

Unclassified

CCNM/EMEF/SC(98)19



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

OLIS : 22-May-1998

Dist. : 25-May-1998

Or. Eng.

CENTRE FOR CO-OPERATION WITH NON-MEMBERS
STEEL COMMITTEE

Emerging Market Economy Forum

WORKSHOP ON STEEL TRADE ISSUES

STEEL TRADE AND GLOBALISATION:
STATEMENT BY THE TUAC

The Workshop will be held in Paris on 27-28 May 1998.

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

65839

Document complet disponible sur OLIS dans son format d'origine

Complete document available on OLIS in its original format

CCNM/EMEF/SC(98)19
Unclassified

Or. Eng.

**WORKSHOP ON STEEL TRADE ISSUES
STEEL TRADE AND GLOBALISATION
STATEMENT BY JOHN J. SHEEHAN
ASSISTANT TO THE PRESIDENT, UNITED STEELWORKERS OF AMERICA
ON BEHALF ON THE TUAC AND THE IMF
PARIS, 27-28 MAY 1998**

1. The process of economic globalisation, by which we mean the opening-up of national markets to international trade and foreign investment in a world-wide borderless economy, provides considerable opportunities for developing countries to achieve the higher level of economic growth and social development they aspire to and urgently need, in order to overcome the problems they face arising from poverty and social exclusion.
2. However, the lack of any global rules or regulations and institutions or others means to enforce them, coupled with the desperate need of developing countries for investments and jobs, presents transnational companies with the opportunity to force countries and workers to compete against each other on the basis of who can provide the lowest cost base, and thereby the highest profits, for the companies concerned.
3. Consequently, globalisation has not brought the universal benefits that were claimed by its supporters, but has resulted in a downward spiral of wage, non-wage benefits and working conditions, eroding many of the advances gained by trade unions over the last 50 years, and resulting in a growing disparity between the skilled and unskilled and the rich and the poor.
4. It is not by chance that the process of economic globalisation has become synonymous with deregulation, especially in the area of environmental and occupational health regulations where it is argued that only market forces should determine the level of protection instead of social legislation which would internalise the cost of these benefits. Those who have actively promoted globalisation and have benefited from it have been extremely successful in persuading both international financial institutions of the need for complete freedom in respect to their financial transactions, and governments to provide unrestricted and unconditional access to their markets instead of a reciprocal trading system which is rule-based.
5. The process of globalisation in the steel industry has resulted in a significant shift in the structure of ownership which, 20 years ago, was almost entirely owned by national interests, irrespective of whether or not it was owned by the State, which in most cases it was.
6. Opportunities for foreign investment or acquisition arose as a result of the crisis in the industry and the restructuring programmes that were introduced to overcome problems of structural over-capacity in many countries, budgetary pressures and vulnerability to trade cases. In many situations, the acquisitions completely ignored the social impact on workers.
7. Privatisation has resulted in the elimination of almost all publicly owned steel companies in Western Europe and continues in governments in former USSR and Latin American countries. Privatisation has added further momentum to the globalisation process by creating new opportunities for acquisitive companies to expand their operations, while the well being of workers and their communities may be lost in the shuffle.

8. Employment levels were drastically reduced prior to privatisation not only to improve each company's profitability, but to reduce their liability, making them more attractive to prospective purchasers.
9. The concentration of ownership that these developments have brought about are resulting in an intensification of international competition between the steel companies in their efforts to reduce costs. Particular emphasis has been put on reducing employment costs which, given equal access to technology, provide the most significant opportunity for companies to obtain or retain a financial advantage over their competitors.
10. The trend towards the establishment of transnational companies within the steel sector has been further advanced by the creation of joint-venture companies, such as Trico in the USA.
11. The Trico venture by three steel companies sought to ensure a financial advantage over their competitors by establishing the new company on a "greenfield" site, where it was able to obtain financial inducements through State tax breaks and other means, as well as deliberately setting out to defeat its employees in their efforts to join or form a trade union.
12. What makes this case particularly interesting is the fact that the workforces of the three companies concerned in this joint venture are fully unionised and helped to create the profits being used to establish the new steel making capacity, which will further intensify competition through its union-free fixation and which could, in the longer term, pose a threat to their jobs.
13. Furthermore, the major shareholder, LTV, which owns 50 per cent of the new company, had an agreement with their trade unions to recognise trade union rights in any future venture they might become involved with in recognition of the workers' contribution in saving the company when it was threatened with closure. Yet LTV is now denying any responsibility for the management decisions of Trico, as are Sumitomo Metals and British Steel, because they do not have a controlling interest in the company.
14. Management in the steel industry is constantly seeking to increase productivity and thus profitability by further reducing employment costs by a wide variety of means designed to subvert collective bargaining agreements.
15. These have included, in addition to investments in labour-saving technologies, the dilution of job demarcation especially between craft and process workers; the introduction of new working practices such as the substitution of directly employed workers with sub-contract labour for many production-line jobs, as well as service functions, with considerably lower levels of wages and non-wage benefits, with little or no security of employment.
16. This increasing use of sub-contract labour poses longer-term concerns. As sub-contracting companies are forced to compete on price for the provision of various functions, it is highly unlikely that they will have the resources to invest in the training necessary to guarantee the highest quality of workmanship, with adverse consequences for the company's performance and reputation in the longer term. Furthermore, there can be a conflict of interests between the goals of the steel companies and the sub-contracting companies.
17. While it was possible to re-employ some of those who previously fulfilled these roles prior to the transfer of the work to a sub-contracting company, as and when the current workforce needs to be replaced, it will become increasingly difficult to find workers with the appropriate skills or experience.

18. Another aspect giving cause for concern as a result of these changes is the increase in stress reflecting the increased intensity of work.
19. Investments in new technologies, and in particular the development of computerised control systems, have resulted in many “operators” becoming mere machine minders of screen monitors. And while they may work in relative comfort, with soundproofed, air-conditioned operating booths, the isolation and lack of direct human contact lead to a further increase in stress.
20. In some Latin American countries where massive job losses took place prior to privatisation, but little or no training was provided to help the workers adapt to the new working conditions, this has resulted in a significant increase in the number of serious accidents being recorded.
21. However, for the trade unions, one of the most worrying trends has been the deliberate management policy adopted by some of the more recently established steel companies, such as that mentioned above, the LTV-Sumitomo Metals-British Steel joint venture (Trico), to discourage their employees from exercising their right to trade union membership and the collective representation this provides.
22. Data gathered in the USA and UK clearly shows that non-union labour receives considerably lower pay (at least 10 per cent less), and much inferior non-wage benefits, such as sick pay, pensions, etc., than their unionised counterparts.
23. Furthermore, the wage structures in non-unionised plants force the workers to bear the brunt of any downturn in profitability, irrespective of the cause, through substantial reductions in their pay. This explains why management prefers to be able to unilaterally determine pay levels and structures and working practices, free from any constraints imposed by trade unions.
24. However, we wish to highlight the government’s role in the process, and the moral if not legal obligation that countries, which are members of the ILO, have to ensure that their citizens are able to exercise their right to trade union membership, as enshrined in ILO Conventions Nos. 87 and 98, whether or not they have ratified these Conventions.
25. Another example of a steel company seeking to obtain a financial advantage over its competitors by denying its employees trade union representation was provided by the Canadian-owned Co-Steel Sheerness, in the UK.
26. The entire workforce at this steel plant had been unionised from the very start of its operations, until management took advantage of the opportunity provided by anti-union legislation introduced by the Conservative government, to de-recognise the trade unions.
27. Co-Steel Sheerness forced its employees to sign individual contracts of employment, allowing management to unilaterally determine individual rates of pay. The fact that the parent company, Co-Steel, has now decided to sell its UK subsidiary because of ongoing losses, only serves to underline the fact that relatively low wage levels are insufficient by themselves to guarantee success.
28. We believe that trade union rights are a fundamental and basic human right. Furthermore, the important role that trade unions can play in establishing and maintaining the preconditions necessary for sustainable economic growth has been recognised by the WTO, albeit somewhat belatedly, and we very much hope that the commitment made at the first WTO ministerial meeting in Singapore will be further developed at its forthcoming meeting, which is to be held in Geneva.

29. We also hope that the ILO Annual Conference, which is also to be held in Geneva next month, will approve Michel Hansenne's proposed "Declaration of Principles" which will require all ILO Member States to implement the seven core ILO Conventions, whether or not they have ratified them.
30. Indeed, the requirement to respect labour rights should be an integral part of all international trade, co-operation and investment agreements, and we reject the suggestion from some quarters that the question of trade union rights is something which should only be dealt with at the ILO.
31. The evidence provided by the OECD study on the effects on trade arising from the respect of trade union rights clearly shows that the right to trade union membership does not eliminate wage differentials in different regions or countries, nor will it necessarily prevent or dissuade job-creating investment going to developing countries.
32. However, if companies are required to respect trade union rights, this will enable workers to directly participate in the establishment of their rates of pay and conditions of work through the process of collective bargaining, and this will go some way to prevent the transfer of productive capacity from one country to another simply to exploit low-cost labour where trade union rights are denied.
33. We are concerned over the failure to adopt a Multilateral Steel Agreement and the lack of an effective way to provide a level playing field in steel trade governed by enhanced disciplines on subsidies and non-tariff barriers. The increasing use of anti-dumping actions, which have been criticised as a crude form of protectionism, reflect, however, a last resort response to circumstances in which overcapacity or reduced steel demand in traditional markets induce some producers to engage in practices which "beggar their neighbours" thereby transporting unemployment to their trading partners.
34. Indeed, arbitrary interference in trade markets can play a significant role in encouraging companies to transfer their investment inside protected markets, thereby evading trade restrictions, but at the same time, causing unemployment at their original locations. This raises yet another potential problem concerning the lack of influence which national governments can exercise over the investment or disinvestment strategies of foreign-owned companies.
35. Mr. President, Members of the Steel Committee, Fellow Delegates, I would like, on behalf of the trade union participants, to conclude my remarks by thanking those responsible for organising this workshop.
36. We very much hope that you will be able to organise further workshops in the future, and we look forward to our participation in what we consider to be one of the most informative and fruitful meetings for all those who are involved in the steel industry.