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**GLOBALISATION AND CONSOLIDATION IN THE STEEL INDUSTRY: A TRADE UNION
PERSPECTIVE**

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Paper submitted by Mr. Rob Johnston, Director, International Metalworkers Federation

Contact: Wolfgang Hübner, Head of Structural Policy Division and Steel Unit
Tel: +33 1 45 24 91 32 Fax: +33 1 44 30 62 63 E-mail: wolfgang.hubner@oecd.org

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GLOBALISATION AND CONSOLIDATION IN THE STEEL INDUSTRY: A TRADE UNION PERSPECTIVE

1. The concept of globalisation is quite difficult to tie down and is more than usually susceptible to statistical manipulation. There are many alternative ways of defining and measuring globalisation and choice between them often seems to depend on ideological and political choices. One understanding sees the development of a unified international economy - facilitated by new communications technology - transcending inexorably the authority of governments in even the world's main economic powers and regions and sees their influence over the organisation and distribution of economic power and wealth as waning and capable only of waning further. This approach is often advanced in the context of attempts to demonstrate that privatisation is always an economically sound course as well as being a necessary condition for consolidation and effective participation in global markets. It goes too with an idea that attempts by governments; multinational companies or trade union organisations in OECD countries to interfere with the free interplay of market forces in order to maintain wages and social security systems are dangerous or futile.

2. In fact, on one measure of globalisation of the steel industry – the geographical spread of steel production since 1949 – it can be attributed in large part to the determination of governments, particularly in developing countries, for rational economic and strategic purposes as well as prestige reasons to build national steel industries: hence the urgent need for the strenuous and prolonged efforts of the OECD to achieve a binding international agreement to eliminate public subsidies for steel-making investment which distort competition.

3. A second view at the other extreme denies that globalisation in the diversification of production and the rapid expansion of trade flows, evident in the steel industry as in many other sectors, have reduced significantly the influence of governments and their capacity to develop coherent and effective national economic policies. Trade flows within countries are nearly always much more voluminous than those between countries even in the European Union where regional economic integration is most advanced. Even in the EU countries significant price differences for steel goods as for other products, persist which is not what would be expected in a free internal market relatively open to third country imports. With this understanding, it might appear that the evident differences in economic and social policies among OECD governments are explicable as rational responses to the real world, based on democratic political choice, free of overriding concerns to liberalise national economies.

Globalisation in the Steel Industry

4. The International Metalworkers' Federation with the rest of the international independent trade union movement has as principal aims to promote improvement in living standards, social protection, and the rights to a say at work in all decisions of all the working people in membership of its affiliates in developing and industrialised countries. Its own analysis of consolidation in the global steel industry at its Washington Conference in 2000 and in regional meetings gives it an understanding of globalisation in the sector different from either broad approach sketched above.

5. 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 ownership in China and in other major producing countries outside the OECD means that approaching 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 have asserted an interest and a concern about the national strategic significance of steel. It is clear that the shareholdings, interest and influence of governments in the future of Arcelor and in the bid by Mittal to take it over have had a powerful influence on the tactics used by Mittal and Arcelor as well as on the media handling of the bid.

6. Some commentators give pride of place to the retreat from public ownership as the key factor which has turned the global steel industry from a destroyer of economic value into a profit maker, attractive to investors round the world. The evidence for this conclusion is sketchy and it is clearly the case that at least some European companies which are still partially in public ownership have had a much superior performance record in recent years than companies which have been in private hands for two decades or more. The comment might be made that the quality of management is the decisive factor and that private enterprise has no monopoly of effective and far-sighted managers and entrepreneurs. In the short term at least, it was the rapid expansion of demand for steel from China reaching a peak in 2004 which transformed the situation of serious overcapacity which the OECD was trying to help correct through fostering negotiations for an international agreement on subsidies. A further external factor of lesser significance was the depreciation of the US Dollar against the Euro, Yen and some other currencies also helped to ease steel trading tensions by increasing the competitiveness of US manufacturing production.

7. It is to be hoped that the industry can maintain this newly won profitability and that urbanisation and industrialisation in India and other emerging economic giants will give renewed boosts to global demand for steel products but it was a clear from the information presented to the OECD Steel Committee in October 2005 that forecast economic growth is unlikely to match the growth of steel capacity already planned globally and there is a strong probability that prices and profitability will come under pressure again within a few years. In these circumstances without the attractions of high profitability which have fuelled the urge to merge, mergers and acquisitions may not appear to be as attractive as at present and consolidation of the global steel industry may slow.

8. 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 new 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.

9. The unions representing working people in Arcelor and the European Metal Workers' Federation have made clear their opposition to hostile takeover bids. Such instruments of consolidation deny the employees an opportunity to have a say in discussions and negotiations which are likely to have a major influence on their work and possibly even livelihood. In the European Union that a right to consultation is guaranteed in law and the experience of the European Coal and Steel Community in managing massive changes in the demand for and supply of steel demonstrated the usefulness and efficacy of consulting

people fully in advance about all important choices relating to investment, closures and restructuring. The damaging social consequences of restructuring were tackled effectively with the full involvement of the trade unions and social dislocation and unemployment were minimised.

Employment in the Steel Industry

10. Productivity improvement in steel in most countries and in most years is remarkably high – often approaching double digit rates of increase and two or three times faster than the average for manufacturing –and pay and conditions of employment tend to be better in steel than other sectors, even other process industries. The growth in domestic demand for steel in OECD countries throughout the last thirty years has not approached the rate of improvement in labour productivity and though international trade in steel has increased five-fold there has been constant pressure on employment and rapidly declining workforces in OECD countries for the last four decades. A survey of employee opinion in steel companies commissioned by the IMF in 1999 identified the main issues facing them as employment insecurity, increases in insecure contracts and increased workloads. Member unions have a consistent policy of resisting compulsory redundancies and are active in negotiating terms for transfers within the company, early retirement on a reasonable pension, or generous voluntary redundancy terms. Some unions – for example, the British trade union Community with its wholly owned agency *communitas* – provide a training and retraining service to members and other working people affected by restructuring.

11. The whole range of policies to mitigate the consequences of structural change for the employees concerned, their families and their communities will all work be more effective if employees and their unions are informed about the choices open to companies in good time before decisions are taken and if the people concerned are able to influence those decisions. It is helpful too if as under the ECSC of former years there is a framework of public social protection to ease employment change. Far from being a hindrance to companies attempting to increase their competitiveness, measures of this kind have proved to be conducive to high rates of investment and to commercial success.

12. Differences in wage levels, working hours and employment practices reflect a wide range of economic and cultural aspects of national steel industries but there can be no justification for difference in health and safety provisions in the steel. The steel industry continues to present serious health and safety hazards even in companies like Bluescope Steel which in the eyes of many observers has set the standard for best practice. The IMF and its affiliated federations actively pursue upward international harmonisation in respect to health and safety protection with particular emphasis on accident prevention, education and training facilities, and the establishment of effective joint health and safety committees.

TRADE UNION ORGANISATION IN THE STEEL INDUSTRY

13. From an employment perspective, there are several factors which distinguish the steel industry and trade union organisation 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 of the new member countries of the OECD - two steel workers were shot dead by police at the SICARTSA steel mill in Mexico in April.

14. The right to form and join an independent trade union and to take part in its activities are basic human rights which all working people should be able to practise whatever the level or rate of economic development in the country concerned. In a period of economic integration respect for these basic rights assumes particular importance in forming perceptions about competition in international trade. The IMF with the rest of the international trade union movement considers that states should fulfil all the solemn obligations arising from their membership of the International Labour Organisation (ILO) to respect basic human rights in employment –freedom of association and the right to organise; freedom from forced and child labour; and freedom from discrimination. Trade union organisations take the view that states which are not prepared to enable their citizens to practise these basic freedoms should be prevented from benefiting from the advantages of admission to international organisations, including the World Trade Organisation.

Sustainability

15. The substantial advances in opening international trade and investment to new countries and new industries over the last twenty-five years certainly did not come about in the absence of far-reaching political change and it would be unwise to think that the further opening of the international economy will be a smooth natural progression provided that the distorting influences of states and politics on markets are avoided or eliminated. Possibly the largest contribution of all to enlarging international markets and to encouraging the belief that there is no rational alternative to market capitalism was the fall of communist governments in central and eastern Europe, which itself stemmed from the fall in democratic elections of the Polish Government in 1989. In the year of the twenty-fifth anniversary of the imposition of martial law in Poland, it would be appropriate to recall that the peaceful revolution in Poland did not arise out of the workings of the international economy though the economic failures of the state and the Party contributed. It was initiated and driven by working people struggling for the right to have independent trade union organisations. Governments in OECD countries at the time were much more concerned with propping up the regime there and having debts repaid than in supporting the emergent independent and autonomous trade union organisation, Solidarnosc.

16. The OECD has provided a forum for extensive and constructive discussion about the sustainability of the stable growth of the steel industry. The discussion in January 2005 and subsequently identified conditions which would need to be fulfilled if this was to continue. Given the particular exposure of the steel industry to climate change concerns and the general threats to global stability arising from such trends as the widening inequality in income distribution and rapidly-increasing global migratory pressures, sustaining the industry will require action outside the scope of even the largest multi-national companies, whether or not consolidation accelerates. The issues will become sensitive in national elections and legislatures and require a response from governments and political parties though the nature of the

problems means that they may be tackled with a reasonable chance of success only on a global basis and with the involvement of the business world and the trade unions. The ILO for example should be enabled to reactivate its standard-setting work which is needed urgently to set a basis for international labour standards and prevent a slide to decline in working conditions as well as in providing an equitable basis for regulating migratory flows.

17. At present the governments of OECD countries are far from achieving the degree of international cooperation and solidarity needed to commit resources and share power and authority to international organisations. This has been underlined by the failure so far of the negotiations within the OECD over a binding agreement on steel subsidies. The IMF remains convinced that the present situation of the international steel industry affords an opportunity for negotiating an agreement which should be grasped. With other international trade union organisations, the IMF will continue to work to underline the need for the ILO and other international organisations with responsibilities in the area of economic, commercial and social policy to be permitted and encouraged to be responsive to the needs of ordinary working people.