

## 2018 Workplace Relations Award

### WINNER: Peabody Australia

#### Moorvale Mine Direct Engagement Model

##### Origins and principles

The Coal Mining Industry has a long history in Australia, and with that history comes much tradition. Part of that tradition means almost all coal mines operate under union negotiated enterprise agreements. Under this structure, real change is difficult to achieve because enterprise agreement negotiations typically use the existing agreement as a starting point for negotiations. Therefore, trying to modernise agreements is a very slow and onerous process. Peabody respects that each employee has the right to be represented by a third party, however its strong preference is to always engage directly with its people, and this is clearly articulated in Peabody's Workforce Relations Strategy. Understandably, "direct engagement" sometimes clashes with the intent of third-party representatives, and so the workplace relations environment is very challenging. Peabody has experienced this first hand when it had previously transitioned mines from contractors and faced the difficult, slow task of realigning another organisation's workforce to the Peabody culture.

The Moorvale Mine was acquired by Peabody as part of the acquisition of Macarthur Coal in 2012. It is an open cut mine, employing 299 people. For the first two years of ownership, the mine was operated for Peabody by a contractor – Leightons Holdings. Peabody's business strategy is to run all mines as owner operated operations, and so the decision was made to take over operating the Moorvale mine when the Leightons contract ended in late 2013.

There was a particularly significant challenge to overcome in transitioning the operation of the mine – the Enterprise Agreement. All of the employees at the Moorvale mine were employed by Leightons under a union EA. By law, if Peabody transitioned just one Leightons employee when it took over operating the mine, it must accept the enterprise agreement and its untenable operating conditions. The enterprise agreement contained many restrictive barriers to cost and productivity improvement and did not support the culture and values of Peabody.

At a time when the coal industry was entering a significant down turn, Peabody recognised that it had a unique opportunity to introduce major change and make significant strides in developing a workforce culture of direct engagement and flexibility. The decision was made to take over the mine without an active workforce – this came with significant operating risk, but Peabody was determined to build the right culture at the mine. It should be noted that the existing employees remained with Leightons Holdings when the mine was transferred to Peabody.

The challenge to the business was twofold - recruit a workforce to be the flagship workforce in terms of a direct engagement culture and operate the mine to be a safe, productive and financially viable asset.

### Implementation

Guided by the Workplace Relations Strategy, a plan was developed to operationalise Moorvale as the first Peabody mine where true direct engagement was more than an aspiration. This first step involved HR and senior operations management collaborating to clearly outline what the transition project deliverables would be. These were safety, minimal disruption to production, recruitment with a focus on Peabody values, induction and orientation focussed on establishing a direct engagement culture, individual employment contracts underpinned by a non-union Employee Collective Agreement and a process that could be replicated across other Peabody operations.

The site leadership team was recruited, based on having strong alignment with Peabody's values. This team then participated in a series of HR led sessions to determine the cultural and operational requirements that would make the mine successful. This involved identifying and matching effective behaviours at each job level to the Peabody Values. This had never been done for an operational workforce before. As a result, the "Moorvale Way" charter was born. The charter defines the company values in practical behavioural terms and was designed to be used during future performance review discussions to track employee alignment. Given the importance of recruiting for cultural fit, HR designed an assessment centre process to identify desired behaviours in candidates. Members of the site management team were trained by HR in the assessment centre process, and together, HR and the management team assessed candidates.

During this time, Peabody had announced the closure of Wilkie Creek mine in southern Queensland. It was recommended by HR that the company consider "seeding" the new Moorvale workforce with some of the redundant Wilkie Creek employees who demonstrated behaviours that supported a direct engagement culture. Prior to recruiting external candidates, these employees were the first to go through the assessment centre process. The result was that 29 carefully selected employees were successful in obtaining positions at Moorvale, and this group became the team who would establish the foundation of the new employee agreement. Before commencing work at Moorvale, the employees attended a comprehensive orientation program including extensive training and team building in key areas. The purpose of the orientation program was to establish a new paradigm regarding the work culture of a coal mining site.

These 29 employees were engaged on individual contracts, underpinned by the Black Coal Award to give security of tenure and conditions, while a new employee (non-union) collective agreement was negotiated. This was to be the first at Peabody Australia and was rare in the mining industry. The intent was to have an employment instrument focusing on direct engagement rather than the traditional model of a union involved enterprise agreement. In the weeks following the engagement of the initial Moorvale workforce, HR and the site management team initiated the bargaining process. All employees returned to Brisbane for the process, which commenced with training on negotiation practices. Every employee nominated themselves as bargaining representatives and the process began to negotiate the initial Moorvale Employee Agreement. The company did not in any way discourage individuals to nominate 3rd party representatives. The outcome of the orientation was such that this group had formed a close relationship with each other, and with the site management team, and therefore felt confident to bargain directly with the company. To ensure total transparency the company paid for an “employee selected” legal counsel to advise them as they required. After several weeks, a draft Moorvale Employee Agreement had been developed. This Agreement acts as the safety net for the workforce who continue to be employed on individual contracts today.

### Challenges and Opportunities

Everything did not go smoothly in having the agreement certified. The CFMEU (mining union) challenged the new agreement as they were not nominated as a bargaining representative. Their challenge was not legally viable, however in the FWC hearing a technical issue was identified. When issuing the notice of representational rights to employees, a “benign” nomination return form was stapled to the notice of representational rights. Because of this innocent attachment the FWC deemed the notice of representational rights not compliant. Despite this set back (and a landmark case in the FWC), the company and the initial group of employees, plus an additional 20 newly recruited employees, recommenced the bargaining process, this time without staples! The new Employee Agreement was again voted up and certified by the FWC. Despite the tension with the CFMEU over this matter, professional, collaborative relationships were maintained with the union, and this was achieved by always having open constructive dialogue and respecting the unions legal right to represent any employees who desired it.

### Benefits and Outcomes

Following this success, large scale recruitment of the new Moorvale workforce commenced and took place in six phases totalling 240 employees. Over 6,000 applications were received. All new employees went through the same assessment centre and orientation process as the initial 29. The “Moorvale Way” has become the exemplar of what the Peabody direct engagement culture should be. Over 3 years employees and management have worked diligently together to create an environment unique to the business, and the industry. To ensure momentum is not lost, management maintains a weekly agenda item to discuss site culture and continues the strategy of direct engagement and trust building with the workforce. In addition, the Manager and Supervisor Development programs support the elements required to maintain a direct engagement culture.

The success of the “Moorvale Way” direct engagement strategy was proven in mid-2017, when the initial Employee Agreement was due to expire. 100% of the Moorvale workforce agreed to forgo the need to renegotiate the expired agreement. Instead they unanimously chose to continue with the initial Employee Agreement and maintain individual employment contracts to govern their terms and conditions. This was a significant achievement. There has been no industrial action at Moorvale since Peabody transitioned the site. This is not always the case with a number of other Peabody sites, where the company are still on the path towards the Moorvale model.

There are a number of positive metrics that can be attributed to Moorvale’s engaged and productive workforce. Safety is Peabody’s number one value and priority. Peabody Australia recorded a best ever result for safety in 2017, with a Total Recordable Injury Frequency Rate (TRIFR) of 1.19. Moorvale achieved a TRIFR rate of just 0.48. Absenteeism occurs in every workforce, and in the mining industry it tends to be higher due to the physical demands of work, the onerous roster systems and the demands of Fly In/Fly Out work. Peabody’s average absenteeism rate is around the industry average of 4.0%, however Moorvale’s absenteeism rate in 2017 was Peabody’s lowest at 2.5%. The amount of unplanned overtime spend in Peabody is a core indicator of workforce productivity. It represents a huge cost to the business, with the spend in 2017 being \$17.44 million. In 2017, Moorvale had the lowest overtime cost per FTE of any Peabody Australia mine spending 74% less on unplanned overtime compared to other Peabody Australia mines.

The assessment centre approach introduced with the Moorvale transition has now been adopted as the only process for recruiting operations employees across the Peabody Australia business. This approach has also resulted in the benefit of increasing the diversity of successful candidates, as the focus is more on behavioural elements rather than technical competence. 9.1% of mining operators in Peabody are now female, compared with 0.6% in 2012.

### Summary

Having decided to transition the management of a previously contractor run mine, Peabody Australia were faced with the challenges of the cost of running the mine under the existing Union Enterprise Agreement, and the culture of the mine, which was not in line with Peabody Australia’s (PEAC) Employee Engagement mode. A unique strategy was implemented to achieve an outcome whereby the employment relationship was governed by individual contracts underpinned by an employee collective agreement (non union). This was focused on a direct engagement model, thereby supporting the objective of Peabody’s Workplace Relations Strategy, while maximising productivity. The outcome of this initiative has been a highly aligned team of 240 employees working under an employee collective agreement to strengthen the direct engagement model measured through low absenteeism, low safety incident rates and high productivity and a 100% “yes” vote to continue with the current employment arrangement when it was up for renewal after 3 years.