforce 'hearts and minds', and were widely perceived as incompetent and directionless. Conflict was rampant, performance was poor, and even management reaped few gains beyond reasserting authority.

Though it had imposed its authority during the crisis, management pragmatically realised hard-line adversarialism was impractical in a strongly unionised workplace. Meanwhile, the union was ready for a different approach, recognising that the factory might close. Accordingly, management entered a 'pragmatic partnership' phase (1993-2003), which lasted ten years (1993-2003). The adoption of partnership was due to a complementary cluster of conditions. Crucially, while crisis provided the catalyst, subsequent moves towards cooperation were promoted by improving market conditions and a better exchange rate. Without this, it would have been very difficult for partnership to take root. Also, a new and talented senior management team was in place, which was willing to risk cooperation and had a coherent strategy to this end. Furthermore, the stark reality for all, including shareholders, was that continued adversarialism meant likely closure. Management implemented a new business strategy centred on product customisation and quality, invested in advanced technology, improved production processes and introduced a new facilitative management style. To complement this, management introduced new partnership practices: management-union cooperative structures, greater information and consultation, investment in training, a re-vamped profit share scheme and two-way communications. These combined initiatives indicated that management and other stakeholders believed the potential benefits of cooperation outweighed the risks and that existing IR arrangements were simply not seen as viable.

Turning to the practices associated with WP, management introduced a joint company-union task group in 1993, which was the main manifestation of partnership. Given its staunch socialist ideological disposition and a desire to maintain independence from management, the union never used the term ‘partnership’, and neither did management for that matter. But it’s what happens in practice that matters, and the upshot was that new formal cooperative management-union structures ran in parallel with traditional collective bargaining.

The task group gave the union an element of joint decision-making over operational and, significantly, strategic issues, previously the domain of management - notably product strategy. This role often went beyond joint consultation. The union did not perceive its new role as sacrificing independence, because it felt it had real influence. The task group’s role was to increase profitability of existing products, win new products, and even win back products already outsourced, and it was successful in this. The task group also examined issues relating to the production process, new technology, financial issues, and work organisation. For instance, it facilitated the introduction of new tank furnace technology in 1994. A manager remarked:

> In the task group we show people the monthly accounts, at manufacturing operations level they see the margins, they also see the sales numbers. We talk openly about the costs of various parts of the business.

Sometimes sub-groups investigated significant issues such as under-performing products. A union representative commented:

> We would go off and change things, like dogs (products that fall below the minimum gross margin). He (Manufacturing Director) would say see if you can do anything with it, and we would go off and change things. An awful lot of things have been saved. We might put a different process in to bring it over the margin, so it is no longer outsourced.

The task group held weekly meetings, chaired by the Manufacturing Director, and comprising six unions and six management nominees. It would embrace additional shop stewards and managers when significant issues, such as new technology, were discussed. Other joint management-union committees monitored IR flashpoints, discussed pensions, profit share, health & safety.

However, key elements of WP were missing, particularly employment security and opportunities for direct employee participation. This meant WP was never institutionalised vertically through the organisation, which placed limits on mutual gains especially as many workers had prior experience of employment security and 'responsible autonomy' during the indulgency period. And crucially, attempts to instil cooperation did not mean management loosened control – far from it. Responding to external and internal contradictions, management utilised various controls, notably threats of outsourcing/production relocation, but also technical controls like industrial engineering and computer-based monitoring systems, and performance management. A senior manager described this contradiction between cooperation and control:

> Gurus who write books saying that command and control is over and it is all about consensus management - that is bullshit. There is a boss, a leader. The answer is trying to work together to get the biggest form of consensus agreement you can. There is always control. Workers can have increased autonomy over certain aspects of work, but at the end of the day there has got to be control - what I call soft control, rather than really overt in your face control. Control comes from parameters - these are the parameters within which you can work. But, the big dilemma is that the machinery and the process are bringing those parameters tighter and tighter, and yet we are trying to expand peoples' participation.

We now turn to the balance of mutual gains for management, the union and workers. Management secured notable gains, which it partially attributed to cooperation, notably greater workforce effort, increased productivity, lower costs, lower conflict (no major strike since 1990), reduced accident claims (down from 60 accident claims per year before 1993 to less than 10 after 1993), less absenteeism (down from 7.5% in 1993 to average of 3-5%), improved product quality and innovation. WP impacted on the business bottom line. The company-union task force was especially significant in generating mutual gains, and management felt it played a key role in the company's revival, boosting innovation and competitiveness. A manager remarked:

> I do believe that it influenced a lot of items that would have otherwise been outsourced. We were able to prove that they could be produced here just as competitively.

However, worker innovation at task level was circumscribed by little scope for participation at the point of production. This was not just attributable to management. The union opposed management-sponsored direct employee involvement, fearing it could undermine union influence. But the union held a favourable view of the task group, explicitly suggesting that it generated mutual gains – a key yardstick of genuine partnership in the literature (Kochan and Osterman, 1994). A senior shop steward observed how the task group provided strategic influence:

> We went through a period when the company froze us out of any information, and there is certain information you need to have. You need to know what they (management) see down the line … so you can respond. You can be prepared, as against a crisis situation when you find out suddenly. What they held out was the possibility of that information being given

> under the task group. We got guarantees and parameters going into it. We really went in to milk any information we could get. It has delivered in that sense. We can have the Financial Director in the task group at our request. We can get the Manufacturing Director to give us his immediate plans, we can get a handle on the latest technology in the glass industry.

Another union representative similarly remarked:

> In the task group he (Manufacturing Director) gives us information and feeds it out in a non-confrontational committee. You leave your union hat outside the door. It works for him, but it also works for us as well, because we are told a long time before things happen, so we have time to prepare. It is win-win for the union and management. An awful lot of problems have been solved at that forum. It was a great idea.

In other ways, however, WP was a double-edged sword for the union, in terms of a weakening of traditional collective bargaining power. The union was clearly less powerful than before the 'defeat' by management post the 1990 strike, and in some ways less influential. Furthermore, its new cooperative role meant it was less visible to the workforce than under its traditional defensive adversarial role. Despite this, when asked, workers preferred management-union cooperation over adversarialism.

Outcomes for workers were mixed. The main gains included financial involvement through the profit share scheme, better relations with managers and substantially more training/education. The main downsides were employment insecurity, outsourcing/threat of production relocation, work intensification, industrial engineering (much tighter work standards), shiftwork, and little direct participation. Outsourcing and production relocation were a particular concern:

> Management has said that they are never going to make any item of glass at a loss ever again, and that directly impacts upon workers - because if there was a loss, glass would be outsourced. And we are now an outsourcing company rather than a homogenous company, which we used to be pre-strike days (engineer).

This mix of costs and benefits fed into worker attitudes and behaviour, resulting in greater pragmatic cooperation than under adversarial IR, but with limits to consensus. In discussions/interviews we found trust was generally not high, and many workers cited unfairness in terms of the unequal distribution of rewards between management and themselves. While the union was weaker, most workers still wanted it to protect their interests. Little attempt had been made to redesign work, which placed limits on job satisfaction. Furthermore, although a more disciplined workforce pragmatically accepted the need to work harder and cooperate with market realities, this did not translate into active commitment to management. Many workers had spent thirty or more years with the company and saw it as ‘theirs’. Loyalty to the company and commitment to management are two different things. A cutter commented:

> I am very proud of working for Waterford Crystal. I have given my whole life to the bloody place. But it is hard to say, overall, how committed I am. There is a feeling now that you are just a number in here. I do the work to the best of my ability and then leave.

In sum, the balance of mutual gains favoured management, and the union also secured notable gains. However, while there were important gains for workers, these were offset by negative experiences of work relations. The main contextual conditions promoting a (partial) balance of mutuality were top management support; efforts by all parties to add value to achieve higher performance and management partially implementing workplace stakeholding by adopting new IR/HR practices (notably strategic management-union partnership, profit share, training, better communications). But there were limits to mutual gains because WP was truncated and offset by competing pressures. Despite some tinkering, traditional hierarchical structures largely remained intact and key partnership elements were missing (notably employment security and job participation). The lack of direct involvement, especially, meant participation was largely confined to representative partnership and information provision. Workers also perceived that financial rewards were too heavily skewed towards top management, raising the issue of fairness. In short, WP was not sufficiently institutionalised and vertically aligned. Also, management control policies, notably the threat of outsourcing/production relocation, generated workforce insecurity and constrained the balance of mutuality.

Ultimately, the WC partnership was not sustained, though it lasted ten years. WP was a victim of various external and internal pressures. Since 2003, there has been a move back towards unilateral management control and concession bargaining, influenced by a ‘new crisis’. Crucially, partnership’s demise was caused by acute deterioration in the company’s competitiveness and an unfavourable dollar-euro rate, culminating in job losses, cost-cutting, pay freezes, and outsourcing. Another factor influencing partnership’s demise was that the senior managers responsible for its operation had left by 2002, and some new managers seemed less inclined to maintain partnership when confronted by serious competitive difficulties. This raises the issue that, without succession planning, voluntary WP is vulnerable to collapse when key management (or union) supporters leave. A third factor was that WP was not sufficiently institutionalised to survive ‘pivotal events’ in relation to a new crisis and senior management turnover. In short, the conditions supporting partnership were too weak to counteract the pressures undermining it. It illustrates the difficulty of sustaining voluntary WP in the face of environmental turbulence and weak institutional supports.

Aughinish Alumina

Background and historical legacy

Aughinish Alumina Limited (AAL) is an alumina refinery producing 1.5 million tonnes of this single product annually. The alumina is extracted from the raw material bauxite (imported from Africa) using continuous process technology and subsequently exported. Production commenced in 1983. AAL is situated in the Shannon estuary in southwest Ireland. Significantly, the capital intensive single product plant means production relocation is unlikely. For many years, AAL was owned by Canadian multinational Alcan, and then Swiss MNC Glencore. Since 2007, AAL has been owned by Russian MNC, United Company RUSAL. AAL management enjoy relative autonomy from corporate HQ – so long as the plant remains profitable. AAL's main competitors are in Australia, South America, Canada, and Jamaica. Cost containment, quality, technological innovation, and people development are all deemed important for AAL’s competitiveness. AAL employs 435 people, compared to 800 in 1983. Some 70% of the workforce is unionised (the breakdown is roughly 300 unionised industrial workers and 130 non-union staff). There is a multi-union structure. Instrument/electrical technicians are represented by the Technical, Engineering Electrical Union (TEEU), fitters by the TEEU and *Unite*, and operators by the Services Industrial Professional and Technical Union (SIPTU).

Two distinct periods of employment regulation are evident at AAL: the 'adversarial' and 'pragmatic partnership' phases. The <u>adversarial period</u> lasted from the opening of the plant in 1983 until 1993. IR was very antagonistic, with extensive conflict and numerous grievances. A highly bureaucratic and dictatorial management style generated worker alienation and minimal compliance to management goals. Management and unions engaged in adversarial bargaining, and high overtime payments bought workforce compliance. Management had made little attempt to contain costs since production commenced in 1983, which eventually brought the plant to the brink of closure.

The situation came to a head in 1992, and AAL senior management developed a five-year 'Business Plan'. Significantly, a new Managing Director was appointed in 1992, who was far more decisive than previous MDs. The MD and his new management team felt they had no option but to unilaterally take coercive remedial action to save the plant. The first major initiative was a redundancy programme in October 1993, cutting the workforce from 580 to 435. The redundancies occurred in a crisis situation with little union resistance. While it was hard-line management, it ensured the plant's survival and provided the catalyst for partnership.

After administering the coercive shock of redundancy/cost-cutting, management rolled out other aspects of its 'Business Plan' in late 1993, a central component of which was co-operative relations with workers and unions ('pragmatic partnership', 1993 to date). The adoption of partnership at AAL is attributable to a complementary cluster of antecedent conditions. The coercive 'shock' of crisis and mass redundancy provided the initial catalyst, but the adoption of WP was then promoted by a combination of factors, notably: rolling out more progressive elements of the new business plan; improved competitive conditions; explicit top management support for WP; strong unions and capital intensive continuous process technology.

Crucially, while competitive crisis provided the initial shock, subsequent moves towards cooperation were promoted by local management devising a coherent 'Business Plan' which enabled AAL to win investment from its multinational owner. Additionally, competitive conditions gradually improved - otherwise it would have been difficult for partnership to take root. Having secured acceptance from its owner for the Business Plan, local management unilaterally and radically re-structured AAL in late 1993, and the organisation became much flatter. Major efficiency improvements were made to the production process, which helped to improve product continuity and quality, and lower costs. Another factor promoting WP was capital intensive continuous process technology, which was conducive to worker autonomy. To align IR with new business/production strategy, management began cultivating collaborative relations with the unions to secure workforce consent to change. Union marginalisation was not considered viable because the workforce was highly unionised. Management gradually rolled out a full bundle of complementary mutual gains practices: semi-autonomous teamwork, informal management-union partnership, annualised hours, gainsharing, two-way communications, single status, training, and an employment security clause. Accordingly, unlike WC, AAL had a full partnership bundle. This cluster of complementary conditions meant management and other stakeholders believed the benefits of attempting cooperation outweighed risks. Adversarial IR was no longer seen as viable. Alternative avenues to WP were therefore closed off.

Turning to the practical nature of WP, union-management partnership functions on a largely informal basis. There is no permanent formal partnership forum such as the 'task group' in WC. Instead, a series of ad hoc informal issue-based partnership teams examine significant business/employment issues. The partnership arrangements consist of joint consultation over operational and strategic-level issues, as well as elements of joint decision-making. WP operates in parallel with traditional collective bargaining.

The first step towards co-operative relations began in late 1993, when management adopted mutual gains bargaining principles and values, explicitly based on ideas by Fisher and Ury (1999). The first principle involves separating people from problems; the second involves focusing on interests rather than positions; the third involves developing options for mutual gain; the fourth is that results be based on some objective criteria, so agreement reflects some fair standard independent of naked power. Building on this, management then established informal issue-based representative partnership teams. The most significant management-union initiative is a Joint Steering Committee known as a 'Business Performance Improvement' (BPI) Team, which focuses on strategic challenges. The BPI Team has provided unions with input into strategic decision-making, particularly in formulating five-year business plans. A senior manager remarked:

> Every couple of years we do a five-year business strategy plan. Up until the BPI initiative started that would have been done by management. The challenge for us was how do we look at the future in terms of the next five years jointly? That is where the BPI came from. It is joint involvement in strategic planning. The challenge for the BPI now is how to get everyone involved. You don't want the managers and the unions now on it to become an elite group.

The objective of the BPI team is to find ways of increasing company margins through revenue creation and cost reduction. The BPI team has reviewed current business performance against best practice and created ideas to improve performance. It has also reviewed production targets, safety targets, technical issues, and means of improving margins through value-added people development. Membership of the BPI team comprises shop stewards, management, engineers and staff. BPI sub-groups also exist. A joint incentives group examined gainsharing, with a remit to devise incentives promoting a stakeholding culture, facilitate productivity increases, and allow workers to share gains. A second sub-group is a 'joint key performance indicators group', with a remit to devise acceptable performance indicators in the plant's five business units.

Management also enhanced direct worker participation by rolling-out an advanced form of semi-autonomous teamwork giving workers considerable autonomy over work decisions. A senior manager remarked:

> It won't be a formalised acknowledgement of autonomy. It is more informal. For instance, we have a team that takes out large transformers on their own. Its very complicated work with very low levels of facilitation… For the night shift and the weekends there is one staff person here and the plant functions. The plant is 5 kilometres long and 1 kilometre wide, and there are ships coming in. The industrial workforce handles it.

Direct supervision was removed and a small cohort of facilitators now plays an indirect role as trouble-shooters and coaches for teams as necessary. The scope of employee involvement in teams range from fairly minor issues, including scheduling holidays, to issues like controlling budgets, recruiting new team members and acting as first line of discipline, which would have traditionally been controlled by supervisors. Furthermore, although the nature of work tasks has changed little, teams now have significant control over their work, including scheduling, allocation and pace of work. Work schedules are drawn up during a weekly team meeting between planners, maintenance people and operators. The operator then communicates work schedules to other team members, and teams then decide how schedules are allocated and at what pace they work. A shop steward stated: "the difference now is we decide how we can best carry out the work, we decide the work process".

Another key mutual gains initiative was the introduction of an 'annual hours' scheme in 1996. Annual hours were strategically introduced to improve the efficiency and productivity of working time and, in particular, to end the highly costly overtime ‘culture’. Annual hours at AAL is based round the payment of a fixed basic salary that incorporates payment for extra hours (reserve hours) that may have to be worked in various circumstances. Overtime has gone.

Crucially, moves towards WP did not mean management abandoned control. Rather, management moved away from reliance on direct controls, such as close supervision, towards more indirect controls, notably performance targets and technical controls. A senior manager described the balance between management control and worker autonomy:

> I think we had a lot of control and supervision traditionally. In 1993, when it went to a teamwork organisation a lot of people misunderstood that to be no control. So we have had to come back. They might even see me today as coming back - he is far more into control. But I see it more as a balance. If you have all control it won't work. If you have no control it won't work. It is important to know what to intervene on and what not to intervene on and that is what separates a good manager from a bad one. Our basic premise is that we trust the employee. We don't have heavy supervision. But what goes with that is a certain responsibility.

In terms of the balance of mutuality, management have secured many gains from partnership, notably greater legitimacy, increased productivity, innovative behaviour, lower costs, much less conflict, reduced accidents, and less absenteeism. Productivity has increased substantially. In output per person terms, the workforce was reduced to 435, but a much greater volume of alumina is produced (from 1 million tonnes per year pre-1993 to 1.5 million tonnes in 2001). In a continuous process plant it is difficult to disentangle the impact of improved technical efficiency from less tangible people management changes, but partnership has undoubtedly contributed to productivity improvements. Workers are working harder, but also smarter. The personnel manager commented:

> It is in workers' interests for the plant flow to stay stable. We have done that through de-bottlenecking, technological advances, and through people working smarter and making a contribution in terms of their own intelligence and creativity: through making suggestions and being more proactive. We have broken production records in this plant virtually every year. You don't do that unless people are contributing. There is no doubt about it that peoples' contribution has moved us forward and kept us competitive.

Annual hours have generated positive productivity outcomes. It is now in workers’ interests to get the job done in less time to avoid working reserve hours. This has aligned worker interests and rewards with company goals, and resulted in greater production continuity, eradication of overtime, cost reductions, and a more stable annual labour budget. Semi-autonomous teamwork has also boosted productivity, because workers are more willing to release discretionary effort to solve problems. The removal of the old 'irritant' of direct supervision has contributed to this behavioural change. Teamwork has brought much greater process continuity. The IR climate is also much better. There has been no industrial action in recent years, and significantly fewer individual grievances. In the adversarial period there were up to 150 grievances per year, whereas now there are only 3 or 4. Accident and absenteeism levels are also down considerably.

Unions also gained from partnership. In particular, the BPI team provides unions with some input into strategic decision-making. A shop steward described gains:

> It has definitely improved. In the past it was just adversarial. Now we are looking at broader issues. We are participating in the strategic plan for the next 5 or 10 years. That's a huge change, the BPI long-term plan. Our brief was to look at profits through people, and it was a joint union-management team.

Some union representatives would like to see partnership extend further and be given institutional expression through permanent formal structures. Without stronger institutional support, unions are concerned that partnership could atrophy. However, management prefer to retain informal collaboration with unions. As at WC, partnership is a double-edged sword for unions. They have less power than during the adversarial days, and in some ways are less influential. Also, their new cooperative role means they are less visible to members. Despite this, when asked, workers clearly preferred management-union partnership over militancy, as in the case of WC.

Workers generally responded positively to partnership, a finding at odds with critics in the literature. They were very satisfied with teamwork, found their jobs more interesting, and said relations with managers had improved. The following comment illustrates the gains workers associate with teamwork:

> We have a team rep position that rotates once a month. We all do it. We have good freedom. Now if I need any clothing or equipment I don't have to go through the supervisor, I can just go and get it from stores. Likewise, with holidays we just have a board on the wall.

Worker experiences of new HR practices are also broadly positive. Management are perceived as more willing to share information, and workers are generally content with training, employment security, pay and annualised hours. Worker experiences of management controls were pragmatic. They responded positively to the relaxation of direct monitoring, and less arbitrary administration of discipline - factors provoking conflict in the past. However, they are aware of indirect performance controls: advanced technical controls, performance targets, and market pressures. Work effort has intensified, and some workers expressed concerns. But, overall, workers did not object to working ‘harder and smarter’, and many even welcomed it. This was largely because management is perceived to be more competent at organising production, together with workers’ desire to avoid working reserve hours. In short, workers believe their interests are best served by working smarter. But workers also experienced some negative elements and, therefore, there are some costs for workers, even where WP is well-developed – a fact downplayed by advocates. First, some workers felt direct supervision was creeping back. Second, tensions existed in some teams due to timekeeping abuses and certain people not ‘pulling their weight’ and a perception that management had neglected this. Also, some workers referred to insufficient promotion opportunities in a flat structure.

Overall, worker gains far outweighed any negativity, which fed through into attitudes and behaviour. WP had a positive impact on management-worker relations. The overriding view is that management is competent, generally treats workers fairly, and the organisation of production is more coherent. An operator commented:

> The management team is now more in tune with the workforce and are more prepared to listen to what they have to say. It is a better style of management than the confrontational approach. Before it was just them against us.

Through detailed interviews/conversations with workers, we sensed that trust has risen substantially, though not everywhere. Most workers also reported high job satisfaction, and many are motivated to make an extra contribution beyond that expected. However, a small minority of workers only offer minimal compliance, and still harbour reservations about management. Workers generally felt that union influence has decreased, but most felt they still need unions to prevent potential management exploitation. Thus, there is still some sense of 'them and us', and workers retain some distance from management.

In sum, the balance of gains at AAL was relatively equally divided between management, workers and unions. The main contextual conditions promoting an equal balance of mutuality were top management support, efforts by all parties to add value to achieve higher performance, combined with management striving for fairness, and management consciously implemented stakeholder governance by adopting new IR/HR practices (notably strategic management-union partnership, information & consultation, semi-autonomous teamwork, annualised hours, gainsharing, employment security, single status, training). The organisation was radically redesigned to facilitate this stakeholder model. Therefore, partnership at AAL was vertically aligned from top to bottom, although unions wanted stronger institutional protections for cooperative arrangements. Managerial control policies were not so pronounced as to undermine the balance of mutuality.

In terms of sustainability, the AAL partnership has now lasted fifteen years. The following external and internal conditions have underpinned the durability of partnership: relative insulation from market pressures; continuity in top management and union support; quite strong internal institutionalisation of WP; and capital intensive continuous process technology. First, AAL faces competitive challenges like most companies, but it enjoys relative insulation from market forces, and has not faced a crisis since before WP was adopted, which has enhanced sustainability of WP. Second, AAL has not faced a senior management (or union) succession crisis – most of the key supporters of partnership remain. Competent management choices have been crucial for sustaining partnership. Third, WP is quite strongly institutionalised and vertically aligned at AAL, though unions would like to see stronger protections for representative forums. Finally, continuous process technology enhanced the durability of WP. Put simply, management are unlikely to relocate such an expensive capital intensive continuous process plant. In sum, the conditions supporting WP at AAL were strong enough to sustain it.

Discussion and conclusions

The antecedents and practice of partnership

The first question we raised is what are the antecedents and practices associated with WP and has it displaced management control? In terms of its antecedents, partnership's emergence at WC and AAL was attributable to a 'complementary cluster' of conditions present in both firms. Crucially, while competitive crisis provided the initial 'shock effect', the subsequent emergence of WP was promoted by improving market conditions. Without this, it would have been very difficult for partnership to take root. Another key antecedent was that both firms implemented new business strategies emphasising quality (of product, workforce skill etc) not just cost, and both developed advanced technologies (continuous process technology at AAL was especially conducive to WP). Significantly, both companies had new senior management teams willing to risk cooperation with unions/workers. Strong unions were also a factor and unions ready to engage in a 'new' approach to IR. Given both plants were highly unionised, management pragmatically concluded that forcing change was not conducive to developing high-value added competitive strategy. Together, these conditions meant management and other stakeholders - including owners and shareholders - decided the potential of cooperation outweighed the risks. Continuation with adversarial IR probably spelled closure, so alternative avenues to WP were closed off.

Turning to the practices associated with WP, to complement new competitive strategies, both firms introduced representative partnership forums providing unions with inputs into operational decisions and, in some instances, business strategy. A crucial difference is that the partnership bundle was more complete at AAL. AAL had advanced teamwork, reinforced by annualised hours, gainsharing, single status, and employment security. In contrast, key mutual gains practices were absent at WC. Also, AAL implemented a flatter organisational structure, dispensing with most management layers, whereas WC remained hierarchical with traditional work organisation largely intact. Comparing the AAL partnership with the now defunct Aer Rianta 'Compact' (cf. Roche and Geary 2006), representative partnership was more advanced at Aer Rianta, but the opposite applied to direct worker participation and HRM, where the AAL bundle was more advanced. Meanwhile, WC had an innovative form of representative partnership, but weak direct participation. Neither of our cases matched the Saturn experiment (cf. Rubinstein and Kochan 2001), but this arguably sets the bar too high, given that cooperation at AAL and WC was about pragmatic choices in uncertain economic times. Nevertheless, our findings illustrate the importance of institutionalising integrated bundles of representative partnership, direct participation, HR practices, if WP is to take root and prosper (cf. Guest and Peccei, 2001; Kochan and Osterman, 1994).

Partnership at WC and AAL constituted a new means of managing contradictions in the employment relationship and negotiating workplace order. Management control was not displaced, but re-cast in new guises. Cooperation and control co-exist 'in contradiction' (cf. Edwards, 2003), a fact neglected by some WP advocates. Requirements to exert control were less pressing at AAL, as competitive pressures were not as acute as in WC. It was also significant that AAL had continuous process technology conducive to worker autonomy. In contrast, the WC production system was not continuous process and thus more susceptible to outsourcing - a prominent means of management control.

The balance of mutuality

The second question is does partnership deliver mutual gains for management, unions and workers, and what is the balance of mutuality? We would agree to a certain extent with advocates like Kochan and Osterman (1994) that WP can deliver gains for all stakeholders, but would insert the important caveat that the balance of mutuality varies according to context (see table 2). We found the balance of mutuality was more equal at AAL than WC (in relation to the share of gains accruing to workers).

Table 2 Balance of mutuality at Waterford Crystal and Aughinish Alumina

Unequal balance of mutuality (for workers) at Waterford Crystal

	Management	*Unions*	*Workers*
Gains	Stability, higher productivity, effort, creativity, lower costs, higher quality, innovation, lower conflict, reduced accidents, less absenteeism. Greater legitimacy.	Input into operational and some strategic business decision-making, notably product strategy. Much more information & consultation.	Much better training, profit sharing, better relations with line managers.
Losses	Takes a lot of vigilance, effort and resources to sustain partnership. WP eventually collapsed.	Less power, less visible. WP eventually collapsed.	Outsourcing, job insecurity, work intensification, industrial engineering, unfair reward distribution, little direct participation. WP collapsed.

Equal balance of mutuality at Aughinish Alumina

	Management	*Unions*	*Workers*
Gains	Stability, higher productivity,	Input into operational and	Considerable

	effort, creativity, lower costs, higher quality, innovation, lower conflict, reduced accidents, less absenteeism. Greater legitimacy.	some strategic business decision-making. Much more information & consultation.	autonomy from advanced teamwork. Annualised hours, gainsharing, job security, single status, fair rewards.
Losses	Takes a lot of vigilance, effort and resources to sustain partnership.	Less power, less visible. Unions want deeper 'institutionalisation' of representative forums	Few promotion opportunities, disciplinary issues in some teams.

Management at both firms benefited from increased productivity/innovation, reduced costs, less conflict, fewer accidents. They also benefited also from the legitimacy, confidence and stability that workplace compromise gave. As Hastings *et al.* (2007) note, the main reason why employers at national level in Ireland have supported social partnership is the stability and confidence it provides. But there was certain costs associated with WP for management at both WC and AAL. In particular, the sustainability of voluntarist partnerships requires ongoing resources, support and vigilance from management. Meanwhile, unions at both firms benefited from influence over business decisions, which did not involve incorporation as critics like Kelly (1998, 2004) suggest. But partnership was also a double-edged sword: unions lost some traditional bargaining power and were less visible. We found that the balance of mutuality favoured management at WC, and the union also secured notable gains. However, while there were clearly important gains for workers (notably extensive training, profit share, and better managerial relations), our findings indicate that gains were offset by negative experiences of work relations/ management controls. In comparison, the balance of mutuality at AAL was more equally distributed in relation to workers. The AAL partnership bundle was more complete and integrated, which affected outcomes (notably worker participation in semi-autonomous teams). AAL workers experienced more gains than those at WC, and were less exposed to market forces and managerial controls. Elements of conflict remained in both plants, which is to be expected given the structured antagonism at the heart of the contested terrain of IR (cf. Edwards 2003). In view of our findings, we are more optimistic than critics like Kelly of the feasibility of a balance of mutuality (in specific contexts), but, on the other hand, we believe advocates of WP often neglect contradictions inherent in market economies which can retard mutual gains.

Conditions supporting and sustaining mutual gains

Our third question is how do external and internal contextual conditions influence the balance of mutuality and the sustainability of WP? This links into our fourth question: if mutual gains partnership 'works', why do few employers introduce it? Relating our findings to existing literature, we conclude that the main conditions promoting an equal balance of mutuality are top management support, efforts by all parties enhance firm performance combined with management striving for fairness and internal institutionalisation of vertically-aligned stakeholder governance models supporting proactive worker/union contributions to company performance <u>and</u> accommodating worker interests (encompassing strategic management-union partnership, information & consultation, financial stakeholding, extensive employee participation, employment security, training). In this regard, our findings correspond with existing studies (cf. Kochan and Rubinstein 2000; Roche and Geary 2006) exploring conditions promoting a balance of mutuality. Such conditions were more prevalent at AAL than WC. In particular, there was more evidence that WP at AAL was vertically aligned from top to bottom. Partnership at WC was too restricted to representative level to promote a symmetrical balance of mutuality. Moreover, competitive pressures and managerial control policies were more acute at WC, which were in contradiction to a balance of mutuality.

In terms of sustainability, the AAL partnership has now lasted fifteen years, but the WC partnership broke down after ten. We conclude that the following external and internal conditions underpin the durability of partnership: relative insulation from market pressures; continuity in top management and union support; internal institutionalisation of WP and capital intensive continuous process technology. Taking these conditions in turn, AAL faces competitive challenges, but it enjoys relative insulation from market forces and has not faced a crisis since before WP was adopted, which has enhanced the sustainability of WP. In contrast, WC was more exposed to market turbulence and the demise of WP was ultimately caused by acute deterioration in competitive conditions. This deterioration in market conditions at WC coincided with the fact that the senior managers responsible for partnership had all left by 2002, and new managers were less inclined to sustain WP. AAL has not faced a senior management (or union) succession crisis and most key supporters of partnership remain. This leads to the conclusion that without succession planning, WP is vulnerable to collapse when top management (or union) 'champions' leave. In addition, WP is quite strongly institutionalised and vertically aligned at AAL, though unions would like to see stronger protections for representative forums. In comparison, as we have noted, partnership at WC was largely restricted to representative level. Finally, AAL's continuous process plant rendered relocation unlikely. In contrast, it is easier to relocate production from Waterford Glass. In sum, conditions supporting partnership at AAL were strong enough to sustain it. But, at WC, the forces undermining partnership became stronger than those sustaining it, leading to its breakdown.

More generally, our findings illustrate that it requires quite special conditions for management to insulate workplace productivity coalitions from market turbulence and balance the contradictions of IR. Alternatives to partnership are heightened in historically permissive voluntarist IR systems like Ireland and the UK and many employers may not see a need for partnership, given the availability of less time-and money- consuming alternatives. As Godard (2004) suggests, alternative unilateral management control or 'weak' employee involvement approaches requiring fewer resources are more likely in 'liberal market economies' where cost minimisation dominates. Our evidence supports the argument posited by Belanger and Edwards (2007:713) that conditions generating sustainable workplace compromise in liberal market economies such as the UK, US and Ireland are feasible but rare, and that stronger 'beneficial constraints' are necessary if partnership is to increase and endure - in the form of stronger external institutional supports insulating it from market pressures.

Some might argue that Ireland might contrast the UK and US experience, given its strongly institutionalised tripartite model of national social partnership since 1987, and the existence of a specific institution, the *National Centre for Partnership and Performance* (NCPP, established in 2001) to promote workplace partnership. In reality, this has not greatly increased the incidence of WP largely – we believe – because of permissive nature of the Irish IR system (there have been WP clauses in national agreements but they are 'broad brush' and voluntary, while the role of the NCPP is largely advisory and facilitative). If WP is to increase, a 're-institutionalization of pluralism' would be required, but in new forms, whereby the state would do more to construct 'positive shock effects' promoting proactive workplace engagement for mutual gains purposes. In short, there is a need for state institutions, laws and policies in this sphere. The Irish legislation transposing the EU Information & Consultation (I & C) Directive might have been one such vehicle for diffusing WP. However, the Government enacted a 'minimalist' interpretation of the Directive (I & C rights are not automatic: workers have to 'trigger' them, unless employers volunteer to introduce them, cf. Dobbins, 2007). Growth of mutual gains partnership would also require more proactive advocacy by employers and unions as a generality than presently exists.

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TABLE 1. INTERVIEW SCHEDULE

Waterford Crystal	**Aughinish Alumina Limited**
Training/communications manager.	HR Director
Manufacturing director	Plant manager
Employee relations manager	Technical/materials manager
Health and safety manager	HR manager
Finance director	Turnaround team facilitator
Communications officer	Shift plant facilitator
Auto cutting manager	Engineering co-ordinator
Quality assurance manager	Accounting co-ordinator
Tank furnace manager	Former HR Director
2 Plant managers	TEEU official
Training and safety manager	SIPTU official
Manufacturing manager	Chairman of Group of Unions (AEEU)
HR manager	TEEU shop steward
4 Front line managers	2 SIPTU shop stewards
Industrial engineering manager	
Former HR Director	
ATGWU official	
ATGWU chief shop steward (convenor)	
4 ATGWU Shop stewards	
Retired ATGWU official	
Sample of 28 workers from main production areas: blowing, cutting and engraving, polishing and packing	Sample of 22 workers from various areas of plant: local areas 1,2 and 5 plus central stores.