

HIGH ROAD TO WORK ORGANISATION

CASE STUDY

BLUE CIRCLE CEMENT



Involvement & Participation Association

March 2002

Abstract:

Blue Circle Cement undertook a radical restructuring of their working practices due to their own non-competitive nature. A move towards a path of 'Integrated Working', the company saw demarcation, multi-skilling of staff and harmonised hours through an agreement of collective bargaining and joint consultation. This resulted in improved labour relations, with feelings of employee involvement and ownership at the fore. Aims of world-class market performance and stable employment highlight the turn-around in fortune from that of twenty years ago.

HI-RES Case Study: BLUE CIRCLE CEMENT

Sector

Cement works

Key Words

Key Words: Collective bargaining; integrated working; co-operation; involvement; enhancement

Table of Contents

HI-RES Case Study: BLUE CIRCLE CEMENT

Sector

Key Words

1. Background Information	1
2. Drivers for Change	1
3. Characteristics and Process of Change	1
4. Obstacles to Change	4
5. Risk Analysis	4
6. Benefits of Change	6
Conclusions	7

1. Background Information

Blue Circle Cement (BCC) is the largest cement manufacturer in the UK. In March 1994 there were 2200 workers at 10 plants, compared with 9400 at 17 plants, in 1973. BCC has about 50 per cent of the domestic cement market, with its main competitors being Rugby and Castle Cement. Prior to the 1980s the working atmosphere across Blue Circle was characterised by 'high manning levels, relatively low wages, high overtime and restrictive working practices... morale was poor and conflict was common'.

2. Drivers for Change

Trade unions agreed with management that the uncompetitive nature of Blue Circle could not persist given the declining market for cement coupled with threats posed by cheaper overseas producers. Planned extensive capital restructuring at Cauldon and Dunbar in the early 1980s was made contingent by management on a radical change in working practices. The resulting programmes took two and a half years to research and implement as well as to train employees. The pilot Integrated Working project started in 1985 at Cauldon and Dunbar and implementation at all other plants was completed by 1990.

The cornerstone of Integrated Working was the Stable Income Plan, whose main features included no overtime, the replacement of hourly rates by annual hours, and flexible working. Before Integrated Working, the entrenched ethic of prolonging work ensured that workers got paid overtime to supplement the low base wage. The structure of working hours has been altered to elicit maximum employee contribution with the minimum of attendance time.

Other flexibility provisions of Integrated Working included cross-demarcation and multi-skilling. To fulfil the requirements of the multi-skilling bonus, each employee had to learn four additional skills and usually 10- 15% of his work time was spent on activities outside his core area of expertise. Integrated Working also simplified job grading, decreasing them from 12 to 4.

Another change was a move to single status in which conditions were harmonised between hourly employees and staff. This included the elimination of separate dining facilities, harmonisation of holiday entitlement and similarity in hours worked, 37.5 for staff and 39 for others. The 'last-in, first-out' method of selecting individuals for redundancy was eliminated with the creation of a new selection procedure for 'employees who were most able to adapt to the more flexible approach and who could benefit from training'.

3. Characteristics and Process of Change

Bargaining takes place at a national level with four recognised unions. AEEU representing craft workers, GMB and T&G representing both process workers and sales lorry drivers and British Cement Staffs Association, which represent staff. Rates of unionisation vary across each BCC plant: at Masons it is almost 100%, at Northfleet, about 50%, and at Cauldon, around 70%.

Before Integrated Working, bargaining also occurred at local plant level. This covered a large number of items including bonuses, pay, manning levels and adverse conditions payments. Now, bargaining covers a limited number of issues surrounding pay and terms of employment.

Joint consultation occurs in a variety of ways at both national and local level. Quarterly review meetings are undertaken between managers and unions to discuss various issues, although if there are additional issues stewards can schedule a meeting with management in between official periods.' Since January 1996, Business Unit Process Review Teams have brought together managers and shop stewards at each plant to discuss ways in which plant efficiency may be furthered. At a national level, the same structure involves national union stewards and managers in a Company Wide Action Team.

Integrated Working at BCC

This study sets out to explain Integrated Working from the perspectives of managers, trade union officials, and employees at Cauldon, Masons and Northfleet. To get a firm grasp on the nature of management-labour developments, the following issues were addressed:

- Commitment to the success of the business
- Employment security
- Direct involvement
- Representation of employee interests
- Training and development
- Role of trade unions

Blue Circle demonstrates a variety of workplace innovations designed to improve productivity and product quality in an effort to meet competitive challenges in high value-added product markets. BCC's approach encompasses new production systems based on the flexible deployment of labour, broad job categories, teamwork and worker self-regulation of quality control.

Understanding industrial relations innovations at Blue Circle

There are four conditions, which promote innovative working practices - the establishment of a new plant, major technological changes, the pressure of international competition, and new union-management partnerships.

From adversarial to co-operative relations

With the increased market pressures on BCC, change was inevitable. At Cauldon and Dunbar, the first two plants to introduce Integrated Working, the choice was between plant closure and the introduction of extensive capital investment along with fundamental changes in working practices. Trade unions had 'little option but to accept the radical plan for change' forwarded by management. This 'forced hand' approach meant that when Integrated Working was being considered at Cauldon, unions were suspicious. At Northfleet the reaction was particularly severe. A series of seven one-day strikes were held in 1990/91 to prevent its introduction.

This culture change results from several factors. As the result of the introduction of the Stable Income Plan, hostilities have been reduced between management and labour by separating collective bargaining, on a national level, from the daily interactions between the two groups. This has allowed for a better day-to-day working relationship.

The other key factor in improving relations has been the increased awareness among employees regarding the company's profitability. This has improved employee commitment to Blue Circle by fostering an understanding of the factors on which the success of the enterprise depends.

Previously there was a 'them versus us' mentality, which meant that information was strictly controlled. In fact, as one manager commented, 'before some department heads did not know how the company was doing. Now the vast majority of all our people are aware of what's going on'. Information sharing has greatly increased on the shop floor level, and formal meetings now occur either every six months or yearly. As a result, employees are now more interested in how each plant operates, and are concerned about cost saving measures.

Employee input

Employees have extensive input into various areas of the business at the discussion stage before decisions are made, through team meetings and discussions regarding certain projects. Team meetings occur on a seven-week cycle at Cauldon and discuss the state of affairs within operations. Informally, workers have a say in how things run

through daily contact with shift managers and team leaders. Furthermore, the Total Quality initiative, which discusses projects such as capital investment and ways to save time, such as, on spillages, has also created an official channel for ideas. It is composed of a steering group with 50% administrative staff and 50% hourly paid workers. Overall, relations between managers and employees are fairly open.

Union role

The trade union role has changed from primary involvement in wage negotiation, to a focus on the over-arching business issues at Blue Circle Cement. Unions recognise that partnership enhances the trade union role and is mutually beneficial for workers. Union officials feel they have a future at BCC and have relished getting more involved in the overall business process. It is recognised that, as regards full partnership, 'there is a way to go', although union responses indicated satisfaction with how far they had come and how their role within Blue Circle has developed.

Recognising management's requirement for flexibility and efficiency and the growing workforce demand for an increased sense of employment security, unions and management worked together throughout 1996 to produce a new agreement updating Integrated Working. The new agreement called 'The Way Ahead' sets out a framework for developing employment relationships to support the company in its progress towards business excellence.

The agreement is underpinned by three commitments, by staff, company and trade unions:

- Commitments of individuals to develop themselves, embrace change, improve standards and work together as a team. " At all times an employee will serve the Company with loyalty, integrity and good faith."
- Commitment of the Company to establish competitive ' business plans, to invest in capital projects and training programmes and to respect' individuals in a relationship of mutual trust and confidence.
- Commitment of the recognised Trade Unions to represent their members' best interests, to recognise and support the needs of the business, to assist in employment strategy and to support and encourage "best practice" where appropriate throughout the organisation.

A Company Wide Action Team of management and union officials worked on the agreement for over a year identifying the key issues for staff and company and then building an agreement to reflect these issues. Flexibility, job security, harmonisation and pay structuring were the priority areas identified by the team.

The Action Team looked at what management would want to see in the agreement and at what unions and staff wanted from an agreement. Areas of mutual interest and areas of potential conflict of interest could then be identified.

The agreement expects continuous development and improving processes and products from all employees. Flexibility is expected of all and team working is described as the guarantee of the long-term future of company and staff.

It also spells out the framework within which the company should operate, investing in training and development, communicating effectively by listening and learning and operating in an atmosphere of openness and honesty.

Blue Circle is offering stable employment as part of a total package, which includes a commitment by employees to embrace change. Throughout the period of the Integrated Working Programme, rationalisation, plant closures and job cuts have taken place.

Business Process Review Teams operate at local level to implement best practice standards at each plant. These teams formalise workforce involvement in the planning and delivery of initiatives giving local union officials a different role from that which they have carried out in the past.

A Best Practice group operates within the Company Wide Action Team to help the process at local level. Involving management and union representatives (drawn from plants other than the one directly involved), the Way Ahead Group provides guidance and monitoring to their colleagues at plants.

The Business Process Review has had a far-reaching effect and has been a fundamental catalyst in the increased union involvement at each of the plants.

4. Obstacles to Change

In recent times fears of job security have been paramount at BCC. There is no guarantee that the Masons plant will remain in operation. Along with two other plants it has been made responsible for finding its own markets by developing different products. Northfleet will definitely close and not all current employees will be accommodated at the new plant, which Blue Circle has planned to develop in Kent. In general, job insecurity creates an atmosphere of uncertainty, which pervades each of the Blue Circle sites.

Nonetheless, some managers feel that many workers do not appreciate the benefits of working for BCC, as they should. Workers who have been with BCC for a lengthy period of time may not know how favourable it is relative to other firms in terms of pay and benefits, working hours and level of interesting work.

Despite the positive results from Integrated Working, problems remain. Issues surrounding hours of work are a source of dissatisfaction, especially the allocation of flexi-time. The main concern from the shop floor is that some workers consistently work longer hours than others.

Management discretion to allocate flexi-time is another concern. Workers dislike working flexi-time hours for tasks such as cleaning. On the other hand, a serious problem brought up by some managers was that flexi-time made it extremely difficult to "get people out of hours on those occasions where urgent work had to be undertaken.

Problems were identified with some of the initial programmes. It was that the idea of developing common skills base workers with different specialities was so some training was broad in scope and to be of real use.

Training for all was a key principle followed by the company at the outset to ensure evenhandedness across all staff.

The greatest threat to the labour-management relationship has been the wide-scale job cuts that "I have occurred throughout Blue Circle for-example at Masons and at Caudon. This action set back progress and was seen as an act of betrayal by some employees. Levels of trust appear to have recovered to levels before this incident, although it contributed to an atmosphere of job uncertainty.

5. Risk Analysis

Human Resource Management (HRM)

The Integrated Working programme has led to a change in management-labour relations at Blue Circle Cement from a system of traditional adversarial and collective relations to a more co-operative problem-solving model. There is dual employee commitment to both organisation and union.

Strategic integration between the overall business strategy and employee programmes has been high. Changes in working practices have been highly co-ordinated with the daily production requirements ensuring that Integrated Working goals have not been disregarded in favour of more urgent production targets. It has penetrated every plant and affected the work of every individual involved. Quality is an aspect of Integrated Working that has gained prominence through the Total Quality initiative, which is meant to empower workers to undertake measures they deem necessary to improve the functioning of the plant and quality of the product.

Employee commitment to the organisation they work for is a central tenet of this approach. The initiatives at BCC have aimed at increasing employee commitment by

developing common goals, co-operation and trust between employer and employees. Three elements of this commitment have emerged in interviews at BCC: 'an identification with the goals and values of the organisation, a desire to belong to the organisation, and a willingness to display effort on behalf of the organisation'. The responses indicated that employees are more committed to the company now than before the labour-management initiatives that took place. This finding is in line with the consensus among unions' officials and managers that workers feel a high level of commitment towards BCC.

Employee involvement

Integrated Working encompasses the four key components of Employee Involvement: the provision of systematic information, consultation, the encouragement of financial involvement, and practices designed to promote a common economic and financial awareness among employees.

The creation and maintenance of constructive relations within a framework of collective bargaining between management and trade unions has been a priority. There is no indication of an adversarial relationship, 'where the emphasis is placed on collective bargaining as a means of institutionalising conflict', nor a purely unitary one, where the legitimacy of collective arrangements is called into question by management. BCC shows a more sophisticated modern consultative style, where management display high levels of commitment to employee involvement, operating largely with a problem-solving mentality, and providing trade union representatives with high-level access to senior managers.

Nonetheless, the dominant partner in the new relationship remains management. This power imbalance between management and unions was a common issue brought up by union officials when discussing the inception and immediate aftermath of Integrated Working at each of the four plants, but it was not seen as illegitimate by shop stewards. Thus, although Integrated Working is 'an enlightened form of HRM of the sort which attracts the enthusiasm of workers', management sets the agenda.

The ability of trade unions to facilitate innovative industrial relations systems is relevant. In the absence of management impetus for a partnership-type labour-management relationship, unions may not be in a position to effect substantial change to the traditional adversarial industrial relations system. At Blue Circle, management took the proactive role. Although unions are consulted and play an active role in shaping policies, changes in working practices have clearly resulted from management initiative.

Blue Circle has looked closely at the connection with bottom-line indicators such as profitability. It is unlikely that the increased productivity could have been achieved with the previous atmosphere of adversarial nature and distrust. There are indications that the co-operative stance of relations at plants has been beneficial to performance.

Through total involvement, delegating authority and training, sales lorry drivers have developed plans that have already achieved savings that add over £14,000 per driver per year to the bottom line. The initial plans developed by the process, craft, staff and management teams at each of the Business Units will bring savings of over £7,000 per employee per year. The Company plans to improve its profits by £12m per year and believes £18m is realistic.

6. Benefits of Change

Most employees at the three Blue Circle plants believe that Integrated Working grew from the need to respond to competitive pressures in a mutually beneficial way. Although at first employees had objections to the Integrated Working system, responses suggest that employees feel that the changes have been necessary for the survival of the business and have been beneficial to themselves as well as Blue Circle.

Moreover, the majority of shop floor workers appear to have commitment to, and feeling of ownership of, Blue Circle Cement. Employees across all the plants under study almost unanimously prefer Integrated Working to the previous state of affairs, echoing the

responses given by managers and union officials. This is evident in comments such as 'nobody would go back' or '99.9% of the lads like it better now'. Integrated Working has given employees a greater sense of involvement and ownership. In addition, employees feel that their work has become more interesting and varied now that flexibility has been introduced and they are no longer confined to 'one man, one job'.

Overall, the Stable Income Plan has increased the average pay per employee. At present issues surrounding remuneration rarely cause problems. The exception was among a minority of employees who were adversely affected financially (some in the range of £6000-8000) by the loss of overtime following Integrated Working.

Other factors contributing to high levels of employee commitment to Integrated Working include the extensive service of many workers. At Cauldon, for example, the average age of the workforce is in his or her mid-40s, and the average length of service is relatively long. This has no doubt led to good relations and a 'team spirit' on the shop floor and between workers and management. The workforce feel that Cauldon is the flagship of Blue Circle, and managers and union officials alike revealed that there is a strong desire to 'be the best in Europe'. The low rate of turnover at each of the three plants (less than one percent) testifies to employee satisfaction with Blue Circle.

Managers are nearly unanimous that Integrated Working has been beneficial for Blue Circle. Before Integrated Working an inordinate amount of time was spent on issues such as rectifying bonuses and overtime payment. Managers now feel they are able to focus on more important issues with the result that their ability to manage has strengthened. It has cut total costs by containing labour costs. Combined with workforce reductions and capital restructuring this has produced high productivity increases.

Blue Circle Cement has achieved a rare harmony between HRM policies and industrial relations structures including collective bargaining. It is still relatively rare to find well-documented cases of a robust trade unionism in the context of enthusiastic HRM policies.

National bargaining at Blue Circle Cement runs contrary to the trend of decentralisation and the shift from multi-employer to single-employer bargaining or single-establishment bargaining. At Blue Circle, top-level managers recognise that plant-level bargaining encouraged a narrow, parochial and short-sighted perspective among trade unions and even employees. National bargaining now focuses more on long-term and strategic issues. With terms and conditions of employment decided nationally for all plants, managers and unions at local level have sufficient time, as well as motivation and ownership, to concentrate on how to make the operations more efficient. Consequently employee commitment has increased as the desire to see the plant perform well strengthened and the co-operative atmosphere between unions and management enabled workers to feel a dual allegiance to the union as well as the organisation.

At BCC, direct communication has increased although joint consultation at the three plants has also increased. While direct communication tends to focus on daily working practices and issues of concern to running of the plant, joint consultation covers more strategic and long-term issues.

Although the importance of collective bargaining to the overall business has decreased at BCC, the role of unions has become more important through joint consultation.

Conclusions

Integrated Working has introduced widespread changes in the Blue Circle plants. It has cut costs through eliminating overtime, reductions in workforce numbers and fixing labour costs. In addition, it has resulted in an increase in employee commitment and input. Employees appear satisfied with Integrated Working, which translates into the levels of commitment evident at each plant. There has been a fundamental change in attitudes on the part of all the stakeholders involved at Blue Circle: managers, trade union officials and employees. Managers are more willing to share information and decision-making. The last two groups are more involved and willing to contribute to the overall success of the enterprise. To this end team working has been essential in

fostering solidarity and increasing the feeling on the part of each worker that his work is important and may help the overall success.

The atmosphere of co-operation has been extensively promoted by the institutional separation of infrequent national collective bargaining and frequent local joint consultation. The trade union role in daily affairs has contracted with the Stable Income Plan eliminating the need for time-consuming resolution of issues around rates, bonuses and overtime.

Today, bargaining focuses almost exclusively on issues surrounding pay and terms of employment. Issues formerly covered by bargaining are now addressed by either the formal joint consultative committee composed of managers and trade union representatives, or are discussed on a daily basis between these two stakeholders. This led to an initial feeling on the part of unions of being marginalised. However, the unions have become highly involved in long-term and strategic considerations. This increased involvement has been further enhanced by the formation of Business Unit Process Review Team.

The Way Ahead is an innovative agreement designed to help the company achieve world-class standards of performance yet give employees a greater sense of security about their future job prospects. The study demonstrated how close to the surface job fears have been for many of the people working at Blue Circle. It has also shown how potentially vulnerable co-operation or positive labour management relations can be to such fears amongst staff.

The new agreement aims to take the labour-management partnership begun with Integrated Working forward to a new stage. It aims to deliver world-class performance through a process of involvement in which the unions are fully integrated. Much is expected of the Way Ahead agreement both by the staff in the business and by interested onlookers as well. Blue Circle has shown that stable employment can deliver extra motivation and bottom line benefits, a significant breakthrough in one of the UK's major companies.

Publication Details

Published by: Involvement & Participation Association

Publication date: 2002

Journal:

URL: -

Revised: -

© 2002 (IPA). All rights reserved.