PRESENTATION FROM IMF-TUAC

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1. Mr. President and Members of the Steel Committee, on behalf of the workers in the steel industry and the trade unions which represent them, I wish to thank you for this opportunity to participate in the work of this Committee.

2. After a few general comments, our report will as usual address the following four subjects:
   - The current situation in the steel industry,
   - Trade policy,
   - Structural adaptation, and
   - Suggestions for the future work of the Committee.

3. At the Steel Committee’s last meeting in June, you noted with satisfaction that world-wide economic activity had recovered and pointed out that this would have a positive impact on demand for steel and on prices. And yesterday all the presentations made by Members of this Committee were generally optimistic about prospects in the steel industry.

4. In our view, however, it would be wrong to underestimate the possible impact of the stock market crisis in a number of Asian countries and the devaluation of their currencies, not only on their own economies but also on the world economy as a whole.

5. This financial crisis has just spread to South Korea where slower growth must now be expected. It is likely that in Korea, as in Japan, demand for steel will be lower than initially estimated. The press has recently reported that Japanese producers were forecasting a downturn in their activities, partly because prospects for exporting to neighbouring countries are less promising than at the beginning of the year.

6. The Secretariat also told us yesterday that some projects in the region had been postponed due to a liquidity shortage stemming from the financial crisis. At this stage, it is obviously impossible to say whether this is only a passing difficulty or a lasting crisis. However, greater allowance for these events should be made in our forecasts.

7. As you undoubtedly know, in late October the International Labour Organisation organised a Steel Sectoral meeting in Geneva devoted to the labour force in the steel industry in the 21st century.

8. At this meeting, a number of topics were addressed and were the subject of lively debate. Some of these are on the agenda of today’s meeting or were mentioned in yesterday’s discussions, and I would like to review them briefly:
- the impact of globalisation, having regard to the privatisation of steel companies in a number of countries, the trend towards greater concentration and the wave of mergers in this sector;

- the unbalanced age pyramid and the problems this will raise in terms of transferring skills and know-how to those who will work in this sector in the future. Although some companies are now beginning to recruit again, the fact remains that managing the age pyramid at a time of mass retirements is a very real problem in a number of industrialised countries;

- the need to improve the “image” of the steel industry in order to make it more attractive to the well-qualified individuals whose skills will be necessary in this leading-edge industry that has undergone and continues to undergo major technological change;

- the growing use of subcontracting and outsourcing with less advantageous working conditions as a way of cutting costs and gaining a trading advantage;

- health and safety in the industry, and in particular the fact that some unscrupulous companies try to evade their responsibilities in this field, which is also a way of gaining an unfair trading advantage;

- the need to train new staff and to retrain staff who have worked in the company for a number of years or who must find another job. Stress was also placed on how important it was for government to create the necessary framework for promoting education and training. We believe that a sector such as the steel industry, which prides itself on being at the leading edge of technological progress and which invests massively in new production techniques, cannot afford not to invest in its human capital;

- environmental issues were also in the forefront of the discussions, together with the role played by governments in ensuring that adequate environmental standards are maintained and in preventing “ecological dumping”.

1. The current situation

9. With the recovery of world demand this year, the steel industry appears to be enjoying a new phase of growth and, if current forecasts are to be believed, this trend should continue in 1998. But in our opinion, given the uncertainty surrounding this industry in most of the former Comecon countries, there is little reason for optimism. Lacking the resources to restructure and modernise plant and equipment, these countries’ steel industries -- and their labour force -- are left to sink or swim and are vulnerable to unscrupulous international dealers who can play a destabilising role.

10. At the last meeting, we told you of the decision taken by the Australian company BHP to close down its Newcastle site in 1999, despite major changes in working practices and significant productivity gains to which workers contributed substantially. The recent statements by its management reveal an even more disturbing trend, for BHP has announced that any division that does not achieve a 5 per cent rate of return by the end of the financial year will either be sold or closed down. What is more, the divisions of the company with a rate of return between 8 and 10 per cent will have until the end of next year to raise this figure to 15 per cent. Should they fail to do so, they too will be forced to close.
11. Krupp and Thyssen, which have just merged, have let it be known that their rate-of-return objective should be 15 and 12.5 per cent respectively, although it is currently only 10 per cent. It is disturbing to see that financial interests now take precedence over industrial interests.

12. BHP’s management claims that this commercial strategy is determined by the institutional investors who control a substantial portion of its shares. But is this kind of commercial strategy a realistic approach, given the cyclical nature of the steel industry?

13. The increasing concentration of production in the steel industry and the growing number of joint ventures will have major repercussions on the industry and employment. We need only mention the recent Krupp-Thyssen merger which, as expected, will result in the loss of several thousand jobs. You also know that British Steel is going to lay off some 10 000 employees, i.e. roughly 20 per cent of its total workforce, over the next five years.

14. Greater competition, both within the industry and from alternative products, will very likely eliminate more jobs and endanger the jobs of the oldest and least skilled workers, who will certainly have greater difficulty acquiring the skills required today in this sector (for example, working with computer-controlled equipment).

15. We consider this issue to be of major concern and hope that the Committee will give it special attention.

2. Trade policy

16. We must again express our disappointment over the lack of progress in the discussions on the Multilateral Steel Agreement (MSA) and the similar agreement proposed for specialty steels.

17. Given the anticipated rise in domestic consumption in most developed countries in coming years and the foreseeable impact of a decline in the volume of trade, we hope that the most will be made of this opportunity and that the necessary agreements will be concluded to ensure stability on the world steel market. But the statements made this morning by the representatives of the United States and the European Union in fact leave us little hope that an agreement will be reached in the near future.

18. As we see it, trade policy also raises the issue of basic trade union rights and the unfair trading advantage gained from failure to respect them.

19. ILO member countries are required to respect the right of workers to join and be collectively represented by a trade union in accordance with ILO Conventions 87 and 98. However, we can cite examples of joint ventures in which these rights are not respected. I shall mention an example with which you are certainly familiar -- that of Trico in the United States (Alabama), 50 per cent of which is owned by LTV, 25 per cent by Sumitomo Steel and 25 per cent by British Steel. Each of the partners refuses to accept any responsibility for the attitude of LTV’s management, which denies its employees the right to unionise.

20. A number of studies, such as a Canadian study just published, have shown that non-union workers receive far lower wages and benefits than union workers. It is therefore easy to understand the motives of the three partners in this joint venture who, in their own respective countries, count union workers amongst their staff.
21. We find it difficult, on the other hand, to understand why governments fail to act and allow companies to disregard their international obligations.

22. Trico bases its refusal to hire trade unionists on the pretext that LTV does not have a majority interest in the partnership. We believe that by taking this attitude LTV has failed to live up to the agreement it concluded with the American steelworkers’ union, under which it agreed to allow trade unions in any new partnership into which it might enter. This is all the more unacceptable in that the American steelworkers’ union helped LTV to overcome its financial difficulties.

3. Structural adaptation

23. The process of structural adaptation is continuing through innumerable mergers and take-overs, thereby further reducing the number of steel companies in the world. The wave of privatisations now sweeping across Central and Eastern Europe and Latin America only intensifies this trend, and will result in massive job losses. We deeply regret that this matter has not been raised by the Members of this Committee.

24. I was in Romania last week, where I listened carefully to a speech given by the representative of the Romanian government. What he failed to mention is that there are plans to eliminate 20,000 jobs per year in this country’s steel industry over a five-year period. In all, some 100,000 people will be laid off, and we need only to look around us to realise that their chances of finding another job are very slim indeed. This is only one example, but there are others that in my opinion must be analysed in-depth.

25. The representative of the Czech Republic was quite optimistic yesterday about the capacity of his country’s service sector to absorb the unemployed. Be that as it may, I am afraid that the situation is far more difficult in other countries such as Romania, Russia and Ukraine. We must not forget that these countries do not have the social funds of the ECSC.

26. We also know that attitudes and objectives undergo radical changes when a nationalised industry is privatised. Maximising productivity gains and profits becomes the priority at the expense of the social and human dimension.

27. In this regard, we would like to express our concern over the subcontracting and outsourcing that are becoming increasingly widespread throughout the steel industry. These practices give rise to a multi-tiered labour force in which the high salaries of regular staff are financed by the low salaries and lack of job security of outside workers. We are very concerned about the effects of these practices and their impact on training, health and safety, skill development, job security and recruitment.

28. Another trend that deserves our attention is the practice in a number of countries of replacing older workers with young ones. Should not the former also have the opportunity to receive the training necessary to acquire the new skills required by the industry? If nothing is done to provide this training, there is a real danger that older workers will be laid off without any chance of getting another job.

4. Suggestions for future work

29. First of all, I would like to take this opportunity to congratulate the Secretariat on the considerable work it has accomplished in gathering, analysing and disseminating information. This information is essential to a better understanding of the problems that must be overcome in the steel
industry. We hope that in the OECD budget discussions, this Committee’s activities will continue to be given high priority.

30. Managing the environment -- and by this we mean both the outside environment and the environment inside the workplace -- will be of growing importance in the coming years. As we know, some processes and techniques used in the manufacture and processing of steel products pose a real threat to the environment. There is every reason to believe that in a world that is increasingly aware of ecological problems, there will be new pressures to spend money on pollution control.

31. Purchasing and maintaining the necessary equipment will involve significant costs. Consequently, appropriate means must be found to prevent firms from trying to obtain an unfair trading advantage by continuing to pollute the environment, and we hope that the Committee and the Secretariat will address this issue.

32. We also hope that the Committee will review the long-term repercussions of the process of concentration and mergers that is becoming increasingly widespread in the steel industry. The disengagement of the State, which long either owned or managed the industry, is virtually complete in most Western countries and is accelerating in other countries, especially in CEECs and Latin America. Although size is now viewed as the key to remaining competitive in the world market, the fact remains that these trends will have a major impact on employment and workers’ rights in the coming years.

33. These are issues that it might be appropriate to discuss in a study or symposium on globalisation in the steel industry. We would be delighted if the Committee decided to take an initiative in this regard, as was suggested yesterday.

34. A number of companies are currently spending large amounts on training, but in some cases it is often selective and is limited almost exclusively to the highest levels of management. We are very concerned about the possible social repercussions of this approach, which tends to exclude some workers who, given their specific skills and age, may lose their jobs. This might ultimately create serious problems for the governments concerned, and we think that the Committee should address this issue and try to promote a different approach.

35. We have also expressed our concern about the lack of progress in concluding multilateral steel and specialty steel agreements, which we consider to be essential to maintaining stability in the industry. In recent years, the focus has primarily been on free trade in the steel sector, and again this morning, a number of Members of this Committee renewed their governments’ commitment to a complete liberalisation of trade. For our part, we wish to stress the need for trade that is fair and equitable.

36. Before concluding, I would like to mention that we noted with interest that a workshop on trade is being organised for the Committee’s next meeting in 1998 and would be most willing to contribute to this work if you think it appropriate for us to do so.

37. Mr. President and Members of the Steel Committee, thank you for your attention.