

Department of Labour
TE TARI MAHI



WORKPLACE PARTNERSHIP: CONSULTATION, PARTICIPATION AND CO-OPERATION BETWEEN WINSTONE PULP INTERNATIONAL, THE NDU AND THE EPMU

A Case Study Commissioned by the Partnership Resource Centre

By Bernard McIlhone
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The purpose of this occasional paper series is to provide case studies and other publications to promote best practice and share experience in partnership approaches.

The views expressed in this occasional paper do not necessarily represent the views of the Department of Labour.

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1. Introduction, Purpose and Background

Introduction

The Partnership Resource Centre (PRC) is a semi-autonomous unit of the Department of Labour. It has been established by Government to help employers and unions build new positive workplace relationships based on workplace partnerships. One way it is doing this is through the production of a series of case studies designed to describe in practical terms how employers and unions co-operate and work together to achieve outcomes based on mutual gain.

Partnership, in its broadest sense, is used to describe a range of relationships from formal arrangements such as those found within the Public Service through to arrangements within the private sector emphasising consultation, participation and co-operation.

These varied relationships all have in common a commitment by employers and unions to work together, to acknowledge and encourage the contribution that workers and unions can make to improved business performance and the quality of the workplace.

These relationships are dynamic. To be successful, the parties have to recognise that conflict will arise and they will need to consciously develop processes to manage this in order to keep the focus on their joint objectives.

Purpose

This case study documents the workplace experiences at Kariori Pulp Mill between the employer, Winstone Pulp International (WPI), and the unions, the National Distribution Union (NDU) and the Engineering, Printing and Manufacturing Union (EPMU). Over a number of years, these parties have developed close and productive working relationships that are unique in the pulp industry. This relationship can provide some interesting lessons for the broader wood sector and manufacturing industries.

The case study tells the story of the parties' relationship by describing their experiences and their aspirations for the future. It outlines their motivations, the benefits they have achieved together, and the key challenges and issues that they continue to share.

At the outset, it is important to note that the parties have not expressed their relationship as one of partnership in a *formal* sense; rather, it has evolved into a relationship of mutual gain that lacks the specific definitions more common to the public sector.

A simple definition, such as the following used by the PRC, may be a more appropriate description of how the parties in this case study would characterise their relationship:

"Workplace partnership is about an active relationship between unions and employers to deliver outcomes that benefit the mutual interests of both parties."

About the parties and the industry

The pulp industry

There are four main pulp and paper companies with plants in New Zealand, all located in the North Island:

- The Tasman Pulp & Paper Company Limited in Kawerau, owned by Norske Skog, produces market pulp and newsprint.
- Carter Holt Harvey Limited has plants at: Penrose, corrugated medium paper and paperboard from recycled waste paper is produced; at Kinleith, market pulp and paper, and paperboard; at Whakatane, paperboard from mechanical pulp and semi-chemical and waste paper-based pulps; at Kawerau, tissue and other papers.
- Pan Pacific Forest Industries New Zealand Limited operates an integrated sawmill and thermo-mechanical pulp mill at Whirinaki, near Napier.
- Winstone Pulp International has a chemical thermo-mechanical pulp plant near Ohakune.

It is an industry that has historically been unionised, and its employees have enjoyed high levels of pay and very good employment conditions. It has also been the scene for some highly publicised industrial disputes, including work stoppages at Kinleith in 2005.

"Pulp & Paper production workers enjoy some of the highest paid wages for production workers in New Zealand."

Jim Jones – Wood Sector Division Secretary NDU

Winstone Pulp International

WPI is based near Ohakune in the central North Island. It has been in operation for nearly 26 years in forestry, milling and manufacturing pulp and saw logs for both the local and overseas markets. It is one of the largest employers in the region and has fostered strong links with the community, from which it draws many of its staff.

The National Distribution Union

The NDU is one of the biggest private sector unions in New Zealand with over 20,000 members working in various industries and occupations. The union is structured into four sectors: Retail and Entertainment, Transport Energy Stores, Textile Clothing Baking, and the Wood Sector.

The union has around 2,300 members in the wood sector in the following areas; forestry, silviculture, harvesting, transport, solid wood, sawmills, pulp and paper, re-manufacturing, pre-nail frame, truss plants, box and pallets, pre-home fabrication and laminated beams, panels, hardboard, Gib board, veneer, door plants, melamine, MDF, soft board and tri-board.

The Engineering, Printing and Manufacturing Union

The EPMU is New Zealand's largest private sector trade union. It grew out of a series of amalgamations between smaller, traditional craft-based unions, among them some of the oldest unions in the country.

It has over 50,000 members in 10 industries, including the forest products industry, where it covers a range of operations from small sawmills to large panel, pulp and paper and solid wood processing plants. It also includes drivers and contractors working in harvesting and silviculture.

Unions working together

The unions have WPI staff as union members in the following proportions:

- NDU: 54 members in production and stores
- EPMU: 59 members in trades and stores.

Their members' terms and conditions of employment are covered by one collective agreement with variations covering unique occupational groups and/or production areas. Central to the relationship between both unions is their own, newly created partnership. These unions have developed a joint five-year strategy with the objective of increasing the influence and size of the unions within all sectors of the forest products industry by achieving the following:

The unions' goal is that by 2010 the forest products industry will be recognised for its mature, highly skilled, unionised workforce.

The unions can work directly and indirectly to influence and achieve this.

Direct influence

- Building strong and organised unions
- Developing world class health and safety standards
- Creating training and education opportunities
- Advancing environmental standards
- Achieving bargaining linkages
- Promoting international union contact.

Indirect influence

- Encouraging greater capital investment
- Promoting new technology
- Advocating for improved infrastructure
- Supporting secure energy supply
- Seeking more research and development.

Source: Industry Pamphlet – UNIONS adding value to WOOD

As part of this industry strategy, the unions have developed protocols around bargaining and growth which reflect a commitment to the principles of co-operation rather than competition. At the Kariori Mill, this is evidenced by an agreement to acknowledge each union's areas of membership coverage and not to recruit beyond these parameters.

Method

This case study's primary focus was on letting individuals tell their own story in a relaxed manner. A cross-section of WPI's employees and NDU and EPMU members were interviewed. Interviews were undertaken with essentially one very broad open question.

"Describe the relationship between the employer and unions at WPI."

What emerged was a consistent picture of the parties' relationship over a long period of time and a consensus over their future challenges.

Prior to the conclusion of the case study, the parties had an opportunity to provide comments and feedback.

2. What Motivates the Parties to Work Together?

A shared vision

The following preamble has appeared in collective agreements and contracts for a number of years and reflects the parties' shared vision for the development of their relationship in the context of Winstone Pulp International's continued growth and success.

Winstone Pulp International is committed to being an internationally competitive producer of pulp and paper products while providing job security, job satisfaction, overall improvements in the standard of working life, adequate wages and conditions to its employees, and a secure future for the communities that service the mill site. The employee parties recognise these objectives as being mutually beneficial.

All parties are fully committed to achieving these objectives and acknowledge that consultation/participation and co-operation along with a workforce that is treated equally and fairly, is highly skilled, motivated and flexible, will ensure ongoing job security for employees and continuing investor confidence in the company.

This Collective Agreement is designed to provide the framework for the steady improvement of quality and production levels through continuous improvement and the efficient utilisation of labour while enabling employees to achieve greater job satisfaction, skill enhancement and career opportunities.

The parties recognise that in pursuit of, and subject to the above objectives, the employer shall have the right to manage the enterprise and undertake all activities incidental to the efficient and business like operation of the mill. In expressing this right, the parties also commit themselves to consultation and dialogue to ensure that decisions taken are understood and the opportunity for employee input in such decisions is maintained.

The parties agree that maintaining continuity of work, production and income is desirable and thus, while this agreement is in force, the only interruptions that will occur will be for agreed purposes or for legal action taken by either party in accordance with the provisions of the prevailing industrial relations legislation.

Source: Preamble to the Kariori Mill Collective Agreement 2005

WPI's motivations

In 1978, WPI was brought into existence as a new pulp mill. At this time, under the existing Industrial Relations environment of compulsory unionism, a relationship with unions was inevitable. The only question was what type of relationship: good, bad or indifferent?

In talking to some of the staff who have been with WPI since its inception, and who were initially workers and are now managers, it is clear that the company sought from the very beginning to have a positive, constructive relationship with its workforce. This has

remained a constant factor up to the present time and perhaps is most pragmatically reflected in these recent comments:

"We need to have well-organised unions. It is a way to engage the people on the shop floor in an organised way."

Paul Saunders – Pulp Mill Manager

During 1999 and 2000, a number of important challenges confronted the company and its workforce. These challenges included problems with shift rosters that only provided for two days off before the resumption of an employee's work week. This inflexible work pattern led to both poor performance and high sick leave usage. There was no ability to train staff on the rapid change roster in place at that time; they could only train on overtime, which was not acceptable.

Tackling these issues became the focus of some groundbreaking work between the parties which has been cemented into the staff's terms and conditions of employment.

WPI's relationship with the unions in achieving these changes is acknowledged by the company.

"Sixty percent of these initiatives came from Jim Jones. (Wood Sector Division Secretary NDU) I have a huge amount of respect for him."

"The NDU delegates ran with it. We resourced it by taking one delegate off shift work for six months to undertake the work."

Paul Saunders – Pulp Mill Manager

In retrospect, the company now acknowledges that it lacked an integrated vision about these changes and didn't fully capitalise on them. For the company, the case study provides an opportunity to benchmark how far along it has travelled before moving forward.

The company has now embarked upon a further period of change and sees its ongoing relationship with the unions as supporting its strategic plans.

In a nutshell, what is the company's agenda going forward?

Three strategic projects are the focus for the company

- Improving people management (driving down accountability to the shop floor).
- Improving plant availability.
- Improving the quality of process.

The company wants everybody to work in the same direction to change the workforce culture, establish creativity in the workforce, establish key values, get clear accountabilities that are measured, to create a process of continual improvement. All of which requires a commitment from the union to work smarter and to tap into their knowledge. The pay-off is a better work/life balance and if the site does better there will be benefits to share.

Paul Saunders – Pulp Mill Manager

The unions' motivations

The unions' motivations at the industry level, as described above in their five-year strategy, is to help develop a forest products industry that will be recognised for its mature, highly skilled, unionised workforce. Even before the emerging challenges of 1999, their approach was wider than simply gaining higher wages for workers at WPI. From the union point of view, they were, and are still, committed amongst other things to:

- a fair, objective pay system
- increased wages and opportunities
- a collective rather than an individual model
- access to training and career paths for the workforce
- the opportunity to devolve decision-making to the workforce (through teams)
- an entry point for union/worker involvement in the company and industry development.

The launch point in 1999 for the period of intensive work with WPI was the unions' motivation to significantly improve the working lives of their members through improved rosters.

"We went to the workforce and asked them what they wanted out of their lives. The focus was not wage delivery; it was the quality of our members' lives. The types of shift rosters in operation were detrimental to workers' health. They had to change."

Jim Jones – Wood Sector Division Secretary NDU

At WPI, this initial focus was part of a continuing union agenda to challenge traditional forms of work organisation and ultimately change the nature of the work experience itself through the creation of opportunities for workers to gain training, paths for advancement, new forms of recognition and involvement in decision-making. The unions' aims were, and remain, to increase participation by workers in the planning and development of their work and provide those closest to the actual work with the skills, knowledge, and responsibility for making decisions.

Implementing the preamble

Over the last six years, the parties have made significant mutually beneficial progress towards their shared and individual goals. However, there is plenty of work still unfinished and the requirement for the business to become more productive continues to drive leadership from both the employer and union parties to work together on achieving their goals as outlined in the preamble to the Collective Agreement.

3. The Collective Agreement

The current state of the relationship and the commitments that the parties have made to each other are described and updated in successive employment agreements.

The workforce is split into two major areas: production workers who are members of the NDU and maintenance workers who are members of the EPMU. While they share a considerable number of core employment conditions, they also have distinctive shift rosters and requirements for overtime.

The agreement provides important structures that facilitate the relationship and also detail the unique conditions of employment that describe the design and operation of work, and frame the parties' relationship. The following is a summary of some of its key elements.

Site Consultative/Participative Committee

Arguably, one of the most important provisions in this agreement is the vehicle which encourages the parties to have ongoing dialogue on a broad range of issues, with formal rules of engagement that facilitate detailed agreements and commitments to emerge. This vehicle is the Site Consultative/Participative Committee which has existed in one form or another since at least 1992.

A Site Consultative/Participative Committee shall be established to consider matters relevant to the site and will meet as required.

An agenda is to be produced prior to each meeting and may include but will not be limited to:

- Changes in technology
- The introduction of new or revised manufacturing methods that will enhance productivity
- Planning of factory organisation including plant layout
- The training of employees which includes but is not limited to the style, extent and delivery of a training programme
- Overall employment levels within the factory
- Organisation and allocation of work within the enterprise
- Career paths and classification structures
- Corporate plan
- Sick leave.

One important area of plant operation is specifically excluded from the domain of consultative committee, i.e.:

Matters which, by definition, are the responsibility of the Occupational Health and Safety Committee will be referred to that committee. However, there may be issues that do affect both committees.

Participants

The participants shall be:

- Mill Manager
- Departmental Managers or Deputies
- Up to two other Superintendents
- Up to two site representatives from each employee party
- Any official of any employee party to this agreement may attend.

Confidentiality

The disclosure of some information may be on a confidential basis. Where such confidential information is made available to participants, that confidentiality shall be strictly observed except under such terms as may be prescribed by the employer. Unauthorised disclosure could prejudice this information being made available in the future.

Source: Kariori Mill Collective Employment Agreement 2005

The Consultative Committee meets every month and provides a regular opportunity for the parties to discuss proposed changes before they need to be addressed in collective agreements.

"The Consultative Committee is really good; you can get all the information and take it out to the workforce. If the guys are informed they work as a team."

EPMU member

Significant changes to conditions of employment have been discussed and developed at these committee meetings. One of the mechanisms that has assisted these changes, which is discussed below, is that the employees have a sense of security regarding their employment status. This provides a guarantee that, during the term of agreement, there will be no reduction in the number of employees engaged under the terms of the collective agreement.

Other key structures, systems, and agreements within the Collective Agreement relate to sick leave entitlement and usage, the recruitment and promotion of staff, the design and operation of shift rosters, remuneration systems (including salarisation and skill-based pay), the functioning of self-managed teams and the development of key performance indicators, and finally, but not least, arrangements for training. All of these provisions help support meaningful and constructive engagement between the parties.

Sick leave

The parties have had a longstanding agreement for an entitlement to paid sick leave, based on the concept of managing its use around what is reasonable. Over time, the four pages of guidelines that existed in the policy and procedure manual in 1992 have been reduced to a simple explanation that a joint union/management committee will be responsible for approving or declining payments for sick leave use. The following entitlement applies:

Any employee who is prevented from working by reasons of sickness or accident shall be eligible for a reasonable amount of paid sick leave.

In determining a 'reasonable' amount of sick leave, consideration should be given to the following:

- absenteeism history/length of service
- attitude towards improving personal health, e.g. lifestyle changes
- recurring illnesses which are not managed correctly
- doctor's certificates.

Source: Kariori Mill Collective Employment Agreement 2005

"The conditions for having unlimited sick leave is that it wouldn't cost the company an arm and a leg. Because people don't abuse it, they can see that there are added benefits there for them when it is needed. Some guys have been on paid leave of up to 12 months.

Opportunities for the abuse of sick leave have reduced because of the lower number of shifts now that people only work 140 days a year on the roster. If you are sick your mate has to turn up to work on overtime that your mate has already been paid for. So if you swing the lead, your mates give you a hard time because they are disadvantaged.

The company looked at it from the perspective that they are not going to necessarily save money. However, there is less management time required to administer it and a much better culture has developed."

NDU delegate

The operation of the sick leave clause has to be considered in the context of the overall workplace culture that now exists and the operation of the rosters. This has meant that, despite there being a requirement of a joint union/management committee to manage the sick leave, in reality, the committee has long since ceased to meet.

Recruitment and promotion

The commitment of the parties to working together is aptly demonstrated in the process by which new staff are recruited to WPI and existing staff are promoted. As far back as 1992, the then Mill Manager agreed to what, at that stage, must have been a radical approach to recruitment and promotion, particularly against the backdrop of the introduction of the Employment Contracts Act.

The parties involved in the terms of settlement for the new collective contract at Winstone Pulp International agreed on the principle of a promotion by application system. This is a radical approach to promotion. The company is willing to extend this concept to involve the employment of new staff. Basically the procedure would be:

1. A position is identified as requiring filling.
2. The position is advertised internally or internally and externally.
3. Applicants apply in writing.
4. A panel of four people (two from management and two employees from the area concerned) will select and interview from applicants.
5. The panel will carry out interviews and tests as required.
6. The panel comes to a decision.
7. The decision will go to the departmental manager for approval. The departmental manager will not have the right of veto. He may refer decision back to the panel if he feels some procedural requirement has not been followed.
8. Appointments will be on a three-monthly trial basis. It will be the panel's responsibility to monitor performance during the trial and respond to the evaluation result.

The make-up of the panel is important. The important principle is that the people on the panel would be suited to decide what type of applicant would be required to fill that specific position. In the trades groups, the make-up of the panel may not change for the different appointments, whereas the make-up of the panel would be different to the appointment of a Laboratory Tester, a Leading Hand in the pulp mill, a Bark Burner Operator or a Terex Operator in the wood yard. Therefore, it is desirable that the people on the selection panel are those who are directly involved with the result of the appointment. For example, for any appointment on 'A' shift, the employee make-up on the selection panel will be employees from 'A' shift.

Some selection criteria will be necessary for all appointments. The criteria will be established by the selection panel.

Alex Christensen – Mill Operations Manager, 18 March 1992

Over the years, the framework has evolved but the essential principle of employee involvement has been maintained. Committee members are properly trained in their role and, in the case of the NDU, its two representatives have been involved for the last 10 years.

Shift rosters

There are a number of shift rosters in place for different occupational groups/work areas. The current rosters are designed to be self-contained, inclusive of annual leave, training days, and most overtime. A primary motivation was rosters that had the dual benefits of supporting the development of a healthier, more productive workforce.

The Pulp Mill shift roster – Salaried shift employees

The plant has a high level of automation. To this end, shift design in production areas is geared towards supporting a key driver of keeping the plant running. Restrictive work classifications have been largely removed.

The site operates five shift crews and 12-hour shifts. In addition to providing for production days, annual leave, and statutory leave days, the roster has 15 (8-hour) training days per year, scheduled on rostered days off. The roster works in tandem with salarisation which includes 100 hours' overtime paid for and available to be worked in addition to rostered hours.

Employees are free, by mutual agreement, to swap production shifts in order to take specific days off.

Pulp Mill Roster

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | |
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The above roster provides for 12-hour shifts commencing and ceasing at 6.00am and 6.00pm. The sequence is two days on, 24 hours off followed by two nights (this is described as four on). This is followed by four days off. Therefore, the sequence is: four on-four off-four on-four off-four on-ten off.

Source: Kariori Mill Collective Employment Agreement 2005

Gary Godfrey, NDU delegate, believes that only the union could have designed and implemented the current shift roster and that, specifically, the impetus for change came from the leadership of Jim Jones, Wood Sector Division Secretary of the NDU and in turn from Alex Christensen, the Kariori Mill Operations Manager in 1999.

"Alex said to the union that you can come up with the shift roster that you like; provided it increases productivity and keeps people happy we will agree to it. The company provided leadership by resourcing the changes allowing the union to do the work. The change had to be delivered by their own mates/the union."

NDU delegate

When the new shifter roster was implemented, it required an increase in the number of shifts from four to five but with no increase in staff. An outcome of this arrangement is that the workforce has the responsibility to maintain coverage when a crew member is absent.

"You need to organise your own swaps to get longer breaks. The shift roster only works because the employees themselves have a free hand in organising these shift swaps. During one year there were 900 shift swaps and only one hiccup. The guys themselves want to make it work."

NDU delegate

The NDU are effusive in their praise of this roster and promote it on their website as a model for the wood sector on what can be achieved when working together with employers for mutual gain.

"While cover requirements become minimal, this is operated on a co-operative basis. The site has a skill-based pay remuneration structure. This is a relatively new initiative in workplace design and the success of this roster system has meant that productivity is up and workers are taking responsibility for their own cover. The roster provides workers with an extra 40 hours off work per year and creates larger blocks of leisure time and more weekends off."

"This workplace design means everyone benefits, the company gets a skilled workforce, and the skills remuneration system rewards workers for their achievements, enables them to gain qualifications and personal satisfaction. It's an opportunity for workers to move forward."

Jim Jones – Wood Sector Division Secretary NDU

Maintenance day employees – working hours pattern

Ten maintenance employees work on shifts, two per shift, in support of the production employees' shift roster. Approximately another 30 maintenance employees are day workers, working on a fixed four-day working week from Monday to Thursday.

Hours of work

The normal hours of work for day employees shall be 9.5 hours per day, four days per week, Monday to Thursday, worked between 7 am and 4.30 pm with two 30-minute paid breaks.

Employees will be paid for 10 hours per day. The additional half hour will accumulate and this time should be used for training. Refer to clause 13 for the approach to training time.

Overtime

Time worked on any day outside or in excess of the normal hours of work specified in clause 10.1 and/or in accordance with a roster shall be deemed to be overtime, payment for which is included in the employee's salary.

Source: Kariori Mill Collective Employment Agreement 2005

These hours of work attract an annualised salary. The rationale behind this pattern of hours of work was to allow for an improved work/life balance and to provide time for dedicated training. Most importantly, it was to reduce the actual number of overtime hours worked by removing the incentive to work overtime through incorporating overtime pay into salaries.

Maintenance staff are very supportive of these changes, particularly as it has given them improved quality time away from work.

"The four-day working week and salarisation was a huge change. Originally only 50% supported it; now no one would want to change it."

EPMU delegate

"The new shift system is a win-win; there are more days off but more days available for training."

EPMU member

Managers acknowledge that some of the benefits of the new rosters were a noticeable improvement in their staff's attitude and that they were not as tired as they were previously.

Salarisation and skill-based pay

The principles of the salary scheme include the concept that employment is for the job and, therefore, compensation is not for the hours of attendance.

Common to both salaried shift workers and maintenance day employees is that their salarisation includes a level of pre-paid overtime.

Both rosters have in place systems to manage overtime allocation. Broadly speaking, it remains the responsibility of the workers themselves to organise this within the

guidelines that additional hours or overtime shall be managed so as to ensure as equitable sharing as possible across work groups/teams and departments.

The Salaried Shift Employees Pulp Mill Shift Roster has the following arrangements:

Overtime coverage procedures

Any member of a team who has not worked between 40% and 70% of the average overtime requirement within their work area will be technically evading their overtime obligation. The actual percentage between 40 and 70% will be determined by the delegates group in consultation with employees.

The purpose of this provision is to ensure that the mill operations are effectively manned at all times and that any overtime requirement is shared equitably amongst the defined area groups.

Any member of a team who has not worked the defined overtime percentage requirement within their work area will be technically evading their overtime obligation.

These people will be deemed on call and will carry a pager.

If an on-call person does not meet criteria such as:

- does not respond to pager call
- does not do the overtime cover
- does not make every effort to facilitate the cover

this will be grounds for disciplinary action as per the disciplinary process.

Source: Kariori Mill Collective Employment Agreement 2005

"The old system encouraged overtime. People worked so much overtime they took sickies or days off to recover knowing that they would be ahead of the game."

NDU delegate

The Salaried Maintenance Day Employees have the following arrangements.

Overtime coverage

The company and employees undertake to ensure that overtime and call-out requirements are kept to a minimum consistent with meeting business needs.

Employees covered by this variation agree to work such reasonable overtime to cover call-outs, breakdowns, opportune and essential work as required and, through team arrangements, always ensure required cover is provided. Any unreasonable refusal to work overtime shall be dealt within the first instance by a team review.

Allocation of overtime

Overtime shall be allocated as equitably as is practicable amongst the maintenance team in each work area, subject to skills and competency for the required tasks. The opportunity will be given for the employees to allocate overtime and call-out requirements through arrangements made between themselves subject to the work coverage and call-out needs of the work being met. Teams will work to ensure that

overtime is managed so that there is an equal distribution over all workers from the mechanical/electrical/stores maintenance groups.

Source: Kariori Mill Collective Employment Agreement 2005

"I am happy to have people focus on eliminating the overtime."

Paul Saunders – Pulp Mill Manager

The overall impact of incorporating overtime into salaries has been a substantial reduction of the number of hours of overtime worked on-site.

Skill-based pay for Pulp Mill salaried shift employees

In 2003, there was a transition to skill-based pay for production. This included a removal of allowances, service pay and bonus payments.

The skill-based pay qualifications for production workers are comprised of the New Zealand Qualifications Authority (NZQA) credits and WPI Credits. The NZQA credit is a nationally recognised Pulp and Paper Qualification. The WPI credit is a site-specific qualification.

The remuneration value for each skill level is determined by a mixture of: skills and qualifications, non-skill related payments reflecting the different types of roster worked on-site, overtime component and the type of transport allowance paid.

Skill-based pay for maintenance employees is still under development.

Self-managed teams and key performance indicators

Maintenance day employees have undertaken to work in groups with the aim of being self-managed. The principles behind these arrangements are to create improvements in efficiency and performance:

To work together to effect change to the way in which the company operates, to improve overall efficiency and performance, and to achieve the international competitiveness necessary to guarantee the company's long-term viability and profitability.

The intent is to develop an agreed basis for change and improvement that is consistent with the needs and aspirations of the company and employees.

The target is to make measurable progress towards achieving the Target Mill Uptime¹ of 95% (calculated as a rolling annualised figure) and other Key Performance Indicators.

Source: Kariori Mill Collective Employment Agreement 2005

This includes being responsible collectively and individually to provide cover for breakdown work outside the hours of 8am to 4pm, Monday to Friday inclusive, and both Saturday and Sunday on an on-call roster. In addition, the parties have agreed to develop mutually agreed Key Performance Indicators and targets with every effort made to achieve the targets by both management and employees sharing a common goal.

Key Performance Indicators

- To achieve 95% uptime on a 12-month rolling average
- To have zero "Come Backs" on work carried out

¹ Active/operating time

- To hold overtime to between 5% and 6% of standard time
- To complete and sign-off performance maintenances within due dates
- To utilise training days effectively
- To work constructively towards self-managed teams.

Source: Agreement between WPI and EPMU dated 16 March 2001

The self-managed teams are charged with the responsibility of meeting these key performance indicators. This is intended to be achieved through a process of consultation with the team leaders and team members who meet on a regular weekly basis to plan their work, discuss any problems and mutually agree on when the work is carried out, whether in normal working hours or overtime hours.

The company has undertaken to support the teams to be self-managed through training, up-skilling and guidance.

Training

WPI and the unions have shown an absolute commitment to the importance of training. The company recognised a number of years ago that up-skilling their staff was critical to their future. In 1996, the company decided that they needed their production staff to have new qualifications. They had to design qualifications for pulp and paper workers that were both site-specific and NZQA linked.

Ten years on, the evidence of this commitment is the investment in a training wing, training staff and up to 15 days' dedicated training time for each employee. The driver behind training can be summed up in this statement:

"We need more input for the same."

WPI Management²

In the case of maintenance day employees, the intention is that training days are not to be utilised as maintenance days. Employees on training are the last resort in terms of covering work requirements.

The Company is committed to and will provide relevant training to assist employees to improve their skills and knowledge within their work areas.

Employees will give full commitment to their own training and the training of other employees.

The Company will develop along with its employees a specific training plan including documentation of the training provided and future training plans to the employees within each work area. The Company undertakes to consult with the employees' representatives in this process.

The Company recognises the need for both site-specific (e.g. WPI credits) and generic training (e.g. NZQA qualifications). Other than specific courses and seminars, employees will generally be trained on the job by a person with suitable knowledge and ability to transfer that knowledge.

² WPI Management is used as a generic descriptor to describe comments made by WPI staff who are not union members and occupy roles of engineers, team leaders and lower to middle managers.

The Company undertakes to work with F.I.T.E.C. and other relevant Industry Training Organisations towards the development of skills recognised by the N.Z.Q.A. In line with this, the Company will encourage employee representation on the relevant standards bodies.

The Company recognises the need to link training with quality improvement, skill enhancement, career development and job security.

Training will be focussed in the first instance on those areas that ensure the Company meets its operating objectives.

Source: Kariori Mill Collective Employment Agreement 2005

Management advised that they have recently undertaken a survey of the training needs of all maintenance staff with a view to developing and implementing individualised training plans.

Staffing levels

The Collective also includes a redundancy agreement which details a commitment to maintaining staffing levels.

That during the term of agreement there will be no reduction in the number of employees engaged under the terms of this Collective Agreement.

**Source: Statement on staffing levels
Collective Agreement 1 April 2001 to 31 March 2002**

This agreement was reached during the implementation of many of the above changes and continues to be a restriction on the employer. It does not rule out agreed reductions but does prevent unilateral change.

"The question the parties have to consider before redundancy is that change creates a resource opportunity; is there any way we can use staff whose roles are changing to increase productivity and to benefit the business? If there is no logical way, then there may be no option other than the loss of jobs. "

Jim Jones – Wood Sector Division Secretary NDU

To this point, there have been no problems with this aspect of the agreement.

4. The Parties' Relationship Today and the Challenges Ahead

WPI, NDU and EPMU have developed close and productive working relationships. The strength of these relationships are based both around personal relationships between the leadership within each organisation, as well as systems and structures that the parties developed over a number of years that are now incorporated into the Collective Employment Agreement.

Senior management exhibit natural empathy and understanding for their workforce. No doubt that is due in part to a large number of the managers having moved from shop floor roles to their current positions. Indeed, the Managing Director, David Anderson, was President of the Pulp and Paper Workers Union (Now NDU) on-site back in 1978 when the company was first formed.

"Management always had a view that if you treat people like adults they will act like adults."

WPI Manager

The leadership of both unions emphasised how much they valued the working relationship and the importance of the changes to working practices that have been put into place for both the company and the broader industry.

"I rate WPI as one of more enlightened employers in the private sector."

Jim Jones – Wood Sector Division Secretary NDU

A number of delegates commented that while some of the workforce did not appreciate how well off they are compared to other work sites, overall there was both an appreciation and understanding about what was behind some of the success in the relationship.

"There is an extremely good relationship with the company. Not to say that we don't have our problems. The workforce is mature and intelligent. The culture is good. People use their brains. Management is hands-off. They let people work things out for themselves."

NDU delegate

"They have got a pretty good partnership with the company."

NDU delegate

Indicators of this success can be found in the very low turnover of staff with an average length of service of 12 years for production and 10 years for maintenance. Importantly, in an industry that has had its fair share of industrial action, both managers and employees commented on the almost total lack of work stoppage over the 28 years of the company's existence.

All the parties acknowledged that the past success provides a solid platform to confront the challenges of the future which include some of the following areas where more work needs to be done to maximise gains.

Communication

Historically, communication has been a considerable strength within the company. One employee commented that when he arrived there 13 years ago, he noticed straightaway that managers and employees worked together and that communication was open and robust.

Management have had and continue to have an open door policy with respect to both the workforce and the unions.

"There is a really good open door policy with the management. You can talk to the Mill Manager at any time."

EPMU delegate

"They are laying their cards on the table all the time; all information. You can ask all sorts of questions. Nothing is held back"

EPMU member

In addition to an open door policy, senior management communication with the workforce has been assisted through regular meetings of each shift. However, these meetings are no longer possible to the same extent as the new shift arrangements

effectively mean that one or more groups of shift workers can be absent from the worksite on rostered breaks for 10 days on a regular basis.

Therefore, workforce communication relies heavily on both middle management utilising team structures and union delegates communicating directly with their membership on the shift that they work on. This has problems in terms of the clarity of the message and the timeframe in which it is received.

A number of workers commented that dialogue is not great within the teams and with the team leaders.

"The opportunity for dialogue exists, but we don't all have the skills for it. Most people are from the shop floor. Middle managers don't have skills to communicate. They have come up through the ranks without good people skills."

EPMU delegate

Senior management acknowledge this as an area of concern and attribute the current difficulties to a shortfall in the provision of effective training for middle managers which they have committed to address through the development of suitable training courses focussed on situational leadership.

It clear that there is a need for some dedicated work on how the participants and team leaders should communicate. This could be possible through joint training on communication skills.

The Consultative Committee which meets every month also suffers from the same problem where delegates who are rostered off shift may not attend the meeting. Delegates expressed that these meetings were valuable but voiced concerns that, rather than being a vehicle for consultation, they were becoming a forum for management to disseminate information. Possibly, this reflects problems with continuity caused by delegates no longer attending every meeting.

The recent appointment of a Communications Manager should positively assist in the challenges of effective communication caused by shift rosters. In particular, the workforce has welcomed the production of a fortnightly employee bulletin "Fibre Line". This bulletin aims to provide factual, timely information about the news of the business, including any changes taking place.

Overtime

Salarisation or annualised salaries had a levelling effect on how much overtime was worked and by whom. People who previously didn't want to work overtime had to. The outcome has been less overtime worked, but there are some remaining difficulties with ensuring sufficient coverage for working overtime when it is required.

This issue is recognised by both management and the workforce. The union commented that 10 to 15% of people are not making themselves available for their share of overtime.

"The idea behind salarisation was to work cleverer and work less overtime. The old system was milked a bit."

"250 hours were built into the salarisation as overtime. Only 80 to 90 of those hours are worked on average. The problem now is that people are losing sight of the 250 hours they were paid for."

EPMU delegate

Middle management, in particular, sees this as a problem in respect to maintenance staff.

"Building overtime into salarisation has not worked. The incentive to work has been removed. Maintenance supervisors cannot get the people they need to work overtime."

WPI Management

One proposed solution offered by a middle manager is to incentivise the staff by once again placing them on wages. This is not a view shared by senior management. Senior management reiterated that they were committed to solving this issue by all parties working together to address it through more effective management of overtime.

An objective view is that the goal of incorporating overtime into the salaries was to reduce the focus on staff bolstering their income through working excessive hours. The reduction in the number of overtime hours worked is evidence that this has been successful but it also has to be considered against a decline in plant availability/uptime in the last few years. One manager felt that the decline in plant availability/uptime could be attributed to a loss of focus on the importance of this productivity driver. The senior management view is that encouraging all staff to pull their weight and build the team structures is a more effective way to deal with the management of the overtime problem.

Making self-managed teams work in maintenance

The company saw the package of changes at WPI as risky. A big motivation for the company was the self-management of the teams and initial training focussed on teamwork development was provided.

The maintenance staff developed an area concept for undertaking maintenance work. The intention behind this was that maintenance workers would become owners of their areas and spend more time on preventive work, rather than a traditional focus of responding to breakdowns.

The general view is that self-managed teams in maintenance are not working and that this is evidenced by inadequate planning of work and the absence of regular meetings. In addition, there seemed to be an ignorance of what, if any, key performance indicators they were aiming to meet. Management reiterated their view that the nature of the business requires flexibility and an ability to react quickly to customer demands.

Part of the problem stems from there being no shared view between middle management, team leaders, and team members as to how the teams should function and what their role was in meeting work objectives.

"There are different opinions on what self-managed teams mean. The company saw this as a well-disciplined team. The workers saw this as them making all the decisions."

WPI Management

Contrary to this comment were other team members who felt that people were not taking on work by their own initiative, and that employees prefer to have someone tell them what to do.

There also were concerns from team members that they were not adequately supported in how to function as part of a team.

"There is no training in how to work as part of a team environment. No directions, goals or guidelines."

WPI Manager

Management outlined that these concerns would be addressed in part through the improved skills and focus that team leaders would acquire through participation in situational leadership courses.

The more central issue might well be gaining a clear strategic direction for the role of maintenance in the operation of the plant. Maintenance work has changed with a focus on preventive maintenance and, for workers, less opportunity for variation in their work which, in turn, affects their level of work satisfaction.

"Preventive/protective maintenance does not have the same level of satisfaction as fixing a breakdown." A possible solution is giving some sense of ownership so that people are individually responsible for fixing breakdowns on the machines that they maintain."

WPI Management

However, managers also pointed to problems with responding to plant needs under the four-day coverage arrangement and have proposed that a possible solution is to have a split in the maintenance workforce. This would be based on having one group working a Monday to Thursday work week and the other group working a Tuesday to Friday work week.

"It's difficult to get people to respond to breakdowns outside the four days."

WPI Management

At this point, not everyone has embraced a workforce culture that requires people to take on board individual responsibility.

"There is no accountability from anyone, management or workers. There is no discussion about KPI's or about downtime - no time-keeping accountability. A failure to hold people accountable in respect to overtime undermines incentives for the whole workforce."

EPMU delegate

Clarifying what the role and function of maintenance work at WPI is for middle managers, team leaders, and team members and the level of required accountability remains an essential issue. Despite these problems, senior management remain committed to the operation of effective workplace teams and see this as a vehicle for unlocking the workforce's potential. They are clear that it is the role of middle managers to facilitate this.

"It is a huge change in people's thinking from reactive to preventive maintenance because people don't get the immediate accolades they got from fixing a problem or dealing with a crisis. This is an industry-wide issue about recognising and valuing the contribution your maintenance workforce makes through preventive maintenance. At WPI, we are committed to recognising and valuing the work of preventive maintenance undertaken by our staff."

WPI Management

The challenge for middle managers

The company is quite clear on the change it wants to see in the workforce:

"...engaging the shop floor, getting the workforce to do more of what middle managers are doing and redirecting middle managers into productivity improvement."

Paul Saunders – Pulp Mill Manager

The company are equally aware of the tension between trying to create cultural change on the workshop floor led by middle managers with an old-style management focus who have had no training in how to do this. Improving people management is a key project under the company's strategic plan.

Aligned to this strategic focus and the commitment to teams, the challenge for the incumbent middle management is to positively respond to the demands of their changed role and adapt their style of management, with the assistance of the company.

"Middle managers are being asked to manage by influence rather than direction."

Paul Saunders – Pulp Mill Manager

"People at the coalface are vital. We don't make pulp without them. The job of middle managers is to give them the support required to do the job, ensuring that they have the tools and training. The role of middle managers is an enabling role. It takes time to achieve this, because it takes time to up-skill managers and change workplace culture."

WPI Management

The unions are sympathetic to the challenges faced by middle management. They acknowledge that the senior management and workers pushed through the change agenda without much middle management input and that, as a consequence, there may be a sense of alienation.

"There is a need to put significant resources into training middle managers, including mentoring skills. They need an opportunity to move towards an encouragement style of management."

Jim Jones – Wood Sector Division Secretary NDU

Training

Two different, but equally important, perspectives support the importance of training for the company.

"What we want now are the people to do things smarter. To have a better understanding of the process and the product."

WPI Management

"The more training you do, the more you can move through the pay levels."

NDU delegate

As stated previously, the company has demonstrated a considerable commitment to training with a pre-paid allocation of 15 days. The staff training manager reports that the

company is in the process of drawing up training plans for all staff. However, there are some concerns about the current level of training occurring. Some had the view that the training has slowed because the money is not available to provide this, or that they have run out of things in which to train people.

In respect to maintenance staff, the reality is that they are already well trained when they commence employment, so the issue is partly about what training is required. Other factors concern the shift roster.

"It has become harder and harder to get people to come into training on Friday. The problem of running training on Friday is the remoteness and cost when using external trainers. People have got accustomed to Friday being a day off rather than a training day."

WPI Management

The level of training has implications for skill-based pay, as it can be a block on wage movement. Production workers did not raise this as a concern, but senior management were concerned that there were issues in skill advancement, and that people had not moved through the system to the extent expected.

For maintenance workers, the absence of a skill-based pay system some years after it was first mooted is a source of frustration. One maintenance worker commented that:

"Skill-based pay is a dead duck and has been for the last five years."

EPMU delegate

In respect to implementing a skill-based pay system, there was an acknowledgement that production workers were the target group, and this had been largely successful. Management felt that skill-based pay has been difficult to progress for maintenance staff, because they want to keep allowances and bonuses. However, maintenance staff, although pessimistic, felt that there was still an opportunity to up-skill and improve their remuneration through a skill-based pay system.

A Senior Manager's assessment of the successes and the challenges

The downside

- Upfront cost was significant
- Lots of middle management backlash
- Not a big uptake on skills acquisition
- Skill-based pay has been difficult to progress for maintenance staff
- The company has an ageing workforce.

The upside

- The mill is increasing production each year without large capital investment
- Uptime is improving
- Sick leave has dropped dramatically
- Maintenance workers are on call
- No problem of labour for shutdowns

- Production staff are doing a better job
- People now have a work/life balance.

5. Conclusions: Lessons and Reflections

Winstone Pulp International's approach to the management of change could be described as a gentle hand on the tiller, steering the vessel when it was wandering off direction but largely leaving it to the crew to ensure they were progressing to the agreed destination.

At times, the change process has been signposted with clear explicit agreements around how change should be implemented. At other times, as in the design of the current shift roster guidelines, the process has been relaxed with the parties comfortable enough in their relationship to enable fresh thinking to emerge. The test is *does it work?* The answer the parties gave is *yes*, and the evidence bears this out.

This process requires a high degree of trust and confidence to exist between the parties, because it is about letting go of traditional management control and recognising that unions and their members can play a vital role in building the business.

Employers benefit from well-organised unions

Effective engagement with unions enables employers to harness the skills, talent and enthusiasm of their staff in ways which management sometimes are incapable of doing. This can provide another channel for a company to have a positive constructive relationship with its workforce.

"The company had always believed that the best way to manage was with a unionised workforce."

WPI Management

As Paul Saunders, Pulp Mill Manager, said unions can be the vehicle to engage staff in an organised way. Not only are they essential for achieving buy-in from the workforce, but they can be also be the source of many initiatives required to achieve change. It is clear that without the input from Jim Jones, Wood Sector Division Secretary NDU, in particular, many of the changes would not have been initiated.

Unions co-operating together

A large degree of the benefit of having a well-organised and unionised workforce at WPI has been that the unions work together. The agreement by the EPMU and NDU to acknowledge each other's areas of membership coverage and not to recruit beyond these parameters has provided a solid basis for co-operation. It has also provided a focus on the interests of the workforce, centred on the success of the business rather than a contest over market share at the other union's expense.

Your issues are my issues

A relationship of mutual gain requires the union and employer parties to not only acknowledge each other's issues and challenges, but take them on board as their own - to share in the challenges that they provide. They may not have the same level of concern for each other's issues and challenges, but they have to be committed to supporting each other in dealing with them.

In the past, WPI identified that it had concerns with shift rosters, poor performance and high sick leave. The union response was to positively engage and work with the company to seek solutions to these problems. More recently, WPI has identified newer challenges: to improve people management, to improve the quality of processes, and to improve plant availability. Once again, the unions are committed to playing a part in how these issues are tackled and resolved.

From the unions' point of view, they have had traditional and non-traditional union concerns. They were and are committed to, amongst other things, a fair objective pay system with increased wages and opportunities, access to training and career paths for the workforce and the opportunity to devolve decision-making through teams to the workforce. The company have risen to all these challenges and has significantly resourced solutions from which the current workforce benefits, including new shift rosters, salarisation, skill-based pay, self-managed teams and a focus on training.

Develop a framework that supports working together

Any change agenda needs an established process and framework which is an agreed way for parties to develop their relationship and confront their issues within the parameters they have set.

A radical change agenda requires staff to have a sense of security if you want them to participate. The redundancy agreement's explicit commitment to maintaining staffing levels has helped to create this.

Collective agreements formalise understandings, but they are not the only vehicle to reach these changes. The essence of the relationship is what takes place between the negotiations of the collective agreements.

Continually examine your direction

WPI commented that, in retrospect, they lacked an integrated vision about the changes and didn't fully capitalise on them. Sometimes, despite the best plans, you can't foresee all the changes that will occur. It's important to have staged opportunities for benchmarking and reflection on your shared agenda and to reset those goals as appropriate.

The issues that have arisen with the implementation of a change agenda need to be addressed. The greatly improved work/life balance that the workforce now enjoys has created an interesting challenge for the business.

Under a rapid change shift work roster, work was at the centre of a worker's life, but this was not a healthy environment or particularly productive. Under the new roster, workers can be equally focused on pursuits outside the company, including leisure or other work. This can cause problems in terms of their availability, focus, and commitment to their primary role. As previously stated, these shift arrangements make effective communication difficult.

Some of these issues have arisen because of the rapid pace of change. However, there are structures and agreements in place that guide and support the parties' work and relationship. These need to be reinvigorated. The parties need to re-establish a shared understanding about the aim and objectives for their structures and agreements, including defining the purpose, measuring outcomes, and determining the level of accountability. The key question to guide actions is "why". The parties need to ask themselves again *why* they are doing this and *where* they are heading.

The parties need to consider a formal review of what they have achieved. The Site Consultative/Participative Committee could be a forum for this to occur.

Create depth of understanding about change

Effective communication is critical to developing strong and robust partnership relationships. Part of having effective communication is enabling the participants to acquire and/or develop the skills for communication and for participating in consultative arrangements. Without those, people can be left by the wayside, the consequences of which are that people don't understand the need to change and feel alienated from it.

It is also important for everyone to understand why the business exists, the key drivers behind its operation, and the challenges it faces. This message needs to be continually updated and communicated to everyone affected by it.

"Productivity is the name of the game."

NDU delegate

All WPI staff need to understand the challenges of the future:

"There are a lot of external factors; power prices, Kyoto protocols, the Resource Management Act. These will put a lot of pressure on production. The way forward is to produce cheaper pulp, at lower grades, requiring less electricity."

EPMU member

At WPI, the future is about increasing productivity and it is critical that greater understanding of this imperative and the challenges in its way are understood and owned by staff.

Part of the success of the relationship thus far has been the devolvement of decision-making to the workforce, particularly in the areas of shift design, overtime, sick leave management, and in respect to recruitment and promotion. This has encouraged staff to be part of ensuring the success of the change programme and owning the outcomes.

There is evidence that some of the company's systems are out of step with this business challenge. In particular, in respect of self-managed teams, there is currently no shared view between middle management, team leaders, and team members as to how the teams should function and what their role is in meeting work objectives.

Middle management, in particular, is required to play a vital role in supporting and facilitating a change agenda. There is evidence that this group has not grasped the required direction, that they lack the skills to implement it, passively resist it, or a combination of all three. The company needs a strategy for dealing with this.

Concluding comments

This case study focussed on Kariori Pulp Mill and the relationship between the employer, Winstone Pulp International (WPI), and the unions, the National Distribution Union (NDU) and the Engineering, Printing and Manufacturing Union (EPMU).

What the study shows is that partnership, mutual gain, or just how parties work together cannot be reduced to a template which employers and unions can implement. Rather, it describes a relationship which people have to resource at a financial level, but more importantly and at a personal level, they need to invest their honesty, trust, integrity, and good faith.

At WPI, the relationship that has emerged is very much a practical relationship based on what will help the business to prosper and, by so doing, deliver the greatest benefits for the workforce.

The relationship did not emerge from a groundswell of opinion from union members or middle management, rather it was led and influenced by key decision-makers among the employer and unions. A challenge moving forward is to ensure that, as these people move on, new individuals take up the responsibility to lead the relationship.

The parties have much to be proud of in terms of what they have achieved. Not only are these achievements worthy of highlighting to the broader wood sector industry, they also need to be highlighted amongst WPI's own workforce. People, whether they are managers or workers, can become immune to appreciating the success that has been achieved and the relative value of those achievements when compared to the rest of the industry.

There is much work to be done because this company doesn't operate in a static environment and is continually confronted with new challenges. However, with the support and involvement of its unionised workforce, the company is well-positioned to meet these challenges and continue to provide a source of quality jobs for the community and a quality product for its customers.

Appendix: Acknowledgements and List of Interviewees

Written material referred to or used in the development of this case study

Winstone Pulp International Limited Policy and Procedure Manual 1992

Kariori Mill Collective Employment Contract 1992 and 1997

Kariori Mill Collective Employment Contract Terms of Settlement dated June 14, 1999

Kariori Mill Collective Employment Agreement Terms of Settlement dated 16 March 2001

Kariori Mill Collective Employment Agreement and Terms of Settlement dated 2005

Industry Pamphlet – UNIONS adding value to WOOD

List of interviewees

WPI:

Ray Double, Maintenance Systems

Andy Chamley, Production Manager

Graeme Keith, Electrical Project Manager

Paul Bing, Area Engineer

Terry Ashurst, Mechanical Superintendent

Paul Saunders, Pulp Mill Manager

Kirstine Hulse, HR and Communications Manager

Don Robinson, Staff Training Manager

Jim Shanks, Maintenance Area Engineer

Graham Bullock, Maintenance Area Engineer

Darren Morris, Process Engineer

NDU:

Jim Jones, Wood Sector Division Secretary NDU

Gary Godfrey, Spare Operator, NDU delegate

Ray Rapana, former NDU delegate

Tom Hapi – (NDU delegate)

EPMU:

Steve Milne - Director of Organising

David Pickett – Leading Hand Electrician, (EPMU member)

Frank Tong – Leading Hand Fitter, (EPMU delegate)

Fred Laing – Leading Hand Fitter, (EPMU member)

Steve Dowman – Electrician, (former EPMU delegate)