

Fertiberia (Spain) - Case study

Topic: Restructuring | Observatory: EMCC

Abstract

This illustrative case study was conducted as part of a larger research on the restructuring impact on remaining employees. The key findings are published in the ERM restructuring report 2018. This case is about the restructuring undertaken by the Spanish fertiliser producer Fertiberia in the period 2009-2013. The company had lost a court case and, at the end of a long process, there were no other option than to discontinue some production activities and reduce the headcount. Fertiberia proceeded then with an 'ordered closing plan' and a staggered approach to the job reduction (via early retirement), which was aimed at minimising as much as possible the economic and social impacts derived from the closing of the five out of 10 plants in the Huelva establishment. The restructuring entailed the elimination of 223 posts out of a total of 348 in Huelva. At the same time the company also prepared and implemented a functional mobility plan (plan de movilidad funcional y formación) for nearly all remaining employees for the acquisition of new skills and transfer to job positions left by the vacant by the departing employees.

About

Case study name: Restructuring in SMEs in Europe (/case-study-names/restructuring-in-smes-in-europe)

Country: Spain

Organisation Size: 1000+

Sectors: MANUFACTURING

Organisational profile

Fertiberia operates in the Spanish national market of fertilisers (NACE Code 24.10; Manufacture of basic iron and steel and of ferro-alloys) and it is the second largest Spanish-owned company in the country in the chemical sector. Fertiberia produces a wide range of solid and liquid fertilisers for agricultural activities, with a yearly production capacity of 6 million tonnes. More recently, Fertiberia has developed a diversification policy which has allowed the company to experience significant growth in other industrial sectors, not just agricultural ones.

Fertiberia has manufacturing establishments in five Spanish locations, namely Áviles (Asturias), Huelva (Huelva), Palos de la Frontera (Huelva), Sagunto (Valencia) and Puertollano (Ciudad Real). These establishments are organised into operational units (or plants), each of them specialised in specific manufactured products. In 2017, the company had an employee base of 783 (769 employees on indefinite contract). Before the restructuring under investigation, the total employment in Fertiberia was 1,023 workers in 2009; at the end of the restructuring process in 2013, the workforce decreased to 842.

Prior to the restructuring in 2009, the Huelva establishment (in the Huelva province) consisted of 10 separate inter-linked operational units: nine units manufacturing chemical products and a water treatment unit. The then total employment in Huelva was 348 employees; the workforce decreased to 125 in 2013 after the restructuring. Nearly all personnel at Huelva were male (only 0.5% were women) and the large majority was over 50 years of age.

Concerning employee representation, Fertiberia has work councils in each establishment. In 2009, the trade unions UGT, CCOO, CTI (presently called CSIF) represented 96.7% of the workers in Fertiberia (88.9% in the manufacturing premise of Huelva). UGT was (and still is in 2017) the majoritarian trade union in Fertiberia and in the Huelva establishment, accounting for two thirds of the total trade union representatives. As of 2017, Fertiberia's trade union section (for the whole Fertiberia group) is composed of 48 members, 22 representing UGT, 13 representing CCOO, 11 representing CSIF and, finally, two members representing CGT. They represent the employees in the central Trade Union Committee (joint works council).

Related to this, Fertiberia is characterised by a long-standing culture and tradition of social dialogue practices between company and workers' representatives, resulting in the existence of different company collective agreements during the history of the company.

Finally, and within each Fertiberia establishment (including the Huelva one), there is a general director, directors for each operational unit and team leaders or supervisors, responsible for supervising the operations within each unit. In each establishment in Spain (as in Huelva), there are also small departments in charge of transversal daily operations (administration, purchasing, human resources).

Background to restructuring event

This closing of the five out of 10 operational units in Huelva (four manufacturing phosphoric acids and one manufacturing sulphuric acid) was due to the administrative decision by the Environmental Authority in 2003 that obliged Fertiberia to stop dumping of phosphogypsum (a by-product of the manufacture of phosphate-based phosphoric and sulphuric acids) in tailing dams in Huelva which had been previously designated for this purpose. The administrative decision was initially appealed by Fertiberia via administrative and judicial procedures, but the National Justice Court took a final decision against the company's appeal in 2009. Since then, it became clear to Fertiberia that it had no choice other than to discontinue the production of phosphoric and sulphuric acids.

Restructuring process

Before undertaking the restructuring, Fertiberia considered reducing the number of jobs by means of incentivised voluntary exits. However, this option was not well received by the Fertiberia employees. Then the management proposed a new approach with the aim of reducing the social impact of the restructuring to a minimum. This consisted in a labour adjustment plan extended to the whole workforce of the Huelva establishment, and based on an early retirement plan for the older workers combined with a functional mobility plan for the remaining workforce so they could move to the job positions left vacant by the departing employees.

Consistent with the long-standing culture and tradition of social dialogue in Fertiberia, the management and employee representatives were fully engaged in reducing the negative social consequences of the restructuring for the entire workforce.

Hard dismissals were avoided by allowing a maximum number of employees to opt for early (or partial) retirement. The implementation of the job cuts was postponed until as many employees as possible could opt for early retirement.

With a view to securing viable jobs for the remaining employees, the company prepared a strategy encompassing a substantial investment in retraining and job mobility within the Huelva establishment. The local works council was heavily involved in the implementation of the functional mobility plan, which was designed to enhance the 'polyvalence' of the remaining employees. The plan affected 100 employees of the 125 remaining at the Huelva establishment.

The plan included an agreement reached between Fertiberia and the Trade Union Committee concerning the criteria for selecting the employees to be transferred to other job positions and the necessary arrangements to facilitate the transfer of competences and adaptation to new skills requirements and responsibilities. The new job positions offered to the affected employees had to be, at least, at the same level as those they were transferred from (keeping current seniority and salary levels). As a way to minimise reluctance to change posts, Fertiberia avoided transfers which entailed a transfer to a lower-level position.

Before the implementation of the functional mobility plan, team leaders - who were in charge of supervising the process - received training on how to organise the training/competence development and to facilitate a smooth transition. The training and transfer of competences was tutored by both the team leaders and colleagues occupying similar job positions (in some cases these were the employees leaving on early retirement and receiving a small financial incentive in exchange). The length of the training ranged from four weeks for transfers with low training needs to 15 weeks for posts with high training needs. There were cases where employees needed to extend their training period, and this did not impact negatively on the transfer. Most of the training was on the job although some theoretical training sessions were organised on specific issues, for example health and safety risks.

Before the restructuring, the company's HR department was in charge of communicating the decisions taken by the management and actions to postpone the closure as long as possible to allow a maximum number of employees to become eligible for early retirement. During the restructuring, the communication about the details of the functional mobility plan and its implementation was done via the local works council. The process for the transfer of employees to new job positions was transparent and based on open selection procedures.

In terms of monitoring, at the company level, a central commission - composed of trade union members from the different company establishments in Spain - followed up the implementation of the social plan and that this was done as agreed. At the establishment level, a specific local (ad-hoc) commission was in charge of monitoring the implementation of the functional mobility plan. For example, the local commission was responsible for organising extra training sessions when needed and carrying out regular visits to the reorganised production units to obtain first-hand information from the affected employees and act upon these if required.

Challenges and constraints of restructuring

The restructuring entailed a great organisational and economic effort for Fertiberia. The company financed all the initiatives and measures included and agreed in the labour force adjustment plan with own resources (estimated at €20 million).

The implementation of headcount reduction via early retirement was less favourable than incentivised voluntary exit, as the company was affected by a problem of overemployment; the company kept more jobs than were strictly necessary for assuring the viability of the Huelva site. Additionally, the company incurred in a reduction in productivity derived from the adaptation process for the remaining employees who participate in the functional mobility plan.

The main challenge to the successful implementation of the restructuring process was the involvement of all staff, including the departing employees who were actively involved in the training of the remaining colleagues and acted as on-the-job trainers.

Outcomes of restructuring for the remaining employees

As indicated by the interviewed company and employees' representatives, employees responded positively to the restructuring and acknowledged the willingness of the management to maintain good working conditions and a positive work climate even under difficult circumstances.

All affected employees – both departing colleagues acting as on-the-job trainers and the employees being transferred and receiving the training - showed commitment and an open attitude throughout the process, which contributed to a positive work environment.

The results from a staff survey carried out in 2014 gives some indication that the employees at the Huelva establishment trusted the management in their care about employees to a greater extent than in the other Spanish Fertiberia establishments. Scores for teamwork between departments were also higher in the Huelva establishment. Reported commitment level was at least equal to that recorded in other company establishments in Spain. Lower level of work-related stress was also reported by Huelva employees as compared to the average across all other production establishments.

Authors

Unai San Miguel and Jessica Durán, IKEI

Information sources

Interviews

Human Resources Manager of Fertiberia.

UGT-FICA Trade union representative in Fertiberia.

Company documents

Fertiberia, Fertiberia Annual report, several years (available on the company web site)

Fertiberia, Informe de la Encuesta de Cultura Preventiva 2014 (report on the Survey on Preventive Culture 2014) (internal document, not published).

Company website

www.fertiberia.com (<http://www.fertiberia.com>)

 **Revision log summary**