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**WORKSHOP ON THE SITUATION IN THE STEEL INDUSTRY IN THE NIS
RESTRUCTURING IN THE NIS - A TRADE UNION PERSPECTIVE**

Paper presented by Len Powell, IMF

The Workshop will be held in Paris on 2-3 November 1999

Contact: Mr. Wolfgang Hübner, Head of DoT and Steel Unit, STI; Tel. (33 1) 45 24 91 32;
Fax: (33 1) 45 24 88 65; Internet: Wolfgang.Hubner@oecd.org

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RESTRUCTURING IN THE NIS

A TRADE UNION PERSPECTIVE

Mr. President, Members of the OECD Steel Committee and delegates to the Workshop,

The main focus of this Workshop is on the developments in the emerging economies in Eastern and Central Europe. However, as the time allocated for my presentation is restricted, I will focus my remarks, after some preparatory comments, on three main points:

- The lack of and dire need for adequate social provisions to accompany the necessary restructuring,
- Environmental issues and occupational health and safety, and
- The urgent need for the necessary mechanism to enable problems arising from steel trade to be resolved amicably, without recourse to anti-dumping actions.

The restructuring process which has taken place in the steel industries of all of the older industrialised countries has resulted in the loss of a significant level of steelmaking capacity and an even larger proportion of job-losses, as much of the focus of attention was directed towards increasing capacity utilisation levels and reducing employment costs, in order to improve profitability.

In the European Union (15), for example, total steel industry employment fell by more than half a million, that is more than two thirds during the last 20 years. Some countries suffered even greater levels of job-losses, exceeding 75 % or 80 % in the cases of France and the UK for example.

However, the impact of both the social and economic impact of such large-scale redundancy was offset, to a significant extent, by the availability of a wide range of support measures. Significant levels of funding were provided via the ECSC Readaptation Benefits Scheme, which enabled older workers to take early retirement, while paying for younger workers who lost their jobs to undertake retraining as well as providing relocation costs and alleviating the impact of lower paid alternative jobs, by providing make-up payments for up to two years.

The USA also suffered a very large reduction in employment levels with 50 % of the workforce in the steel industry losing their jobs in the space of 15 years. However, the absence of any comparable alleviating measures resulted in thousands of American steelworkers' families losing their homes, as well as their jobs as they were forced to bear the brunt of the costs of restructuring.

Most of the steel industries in countries in the former USSR had manning levels that were far in excess of those which existed in the EU or USA prior to their restructuring. Consequently, the scale of the job-losses which have to be undertaken in the NIS countries, if they are to approach Western European

levels of productivity and profitability, will have to be of an even greater magnitude than anything we have ever witnessed before.

The lack of any sources of funding comparable to those provided by the ECSC, means that the costs of providing any kind of social support for redundant steelworkers will have to be borne by the Governments and/or companies concerned. Furthermore, because the general economic climate in most of the emerging economies is considerably worse than that which existed in the EU and USA during the 1980's, the plight of those who lose their jobs as a result of restructuring in the NIS countries, will be of a much greater magnitude.

In these circumstances, the most important single issue which needs to be addressed is the lack of adequate social provisions. Consequently, it would be totally unacceptable for massive job-cuts to be made and the workers simply thrown onto the non-existent labour market. No large scale redundancy programme should be implemented without some sort of provision or aid made available for those who lose their jobs.

It is essential therefore that the conditions necessary to enable alternative jobs to be created or become established, must be put in place before the job cuts are implemented.

Because of the very low levels of capacity-utilisation in many NIS steel companies, the Governments concerned are being forced to effectively subsidise their operations. In many cases, this is done via subsidised energy supplies, which the Governments control. However, pressure from international agencies is likely to force these Governments to increase energy prices, bringing them more into line with energy prices in the older industrialised countries, and this will significantly worsen the already difficult situation many steel companies are currently facing.

We would suggest that the funds currently being used to subsidise these companies, could and should be put to a much more constructive use - training redundant steelworkers for example - or helping to create the necessary preconditions to encourage and facilitate economic growth.

Environmental and occupational health and safety issues are frequently if not regularly ignored in many former Comecon countries, with the exception of those Visegrad countries which are on the verge of joining the E.U.

Despite the existence of legislative provisions which are as good if not better than in many Western countries, it would appear that the authorities in these countries do not have the human or material resources, or possibly the will, to enforce them.

While there are many reasons to explain the wide variations in the levels of pay and living standards in different countries, there can be no justification for maintaining working conditions that ignore the human costs arising from occupational disease or injury, or the environmental damage caused by inadequately designed production processes, in order to further increase profitability.

The key concept is that the polluter should pay, and in this respect it is the company not the workers through ill-health, disease or lower life expectancy, or those communities which are close to steelplants and have to deal with the consequences of pollution.

The third issue of critical importance to the workers in Eastern and Central Europe and one which is equally important for steelworkers everywhere, is the need for a set of internationally-agreed rules and a structure that will provide a speedy and impartial assessment of trade disputes. The recent crisis only served to underline the desperate need for a multilateral steel agreement, which would help provide the

much needed stability in the steel market, as well as helping to remove the fear of export orders being lost or disrupted by the threat of unjustified anti-dumping actions.

The extent of the economic and social problems that these countries are having to overcome, in making the transition, from centrally planned to market economies, are sufficiently difficult without having to contend with anti-dumping actions which forced them to curtail their exports, irrespective of whether or not they had received any illegal subsidies, because of the possibility of being forced to pay high levels of duties some time in the future.

We are all aware of the drastic collapse in domestic demand levels in NIS countries and, despite cutting production by 50 % or so, they still need to export around two-thirds of production.

The loss of export orders which followed in the wake of the Asian crisis, had cataclysmic consequences on these steel companies, who have neither the financial resources nor the credit-worthiness to operate on their own, resulting in an ever greater dependency upon international metal traders, who took full advantage of the opportunity.

In such circumstances, the main casualties are the workers, who are brought into direct conflict with each other. Maintaining or increasing exports resulted in saving jobs in one country, but was the cause of unemployment in another. The key issue which needs to be addressed is whether or not it is politically acceptable to give free rein to uncontrolled market forces, when they can have such a devastating and unpredictable impact on employment levels.

The restructuring of the steel industries in the NIS countries is a prelude to privatisation, consequently it is absolutely essential to ensure that the strategies adopted by the new owners are not based on the payment of subsistence-level wages and/or the avoidance of any responsibility for the health and welfare of the workers in the industry, the environment in general, or the denial of fundamental trade union rights.

Much has been said about protectionism in relation to the level of importance which should be given to respecting basic human rights and the issues of social or environmental dumping which result when goods are produced on subsistence level wages, or without any regard for the consequences of pollution, are exported to, and displace the products manufactured in another country. However, the worst kind of protectionism is that which occurs when democratic governments allow employers to ignore their legal and moral responsibilities, and provide them with the freedom to exploit their employees and the communities in which they operate, in their quest for short-term profits, without any concern for necessary economic and social development, which are essential prerequisites for long-term sustainable growth.