Alcoa's global race

2006 is hotting up to be a potentially difficult year for Alcoa and its unions. The company is seeking to cut its workforce by 8,000 people and save labour costs. Meanwhile, collective agreements with labour in several countries are due for renewal. Unions are mobilising for the challenges ahead.

BY ANITA GARDNER

Alcoa is the world's largest producer of alumina and equals Alcan as the largest producer of aluminium. Its operations are highly vertically integrated, spanning the supply chain from mining bauxite, refining alumina (aluminium oxide) and smelting and producing aluminium products. The company operates in over 350 locations and employs 131,000 people. Alcoa provides products and services to the aerospace, automotive, building and construction, packaging and commercial transportation industries. Some of its customers include Airbus, Boeing, BMW, GM, Ford, Nestlé and Hewlett Packard.

In 2004 Alcoa's revenue was US$23.5 billion and its after tax profit was US$2.16 billion, with continued growth expected in the coming years. To generate this wealth, Alcoa's main cost areas are materials, energy and labour. With anticipated rising energy and raw material costs, the company is looking to save US$1.2 billion in 2006, almost a third of this from labour costs. Alcoa has announced plans to cut 8,000 jobs globally in 2006, the same year when contracts and collective agreements with labour are due to expire in Australia, Brazil, Russia and the U.S. In October 2005 over 100 trade unionists representing much of Alcoa's organised workforce worldwide met in Montreal, Canada to discuss the challenges they face.

IMF ALCOA MEETING

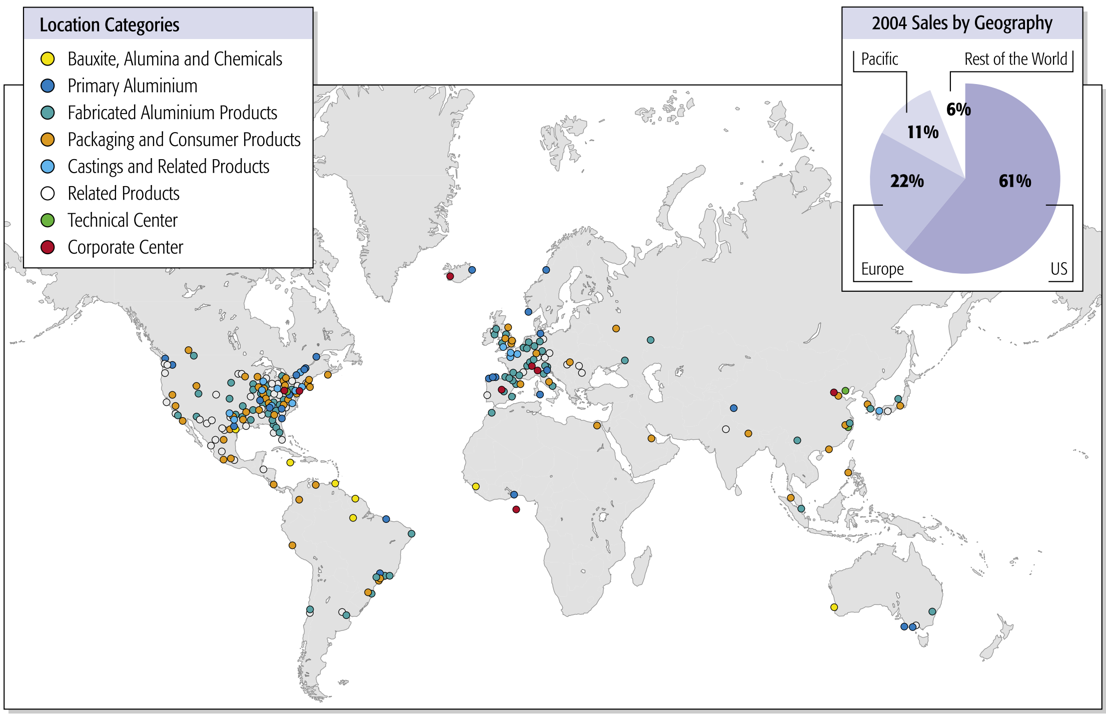
During the IMF meeting union representatives gave reports from around the world and collective bargaining and union building strategies were discussed. Cary Burnell, a collective bargaining researcher and strategist from the United Steelworkers presented a detailed analysis of the company. Included in his presentation were two graphs (see page 22) depicting the worldwide operating costs for Alcoa's smelters and refineries. The cost curves show that, typically, Alcoa's U.S. and European operations cost more per tonne of alumina or aluminium produced than in countries such as Brazil and Australia. This relative difference between countries plays a driving force in the company's future investment strategy and current negotiating stance with trade unions and governments in its pursuit for lower costs and higher profits.

PUBLIC IMAGE

Alcoa is a company that actively promotes its corporate social responsibility performance. It is the darling of the business world, recognised by the World Economic Forum and Fortune Magazine as one of the leading socially responsible and sustainable businesses. While there may be some admirable aspects of this corporate giant, for labour Alcoa is not unlike most other transnational corporations (TNCs). The company's relationship with labour varies from country to country. In some parts of the world, trade union representatives describe Alcoa as one of the best employers they deal with. In many other places, however, the experience of workers differs wildly. Here anti-union policies, unfair dismissals, poor wages, dismal working conditions and excessive working time are commonplace. With Alcoa's current increased emphasis on reducing labour costs globally, all trade unions representing workers in Alcoa are cautiously looking at the times ahead.

"The company wants to be in the top 20 per cent on Wall Street in terms of return on capital. And this is filtering to

Map 1: Alcoa business locations



Source: Alcoa website

the bargaining table," Burnell reported to the IMF meeting. During collective bargaining negotiations in North America this translates to Alcoa seeking to:

- share health care costs with employees;
- limit pension improvements;
- lower benefits for new employees;
- outsource all non-core activities; and
- reduce the workforce by 1,500 people.

In Europe, Alcoa is seeking to reduce its headcount by 1,200 people. Discussion on this subject is well advanced at the Alcoa European Works Council. Most of the job losses will be spread out over 2006, primarily through voluntary redundancies. Negotiations for socially responsible compensation for the job losses are taking place at the national level.

PITTING WORKER AGAINST WORKER

Although Alcoa proclaims to be one of the good guys, it too resorts to the same tactics used by many other TNCs. The Comité Fronterizo De Obreras (CFO), a non-governmental organisation committed to protecting the rights of maquiladora workers in Mexico, reports that in February this year more than 1,500 Alcoa workers held spontaneous work stoppages at Macoelmex, an Alcoa facility in Piedras Negras. The workers, who manufacture auto electrical systems for Ford, GM and Subaru, stopped work for nearly eight hours in reaction to a management proposal for a 4 per cent wage increase in exchange for reduced benefits. Already living in poverty, many of the workers calculated they would be even worse off under the proposed wage arrangements. Management threatened the workers that if they did not accept the deal the company would move its operations to Honduras. "We can hire three Hondurans for everyone of you Mexicans," they said. Despite the threat of job losses, the workers voted 89 per cent in favour of rejecting the proposed changes to wages.

Outside the Macoelmex plant, Mexico
PHOTO: Taylor Jones

The wages at these Alcoa plants range from just 66 US cents to US$1.41 an hour. The median wage is US$1.04 per hour, which can rise to US$1.22 when attendance, punctuality and food bonuses are included. The highest wage, earned by very few workers, is US$2.45 an hour. At its operations in Honduras the wages range from 68 to 87 US cents per hour. Alcoa first began operations at three new wire harness plants in El Progredo Honduras in July 2004. Mexican workers have been taken to Honduras to help establish the business. Located in the ZIP Porvenir export processing zone, Alcoa is exempt from all income, provincial and municipal taxes, as well as all import and export duties. Furthermore, the workers have no right to organise.

In its race to the bottom Alcoa has also begun investing in China, a place where workers cannot form independent trade unions and fundamental workers' rights are frequently violated. Alcoa currently operates 13 facilities in China, employing approximately 3,300 people. Rolled aluminium products are produced at the Bohai plant in Qinghuangdao. The U.S. based organisation the National Labor Committee reports that the workers here earn a quarter of the Mexican wages, starting from 14 to 20 US cents an hour, with more senior employees earning from 69 to 90 US cents an hour.

CHASING CHEAP ENERGY

However, the cost of labour is not the only factor Alcoa considers in its current operations and future investments. Energy is also a major issue. Producing aluminium from alumina is dependent on electricity, and lots of it. Accessing a cheap and readily available energy supply is a critical element of remaining competitive in the aluminium industry. Favourable tax and infrastructure arrangements also influence Alcoa's decisions on where to invest. With the potential to invest billions and create jobs, Alcoa is in a strong negotiating position with many governments.

For example, despite heavy criticism from environmentalists, the Icelandic government and Landsvirkjun, the national power company, have agreed to develop a 500-

Six countries, six trade union activists' voices on Alcoa

Irina Ledeneva
Vice President,
Mining and Metal Workers Unions,
Russia

Paul Howes
National Vice President,
The Australian Workers' Union

What are the key issues your members face in relation to Alcoa's operations in your country?

"**ALCOA HAS BEEN** working in Russia for less than 12 months. For the time being, Alcoa is acting democratically and is being very socially responsible. But we will have the first real test with the forthcoming reduction of jobs. Alcoa announced a reduction of 8,000 jobs from its global workforce. We don't know what the impact will be at the Samara plant yet."

"**ALCOA'S AUSTRALIAN** operations are usually extremely profitable and our members campaign to ensure a fair distribution of these profits. Alcoa operates 24 hours, seven days a week. The balance between work and family life is yet to be found. Improvements in hours of work and annual leave is a key priority for the AWU. As this industry can be extremely hazardous, we are constantly seeking to improve systems to monitor and remove hazards that impact on workers' health and welfare."

How will international solidarity between unions representing members in Alcoa help your work?

"**IT IS IMPORTANT** that we hear from unions at other plants where Alcoa has been operating for quite a while. Getting information is an important aspect of solidarity. I also think we can unite when the workforce reduction is implemented throughout Alcoa. And all the trade unions should decide whether it is ethical, are there economic or financial reasons for the reduction in jobs."

"**THE USW HAS** provided some incredible and distressing insights into how Alcoa works in developing nations and non-unionised facilities. We have begun a program of sending our rank-and-file activists to visit and experience how Alcoa operates globally to develop campaigns that utilise our strength in Australia to improve the conditions of Alcoa workers overseas. If we don't take responsibility for improving conditions elsewhere, then the company will use the substandard conditions in other countries to drive down conditions in Australia."

megawatt hydropower project near the city of Reydarfjordur. This power station will supply all the power for Alcoa's yet to be built, co-located low emission smelter. When commenting on its decision to expand Jamalco, Alcoa's refinery in Jamaica, the company stated, "This expansion initiative stems from a 2002 agreement with the Jamaican government to remove a nearly 30-year-old levy on bauxite in order to encourage investment." The company claims that by the end of 2003, the removal of the levy and the ongoing expansion had lowered the costs at Jamalco by approximately 30 per cent.

More recently, in September 2005, Alcoa announced it would invest US$1.6 billion in Brazil over the next three years. In this instance the company stated that Brazil had been in competition with Australia, Suriname and Jamaica because they each "present positive competitive conditions". The investment in Brazil will be directed at expanding its Alumar refinery in Sao Luis, modernising the Poços de Caldas plant in Minas Gerais and opening a bauxite mine in the municipality of Juruti in the western Pará region.

Despite government support, local workers and communities are concerned about Alcoa's operations in Brazil. At a meeting of Amazonian aluminium industry workers, organised in September 2005 by CUT, a national trade union centre, these concerns were discussed. Primarily the workers want the Juruti bauxite mine to enable sustainable social and economic development in their region. The meeting agreed on a list of priorities, which they are pursuing including pressuring Alcoa to sign a Code of Conduct, commit to a local development program, improve regional

Jim Robinson
Director for the United Steelworkers, District Seven and chair of negotiations with Alcoa for USW, USA

"ALCOA HAS ABOUT 50 unorganised aluminium related locations in the U.S. We are working hard to organise, but face a tremendous amount of resistance from the company in our effort. The other big issue is the company's drive to lower labour costs. To the extent that they do this through productivity improvements, we support. But they are also increasingly attempting to reduce benefits and outsource a lot of our work."

"ALCOA IS A GLOBAL company. Workers globally should support each other. Especially in the interest of pressuring Alcoa to recognise workers' rights to self-organisation. I also think that we should support each other globally to resist Alcoa's efforts to pit workers in one country against another to lower their labour costs. Workers all over the world deserve a decent standard of living and we should support each other in that effort."

Clement Masse
President of local USW at Becancour, Quebec, Canada

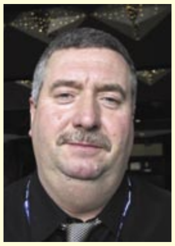
"WE HAVE JUST finished bargaining and one of the main issues was restructuring. The company wants to restructure and cut jobs, which means there will be less workers and more work. The company also will not hire more people and eventually there will be more outsourced labour than actual permanent workers. This issue resulted in a strike for four and a half months."

"INTERNATIONAL solidarity was important during our recent strike. We received some financial assistance and a lot of letters were sent to the company. The issue was well known around the world and this was good for keeping morale high. It is very important to know what is going on elsewhere. The company often discredits issues, so it is important for us to know exactly what the issues are regardless of what the company is saying."

José Dionisio
First Secretary CNM-CUT, Brazil

"AT A RECENT meeting of Amazonian aluminium workers, a list of priorities was agreed on. The workers are fighting for sustainable social and economic development. They want to ensure that the social demands of communities concerned are complied with by companies investing in this sector. They want Alcoa to sign a code of conduct and commit to a development program with the local community."

"WE NEED TO PUT pressure on Alcoa to help them to become more responsible on social issues. I am talking about wages, continuing education and training. In the past TNCs would come to Brazil and invest in the social aspects of their businesses. But not any more. We also need to end the predatory subcontracting that is going on. They are subcontracting people that earn a lot less than the employees of the company and they are doing this very aggressively."



Tony Davies
Chair of the Alcoa European Works Council Amicus,UK

"THE MAIN ISSUE that Alcoa workers in the European Union face is energy costs. High energy costs in Europe and the UK is a major concern and is really pricing us out of the market. There is a knock on effect down to the workers. With the higher prices here, there is increased likelihood that the work will transfer to the low cost countries, which is happening all around us, not only with Alcoa."

"I THINK WE should apply pressure on governments to try to reduce the tariffs they are putting on energy. Through international solidarity we can know more about the success that other unions have had and learn how things can change. Because is we don't get reductions in energy costs, people will lose their jobs. It is better to keep people in work than to take care of people on social benefits."

transport infrastructure and ensure adequate reforestation. The workers are also seeking a review of subsidised electrical energy contracts.

IMF GLOBAL STRATEGY

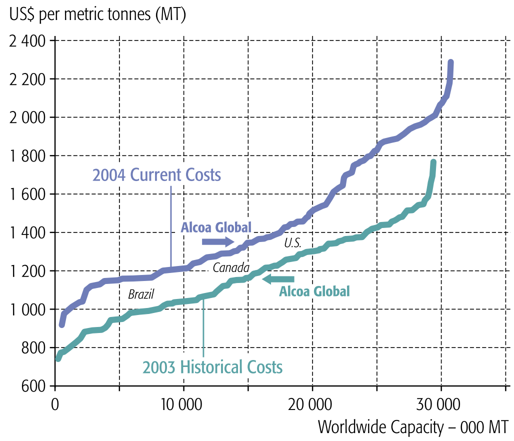
While each trade union and each community will have differing responses to the challenges raised in dealing with Alcoa, solidarity among workers around the world will serve to strengthen each others position. Rob Johnston, IMF director of steel and non ferrous metals is currently preparing a trade union strategy for Alcoa in consultation with affiliates. The aim of the strategy is to build trade union strength through coordinated global activities, ensure that fundamental workers' rights are respected and that improving wages, working and living conditions become rallying points for organising labour.

At the heart of the strategy is the decision taken at the Montreal meeting to pursue the long-term objective of signing an International Framework Agreement (IFA) with Alcoa. Other activities include creating a communications network, identifying key contacts in each region, creating an industrial website where specific trade union news and information about Alcoa can be published and accessed, establishing an IMF global company council and developing a corporate solidarity campaign.

IMF Alcoa meeting, Montreal
PHOTO: Serge Jongué

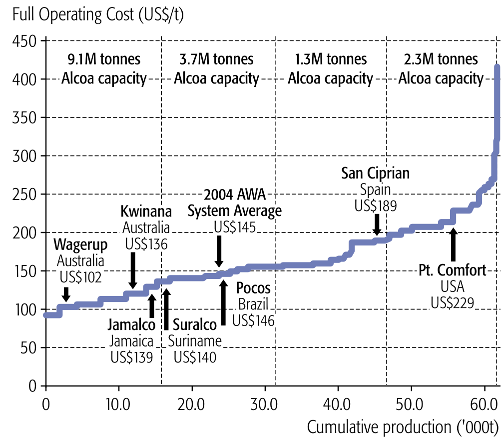
"Through the forum of the IMF, trade unions with members in Alcoa can come together, share information and build solidarity on common issues, because global challenges require global responses," Rob Johnston said.

Graph 1.
Alcoa worldwide smelter cash costs - 2003 and current



Source: Alcoa Presentation, 4th Quarter 2004 Analyst Conference, January 10, 2005

Graph 2.
Alcoa worldwide alumina refining operating costs



Source: Alcoa Presentation, Alcoa World Alumina and Chemicals (AWAC)–Atlantic Region, June 8, 2005

Alcoa - the essential facts

Headquarters: Pittsburgh, Pennsylvania, USA
Locations: 350 locations in 43 countries, includes 23 smelters on 5 continents and 9 refineries on 4 continents
Number of Employees: 131,000
Revenue: US$ 23.5 Billion (2004)
Profit: US$ 2.16 Billion (2004)
Products: Primary aluminium, fabricated aluminium and alumina, flexible packaging, closures, precision castings, fastening systems, vinyl siding, and electrical distribution systems for vehicles. Alcoa also makes and markets consumer brands including Reynolds Wrap and Baco household foil and wraps.
Industry: Aerospace, automotive, packaging, commercial transportation, building and construction and industrial markets.
Countries where Alcoa operates: Argentina, Australia, Bahrain, Belgium, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Egypt, France, Germany, Ghana, Guinea, Honduras, Hungary, Iceland, India, Ireland, Italy, Jamaica, Japan, Malaysia, Mexico, Morocco, Nepal, Norway, Peru, Philippines, Portugal, Romania, Russia, Singapore, South Korea, Spain, Suriname, Switzerland, Trinidad & Tobago, United Kingdom, USA, Venezuela.