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Alcan Jamaica Limited: Collective bargaining combined with tripartism

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Case 5: Alcan Jamaica Ltd. — Collective bargaining combined with tripartism

Alcan Jamaica Ltd. is a division of Alcan Aluminum in Canada, which has operated in Jamaica since 1943. The company is a joint venture between the Government of Jamaica and Alcan. It competes in the international market and is therefore exposed to globalization. There are three important challenges for Alcan:

- the price of aluminum has been declining in real terms for over 20 years;
- labour productivity in Jamaica is low by international standards;
- aluminum production in Jamaica has been flat for a while.

As a result of these challenges Alcan Jamaica started to lose its competitive edge. In order to improve the situation, Government, unions and employers have decided to work together. As a first step, a Memorandum of Understanding (MOU) was signed after a 3-day retreat attended by the Prime Minister and the Minister of Labour, management and worker representatives. The MOU is a framework agreement for industrial relations which is designed to foster cooperation and inject new life into an ailing industry.

According to the MOU, all three parties commit to:

- cooperative efforts to achieve mutual benefits;
- establishing channels of communication and information sharing between management, workers and Government;
- developing and introducing productivity schemes.

In addition:

- unions commit to refrain from union rivalry and accept the introduction of productivity schemes;
- Government commits to grant tax incentives for productivity schemes;
- management commits to more openness and sharing information with its partners — Government and workers.

The MOU was developed in the face of resistance to change due to: managers' fears that their positions were threatened; workers' and union suspicions about the social consequences of the productivity schemes; and initial government reluctance to grant tax cuts. It took some time to open the lines of communication and develop mutual trust. But the MOU eventually delivered results, as one can see from the following evidence:

- recent labour negotiations were completed within the designated timeframe, without any third-party intervention;
- Alcan Jamaica achieved three years of record production;
- productivity has increased by over 25 per cent;
- the cost of production has been reduced;

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- the highest sector earnings were recorded;
- capital inflows have increased;
- due to the economic success of Alcan Jamaica, its workers' quality of life has improved, and more social problems of the local community are being addressed.

Moreover, the MOU has changed the culture of industrial relations from adversarial to cooperative. Alcan's success has helped to improve the economy more generally, and other sectors have adopted this valuable tripartite framework of industrial relations.

The next case shows how successful collective bargaining could be the starting point of a large-scale corporate restructuring process.