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ANTICIPATING AND MANAGING CHANGE IN THE STEEL INDUSTRY: A TRADE UNION PERSPECTIVE

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1. The International Meatworkers Federation and TUAC continue to take a close interest in recent moves to further consolidate the global steel industry. The latest example of this is the takeover bid by Tata Steel of India for the Anglo-Dutch Steelmaker Corus. This move follows the trend set earlier this year when Arcelor Mittal was formed from the merger of Arcelor and Mittal. The Arcelor Mittal company will produce about one-tenth of world production, employ 338,000 and operate 61 plants in 27 countries.

2. The process of globalisation and integration has been slow in the steel industry, lagging behind most other manufacturing sector. The characteristic high costs of investment in steel plant, its indivisibility, and the vulnerability of the sector to cyclical fluctuations all play a part but in slowing the pace of mergers and acquisitions but state ownership has often been quoted as the main factor obstructing consolidation. Despite the continuing moves to privatise steel undertakings, state control in China and in other major producing economies outside the OECD means that about half of global crude steel output remains in public hands. In OECD countries, public shareholdings in steel companies have mostly been terminated by privatisation over the last two decades but governments even in the United States and Western Europe have not ceased to assert an interest and a concern about national steel industries because of strategic economic reasons as well as social and political considerations.

3. Trade unions organisations of employees in the steel industry will continue to take a close interest in moves to consolidate. Both acquisitions and mergers carry risks which have been overlooked at the outset in some cases. Usually, proposed mergers do afford opportunity for consultation with managements and between representatives of the trade union organisations concerned which are helpful to the success of the merger process does confront working people and their unions with new problems. Problems of reconciling different cultures in international mergers are often deep-seated and it may well take five years or more to develop a culture appropriate to the new company which facilitates its success. That is particularly a difficulty in companies which are the products of mergers. Acquisitions raise other serious concerns among the working people affected by them.

4. From an employment perspective, there are several factors which distinguish the steel industry and trade union organisations in it. Because of the relatively large scale of most steel installations and usually their close connections with the communities near which they are sited, in nearly all significant steel producing countries the rate of trade union organisation is higher in steel than in all other industrial sectors. In most OECD countries and India, South Africa and most other countries in which there are significant steel industries, the right to freedom of association and to take part in basic trade union activities are practised freely though serious problems remain in some new member countries of the OECD.

5. Employees in the steel industry have a right too to work in conditions which do not threaten health and safety and the IMF notes with profound concern the continuing high incidence and toll of fatal and other serious accidents in the steel industry and related activities. The IMF welcomes the recent policy statement of the IISI on safety and health in the industry and concurs in its conclusion that “nothing is more important than the health and safety of people who work in the steel industry.” To aim for an accident-free working environment is everyone’s responsibility. The goal is zero: an accident-free, healthy workplace.”
6. Employers have an obligation to uphold all these basic rights, including the right to work in a safe environment. The international trade union movement has developed a number of tools internationally which can be used to influence the behaviour of multinational enterprises. The IMF has an International Framework Agreement with the new Arcelor Mittal company.

7. International Framework Agreements are negotiated between transnational corporations and the trade union movement at the global level under which companies undertake to respect human rights in employment as they are proclaimed in conventions of the International Labour Organisation concerning freedom of association and the right to engage in collective bargaining, freedom from discrimination, and freedom from forced and child labour and other exploitative forms of work. In this context we would add that there should be an active mutual acceptance of the need to achieve safe and hygienic working conditions. The ILO Code of practice on safety and health in the iron and steel industry is a useful reference point. The IMF believes that IFAs are just the first step in building long-term stability in the steel industry: other steps must include arrangements for informing and consulting employees and their unions about all the major decisions confronting management.

8. The strategic importance of the steel industry means that often governments have influence on management decisions and in many cases public ownership enforces governments role within the company. The IMF believes that Governments can become more proactive in encouraging companies to pursue these agreements and in particular the OECD steel committee can also have a role to play.

9. During the Joint India/OECD/IISI Workshop, New Delhi May 2006 the OECD produced the paper Globalisation in the steel industry: industry restructuring mergers and acquisitions-recent developments and outlook. The paper made a first attempt to look at the impact globalisation has had on the industry, the IMF also provided a paper and would like to see this area of work expanded by the OECD. In particular we would welcome analysis on the impact on employment over the last decade, future trends of employment and the development of precarious work in the industry.

10. Overcapacity in the industry is also likely to have a big impact on employment trends within the industry. Analysis of corporate investment in expanding current capacity would be relevant to the committees work, as would a measure on how this is likely to impact on global supply and demand.