The Steel Industry in the European Union: Changes and Possibilities

The European Union (EU) steel industry is experiencing massive upheaval and change. The region remains one of the largest producers and consumers of steel in the world, and the industry is vital to EU economic success. It is important that the EU industry responds positively to change (such as over ownership and in relation to organisation), as well as taking advantage of the possibilities provided by these developments. At the centre of the EU steel industry is its workforce, and it is important to grasp with both hands the opportunities presented by change to ensure the best future for steelworkers, the industry and those others dependent on it.

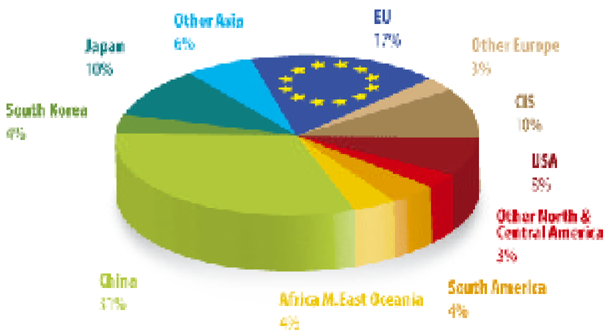
The Shape of the EU Steel Industry: Steel is a worldwide commodity and world crude steel production exceeded 1 billion tonnes for the first time in 2004 (1,244 billion tonnes in 2006). The EU is the leading manufacturer of iron and steel products in the developed world, with production in 2005 of crude steel of 186.8mt, far ahead of Japan and the USA (116.25mt and 98.6mt respectively)[1]. The region was the largest steel producer worldwide until this position was taken by China in 2000. China produced 422.7mt in 2006.

The EU remains however – in terms of volume – the second largest steel industry in the world, and this has taken on new dimensions with the increase of the EU from 15 to 27 member states. Arguably the EU remains the world leader in steel quality, technology, product specialisation and innovation. At present, Chinese production remains predominantly focused on high volume low quality products. More particularly, the level of production technology in China is, at best, variable.

[1] mt is million metric tonnes. All figures from Eurofer http://www.eurofer.org/cgi-bin/stats_index.pl

Steel is a key sector for Europe's economy and competitiveness. It provides direct employment for approximately 350,000 people, and employs several times this number indirectly (for example, in the processing and recycling industries). The steel industry is an indirect source of employment for millions of others too. Steel is a key material for many industrial activities (e.g. road, rail, maritime and air transportation, construction, energy, chemical industry, household appliances, etc.). Indeed, the European construction steel industry and the automotive sectors account for more than 1.3 million jobs within the EU-15.

World Crude Steel Production - Geographical Breakdown 2005



It is vital for the future of Europe and its citizens to maintain an active and competitive steel industry. At present, the European Steel industry is characterised by a number of distinctive features:

- Changes in ownership, merger and acquisition.
- Globalisation and ownership beyond Europe.
- Growing impact of the environmental aspects, particularly those related to CO2 emissions and greenhouse effect, plus emission trading.
- Rising prices for raw materials and energy.

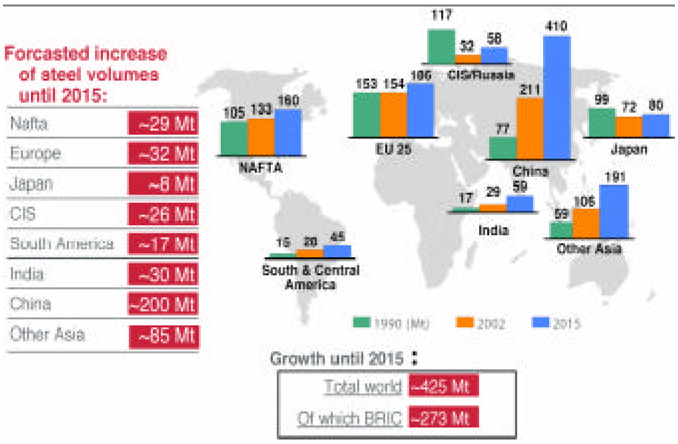
- Research and development policies in the steel sector (e.g., European Steel Technology Platform).
- Technological changes.
- The cyclical pattern of the steel market.
- Ongoing discussion in the international bodies (WTO, OECD) on trade regulation and overcapacity.
- Organisational developments in the workplace and changes to the socio-demographic composition of the workforce

EU Steel Industry Challenges: Certainly, the European steel industry is undergoing continuous structural changes, and more recently this process has gathered pace. Both the massive expansion of the steel industry in the BRIC (Brazil, Russia, India and China) countries and the occurrence of supra-European steel companies, represent real challenges for the 'European Institution' and its social partners.

The steel industry remains much less concentrated than its major supplier or client industries. Thus it is hard pressed to accelerate its concentration and rationalisation on a global scale, which would allow increased negotiating power with its main clients and suppliers. This, in turn, would boost its capacity to serve its customers worldwide with the same quality of products and services enjoyed locally. More particularly, the trend towards further liberalisation of international steel trade, and thus increased international competition, has manifested itself clearly. It is the case that the steel industry is faced with the growing impact of globalisation, and the need to respond to the pressures on its markets. Moreover, such developments require that the rules of fair trade be applied and respected worldwide.

However, a European industrial policy in a sector where the main strategic choices are decided elsewhere might be difficult to obtain. Indeed, to maintain the European Social Model, a new strategy for trade unions might be required; to date European trade unions have dealt predominantly with Europe based steel companies, but this is changing. These broader adjustments in the steel sector necessitate the need for change too, in the various bodies dedicated to social dialogue, at the company, national and European (and International) levels.

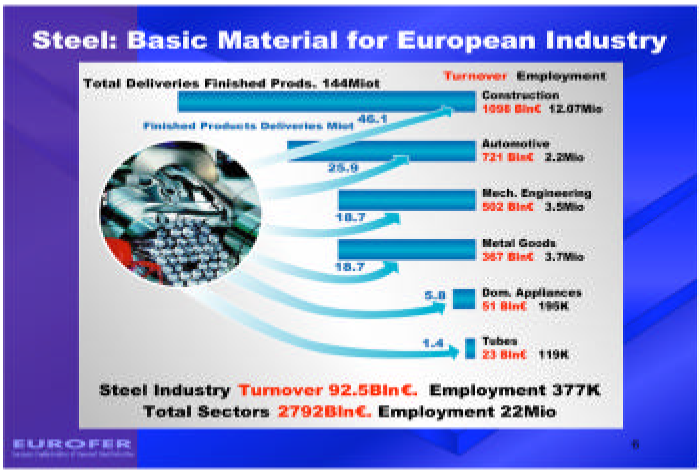
Past experience shows that crises in the steel industry most often have their roots in imbalances caused by rapid fluctuations in demand combined with somewhat rigid supply structures and global overcapacity. Fluctuations in demand are related to business cycles, but also have structural contexts. Economic cycles influence steel demand to a large extent, bearing in mind that steel is used for both consumer and capital goods. In terms of volume, global steel demand is expected to increase more in the future than it did in the past, owing to the increased growth of countries such as China and India. Accordingly, the stronger market growth has taken place outside mature steel markets such as the EU, Japan and the US, and instead involving a number of Asian and Latin American countries.



The European steel industry will nonetheless continue to evolve: new processes and new products are likely to be developed to strengthen its competitiveness, answer evolving customer demands and preserve the environment. Other changes will come from the increasing globalisation of the world economy and the world steel market, which in turn is likely to mean continuing rationalisation and concentration in the steel industry.

The European Steel Technology Platform (ESTEP) is a cooperative effort (of the European steel industry) to bring about sustainable steel production technologies and products. The inclusion in the 7th European R&D Framework Programme – of the priorities indicated in the ESTEP's Strategic Research Agenda – is the first step towards fundamental change in the sector.

The EU Steel Industry Workforce – Meeting Challenges and Working with Change: It is people working in the steel industry (particularly in the new member states), and perhaps those in society more generally, who will be the drivers for industry change. They will, moreover, also be those who will have to live through the changes, and may in some instances question them. This illustrates the key role of people in the success of a changing steel industry, as well as the need to prepare people to address change constructively – change must be managed in a socially acceptable manner.



Source: http://www.eurofer.org/home.htm

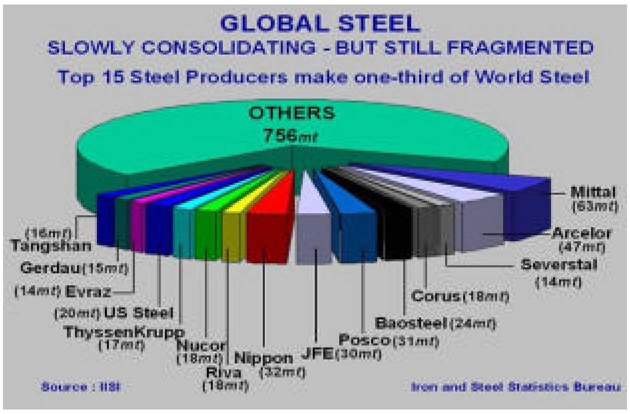
Soon, the European steel industry will be faced with unprecedented and demanding pressures. The age structure in most steel producing companies is such that more than 20% of its workforce will retire (or be made redundant) over the next ten years, and close to 30% will leave over the following ten years. Needless to say, this transformation will not only be quantitative, but will also require ways of developing an inclusive environment and facilitating better interaction between workers. It represents, at the same time, a daunting challenge and a welcome opportunity.

One key challenge is for the industry to engage fully with training and learning, and, in particular, formal Vocational Education and Training (VET) structures. VET structures differ from country to country, from the more voluntarist system of the UK to the more corporate dual system of Germany. However, a concern for the industry is that as key workers retire from the industry and other developments create new skills needs, the industry must develop the capacity to meet emerging skill needs and shortages. Formal VET structures and the training strategies pursued by companies become critical in this respect. At the same time, the steel industry must also develop its capacity to attract relatively highly skilled people in a competitive labour market.

It is important that the industry begin to invest in life-long learning. Old and new parts of the workforce will need to cope with new technologies and processes, acquire new competencies, and secure the positive development of their careers. As such, new approaches should be devised to ensure that appropriate training is available and that its quality is sufficient to maintain the excellence of the workforce. On the one hand, life-long learning should be part of the proactive process of developing positive attitudes towards change. On the other hand, in a world where people begin to anticipate that their career will cover various functions, potentially in several companies from different sectors, the quality and flexibility of the life-long learning schemes offered by the steel industry might become a differentiating element in the competition for contracting highly skilled people.

The continuously improving record of the steel industry in the field of health and safety should contribute to the attractiveness of the sector. The high priority given by the industry to its "zero accident" objective and the elimination of fatalities is a guarantee of further progress.

In the case of the steel industry, one consequence of a safer, cleaner and more technologically developed working environment, is a requirement for a more highly skilled workforce. As mature and predominantly male and, in some countries, unqualified sections of the workforce gradually exit the industry, space may be opened up for the recruitment of more highly qualified men *and* women of different and diverse backgrounds. Such developments are likely to shape the industry in distinctive ways in the twenty-first century. As evidenced by some in the industry, a positive approach to questions in relation to gender, ethnicity, disability, generation and occupational and qualification profiles would facilitate change.



All these trends converge on and represent different facets of human resources management. During the last thirty years, the importance of human resources management has increased in steel companies' competitive strategies. While there is debate about the precise value of human resource management, it is one of the main sources of competitive advantage in the modern steel industry. The emergent question is how to engage and involve labour, perhaps via networks involving managers, staff professionals and unions.

Thus, it comes as no surprise that most steel companies, in one way or another, have been pursuing new organizational configurations. One objective has been to attempt to transform steel enterprises into "knowledge organisations". Human resources management and social partners more generally, play a key role in change management. As such, the social partners are instrumental in developing an industrial relations system supportive of innovation, improvement of job quality, and competitiveness, thanks to a constructive social dialogue. In the end, effective human resources management, in conjunction with trade unions and others, is essential to the successful implementation of the steel sector's long-term vision regarding profit, partners, the planet, and people.

Summary:

- The EU steel industry remains one of the largest in the world and one of the most advanced.
- The EU steel industry is becoming more internationalised, particularly with regard to ownership and faces a number of new challenges.
- The EU steel industry needs to evolve in terms of the many different aspects that comprise steel production, including the composition and organisation of the workforce.
- The future workforce is likely to be more diverse, differently organised and highly qualified, placing new pressures on industrial relations and presenting new challenges in relation to equality and diversity.

Briefing Paper 2 is part of a series of 5 briefing papers coming out of the EU Leonardo da Vinci programme sponsored EDLESI project:

- BP1: EDLESI: An Executive Summary.
- BP 3: Equal Opportunities Policy in the European Steel Industry.
- BP 4: The EU Steel Industry: Experiences of Diversity and Equal Opportunities + sub-papers on project target groups.
- BP5: Recognising and Promoting Equality and Diversity: Good Practice.

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