Japanese Steel Industry Structural Adjustment Process and Status

75th OECD Steel Committee Meeting
5-6 December 2013
Paris

Policy Measures Aimed at Structural Adjustments

• Eliminate surplus equipment
• Shift to new businesses and use business alliances
• Business reforms (Integrations/division of companies, etc.)
  – Act on Temporary Measures for Structural Improvements of Specified Industries (1983)
  – Act on Temporary Measures for Facilitating Industrial Structural Adjustments (1987)
  – Act on Special Measures for Industrial Revitalization (1999)
  – The Law on Special Measures for Industrial Revitalization (2009)
Structural Adjustment in Integrated Steel Mills

- The number of integrated steel works has been declining since peaking in 1975.
- Since 1970, workforce at Japan’s integrated steel mills has dropped from 167,000 to 35,000.

![Graph showing the decline in number of establishments and workforce from 1955 to 2010.](source: Minister of Economy, Trade and Industry)

Total Steel Establishments in Japan

- The number of steel-related factories, plants and works, and its employees has been declining for many years.

![Graph showing the decline in total steel establishments and workforce from 1955 to 2010.](source: Minister of Economy, Trade and Industry)
Japan’s Steel Production Capacity

- The number of blast furnaces has declined from 72 in 1976 to 28 in 2012.
- Steel production capacity in Japan increased rapidly until the mid-70s.
- Capacity was reduced as the yen’s strength impacted the Japanese economy starting in the mid-80s and has subsequently remained steady.

Structural Adjustment in the Japanese Steel Industry (1)

- Structural adjustments have been accompanied by constant investments in R&D, energy conservation, environmental protection and workplace safety.
  - Even while cutting capacity, the steel industry has made investment to remain competitive, including developing high-quality, high-performance steel products.
    - e.g.,
      - Pursuit of energy conservation; measures to improve yields; development of high-efficiency non-oriented electrical steel sheets (for motors in hybrid and electric cars)
Structural Adjustment in the Japanese Steel Industry (2)

• Capacity reductions accompanied by measures to ensure job security
  - Reassigning employees to other business units and new businesses
    ⇒ Turning these employees to take a major role in the new business fields (such as new materials, electronics, and information and communications)
    ⇒ Maintaining sound labour-management relations, supported by trust between each other
    ⇒ No labour disputes at steel companies

Structural Adjustment in the Japanese Steel Industry (3)

• Address structural adjustment with foresight
  - The key is to act quickly while still having extra resources, judging circumstances surrounding the industry.
  - Japanese steelmakers quickly initiated structural adjustments when demand declined.
    ⇒ Succeeded in attaining sustainable growth