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St. Vincent Electricity Company (VINLEC): Enterprise turnaround through collective bargaining

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Case 6: St. Vincent Electricity Company (VINLEC): Enterprise turnaround through collective bargaining[1]

The St. Vincent Electricity Company (VINLEC) is a government-owned electricity monopoly. In the early 1980s it had low population coverage (50 per cent) and highly unreliable service characterized by capacity shortage and load shedding, poor power quality and low safety, and poor system efficiency with 28 per cent losses. VINLEC's poor financial situation with consistent operating losses, negative cash flow, and perpetual overdraft, made it difficult for the company to obtain credit or to finance investment. This situation, combined with inefficient management and a poor company image, caused understaffing at all levels, inadequate training, relatively low wages with few benefits, very low morale, and little organizational commitment. In general, VINLEC was not an attractive company to work for.

The labour relations situation was not much better. The union had only minority support and was thought by a lot of workers to collude with management. The workforce was deeply divided and unhappy.

Over time, the financial situation of VINLEC worsened. The company badly needed money to invest in new capacities, expand services, and improve operations in order to win customer confidence. The only way to attract the needed investment was to build up a good quality and highly motivated workforce.

As a starting point of this transformation, VINLEC decided to improve collective bargaining. The allegedly corrupt incumbent union was out, and recognition was given to the challenger, the National Workers Movement (NWM), which at that time started to enjoy majority support. Once this was done, management and union started to establish an objective basis for collaboration, and a Recognition Agreement was developed. This document proclaimed that:

> *The spirit and intention of this Agreement is to maintain and further good relations between the Employer and its Employees represented by the Union, and to provide procedures for the avoidance and settlement of disputes… This Agreement is also intended to promote economical and efficient operation of the works of the Employer, avoid industrial disturbances, achieve the highest level of Employee performance consistent with safety, good health and sustained effort and, to those ends, the Union and the Employer shall together negotiate… On its part, the Employer undertakes to provide good quality jobs in a safe and pleasant environment, and to promote the health, welfare and general satisfaction of all its Employees.*

The Recognition Agreement also contained a number of special provisions, such as the basis for recognition, employer's and union's inalienable rights and responsibilities, mechanisms for dealing with grievances and representations, and the conciliation/arbitration procedures. It specially confirmed the right of workers to union participation. The Agreement also includes the corporate mission statement which specifies the company's values. So by signing this Agreement management and the union committed to comply with corporate principles. This made the agreement much more

[1] Based on the joint presentation made at the Caribbean Enterprise Forum by Mr. Joel Huggins, CEO, VINLEC, and Mr. Noel Jackson, General Secretary, National Workers Union, St. Vincent and the Grenadines.

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than just an industrial relations document; it became a starting point for corporate restructuring, intended to promote efficiency and high performance levels.

The Recognition Agreement was signed in 1983. Within two years the NWM membership jumped from 60 to 80 per cent. Thereafter management and the union together were able to establish benefits that gave the workers new motivation and improved the situation. Workers became integrally involved in the decision-making process and worker confidence rose. In return, when the company was in the red in 1985, workers agreed to forgo a wage increase. The years 1985-2000 were named "The Period of Consolidation and Confidence Building".

By 2001 VINLEC had become an extremely successful company and it is now an attractive employer due to:

- its apprenticeship and educational assistance programmes;
- company-sponsored training, including tertiary and professional training;
- scholarships for children;
- medical/health insurance, covering all the family members;
- accident insurance;
- generous pension plan and special retirement considerations for older workers;
- survivor benefits;
- employee loans/advances programme;
- wage policy based on the premise: "Pay the best we can afford and sustain"
    - VINLEC workers are among the 5 per cent best paid in the country;
    - VINLEC has equitable pay scales, determined by job evaluation /grading;
    - VINLEC uses merit based pay, enshrined in the Recognition Agreement: it has a system of wage adjustments based on the results of individual annual performance evaluations;
- its HR department is known for its honesty, openness, prompt attention to issues and trust.

Union-management cooperation is widespread and effective. VINLEC has union-management committees on:

- health and safety;
- apprenticeship development;

- uniforms;
- pension plan trustees;
- special issues (consultative committee).

Worker grievances are dealt with by union representatives. All union delegates at labour negotiations/discussions (except the General Secretary) are company employees. Training/development for delegates is sponsored by the company. Supervisory staff at VINLEC emerge from the bargaining unit and from among the delegates. The economic results of this corporate turnaround are impressive:

- coverage has improved by 95 per cent;
- reliability is high;
- power quality has improved;
- system efficiency is high (only 10 per cent losses);
- the company's public image has improved;
- customer satisfaction is high;
- the Government appreciates VINLEC's performance;
- transmission/distribution has improved;
- VINLEC has been consistently profitable over the last 10 years;
- the company has a good cash flow, with a 50 per cent contribution to capital investment in the last 5 years;
- the private sector has expressed interest in buying the company's equity.

VINLEC attributes its success largely to the quality of its collective bargaining and labour relations. It lives in accordance with the mission statement enshrined in its Recognition Agreement:

> *To deliver an electricity service of the best quality and value to our customers; to satisfy the interests of shareholders and employees; to support sustainable development and contribute towards a high quality of life for our people.*