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EUROPEAN STEEL INDUSTRY ANALYSIS PROJECT

Special Projects Branch
Industry, Science and
Technology Canada

Patrick Doherty

January 1992

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BACKGROUND

Canadian industry faces strong competitive forces in a rapidly changing global economy:

- ever liberalizing international trade regulations
- formation of regional trading blocks
- North American Free Trade Agreement
- increasing global cost-competitiveness and price pressure.

Special Projects Branch, ISTC, has undertaken several industry sector analyses, illustrating their competitive position and trade regulations appropriate to Canadian industry.

The initial analyses of Algoma indicated that the firm's financial problems were symptomatic of the cost competitive malaise of the entire Canadian steel industry.

Special Projects Branch presented the preliminary results to labour as well as to industry. The United Steel Workers of America (Canadian section) asked that ISTC include a labour component in the analyses.

Inter-country comparisons among the U.K., France, Germany, U.S.A., and Japan had been undertaken illustrating the respective restructuring strategies pursued in each country with respect to:

- Government/Management Policies
- Openings/Closures/Mergers
- Labour (redundancies, retraining, assistance)
- Financial Assistance
- Trade Protection

This study is a first attempt to determine, from the experiences of other major steel producing countries, constructive and creative ways of restructuring the industry, dealing with labour reductions and developing competitive labour-management models.

CONCLUSIONS

- ¶ The two leading industrial and economic forces in the world today, Germany and Japan use some form of co-determination.
- ¶ The experience of these models can be adopted to suit the needs of a given country, tailored to its particular history, circumstances and the current and prospective economic conditions.
- ¶ Shareholder capitalism is no longer viable. Stakeholder capitalism (Japan and Germany), which includes a wider range of interest groups, is the model for competitiveness in the future.
- ¶ Co-determination requires more time in planning and is extremely effective for the implementation of operational changes, restructuring, closures, work force cuts and employee efficiency.
- ¶ Restructuring requires changes at the firm, industry sector, and state levels.
- ¶ Labour is changing from an adversarial position to a partnership (co-operative) role with management, taking a proactive role in industrial restructuring and competitiveness.
- ¶ The organization of the firm and industry has replaced technological advancement as the key to competitiveness. Cooperative labour-management relations are essential to competitive organizational structures.
- ¶ Education and training are rudimentary factors in industrial competitiveness, restructuring and redundancies.
- ¶ Constructive and creative ways of dealing with redundancies include early retirement, moving employees to other industries, lump sum payments and support to small businesses in the area.
- ¶ Government assistance formed a significant part of the restructuring of the European steel industry. Germany delivers its subsidies to a greater extent at the state, regional and local level, rather than at the federal level.

LABOUR/MANAGEMENT

Labour-management relations among the European countries are not uniform.

- ¶ Labour in France, the U.K. and Italy represent their interests through political parties.
 - This results in a sporadic and uneven representation of labour interests. Their party is not always in power.
 - In France, which has three political parties having labour as their constituency, the interests of labour are splintered at the political level and in labour negotiations.
 - Unions in Italy, as in France, compete with each other.
 - U.K. unions represent their interests at the political level through the Labour Party and in an adversarial mode with management.

- ¶ Germany and Sweden have adopted co-operative labour-management practices through the co-determination model.
 - The model is oriented towards the organization as the key to competitive advantage.
 - The sharing of power among shareholders, management and workers is the underlying philosophical principle.
 - Unions in Germany have no affiliation with political parties, and are very strong. IG Metal, the most powerful union, with representation on several Boards of Directors, is extremely well financed and able to develop its own specialists.
 - In both Germany and Sweden, unions have accepted the view that restructuring was necessary and that exports and competitiveness are important issues.

- ¶ The Netherlands has a model similar to German Co-determination.

GERMAN CO-DETERMINATION

HISTORY

The initial approaches to co-determination in Germany were first undertaken in 1923 with the establishment of work councils having an input into entrepreneurial modes.

- These were abolished by the National Socialists in 1934.

Under the post WWII British military administration and their German trustees, employees agreed to coal and steel union demands for their participation in the new order through appointments to the managerial board and the supervisory board of corporations.

- The Allies reportedly favoured laws and regulations providing for these structures, as a means of offsetting any resurgence of Nazism.
- In 1947, the first corporations were established under a new German corporate law, which had parity representation on a supervisory board with a personnel director as part of the managerial board.

Four separate Co-determination laws were passed over time, the most stringent of which is the 1956 Iron and Steel Model.

- ¶ **The Iron and Steel Co-determination Law**, which covered coal and mining also, was established 21 May, 1951. (Model is represented in Chart #1, Appendix "A")
- ¶ **Shop Constitution Code (Betriebsverfassungsgesetz)**
The 1952 Model arose through attempts by the German Federation (DGB) to have the 1951 Law apply to all large scale industries. (Model is represented in Chart #2, Appendix "A")
 - Achieved only one third participation on the supervisory boards of corporations with over 500 employees.

¶ **Coal and Steel Co-Determination Code of 1956**, as amended in 1989
(Mitbestimmungsergänzungsgesetz - Montan) (See Model p. 6)

- This is the operating co-determination model for iron and steel today.
- Provides for equal representation of shareholders and workers/employees on the supervisory board.
- The majority of the employee representatives are nominated by the unions.
- Together, the shareholder and employee representation elect a neutral member as chairman to avoid a deadlock.
- Director of labour (Arbeitsdirektor): The management board must have one member in charge of personnel affairs. This person is appointed or removed only with the majority approval of the employee representatives.
 - * The Arbeitsdirektor is responsible interalia for negotiating employee cutbacks in restructuring and plant closures, representing the interests of both management and labour.
- The 1989 amendment extended the application of the 1956 Code to coal and steel conglomerates that were no longer predominantly engaged in these industries, i.e. they had diversified their activities and would otherwise be subject to the general industry Co-Determination Code.

¶ **Co-determination Code 1976** (Mitbestimmungsgesetz) (Model is represented in Chart #4, Appendix "A")

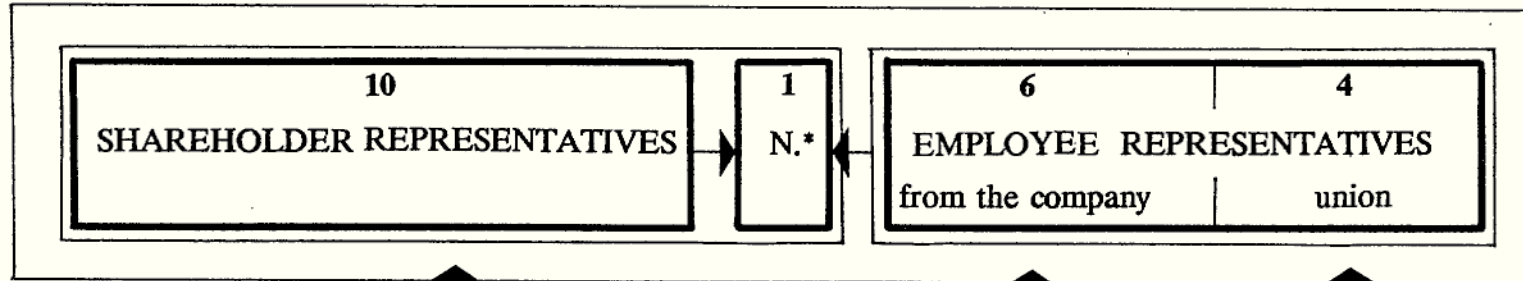
- Provides that for all German stock corporations and limited companies having over 2000 employees, the supervisory board must consist of an equal number of shareholder and labour representatives.
- Differs from the Coal and Steel Co-Determination Code in that it does not provide that the appointment of the Labour Director be made with the approval of Labour representatives.

CURRENT CO-DETERMINATION MODEL FOR IRON AND STEEL INDUSTRY
 (MONTANMITBESTIMMUNGSERGÄNZUNGSGESETZ 1956 - HOLDING-NOVELLE)

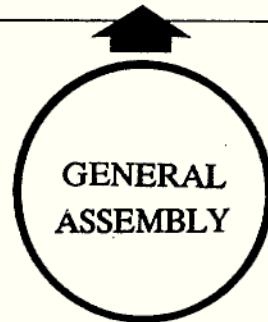
Management Board



Supervisory Board



Electoral bodies



* N = neutral

CO-DETERMINATION

UTILITY

- ¶ German Co-Determination is a useful model for developing a positive environment of co-operation and a representation of interests among shareholders, management and labour.
- Both unions and management are happy with the model because it is functional.
 - It facilitates labour being well informed on market and industry conditions. They are entitled to engage, at company costs, the highest calibre consultants in finance, economics or any required expertise for their information and decision-making. (Unions have taken the initiative where restructuring was necessary and cuts should be made.)
 - Unions have access to decision-making bodies and have an influence on long-term planning.
- Co-determination entails:
- 1) informing employees on company affairs
 - 2) obtaining their input into operations
 - 3) co-decisionmaking.
- Board unanimity, required for plant closures, could not be achieved without co-determination.
 - The model secures social peace: closures have been peaceful and tolerable, and strikes have rarely occurred. There have been no labour suits in the past 20 years.
 - Co-Determination is operative at all levels of the firm, down to the shop floor. Day-to-day changes required to effect optimization and earnings are readily implemented with the co-operation of the workforce.
 - The model has provided a framework for the process of managing labour cuts and restructuring the steel industry, i.e. for increasing productivity by decreasing the labour force, while maintaining a good image with workers and the public.

CRITICISMS

- ¶ Management, though approving of the model, are critical of slowdowns in decision-making, delays in plant closings and the costs entailed.
- ¶ Worker participation could be more fully activated and the law could be more precise as to the specific areas in which workers have an input.

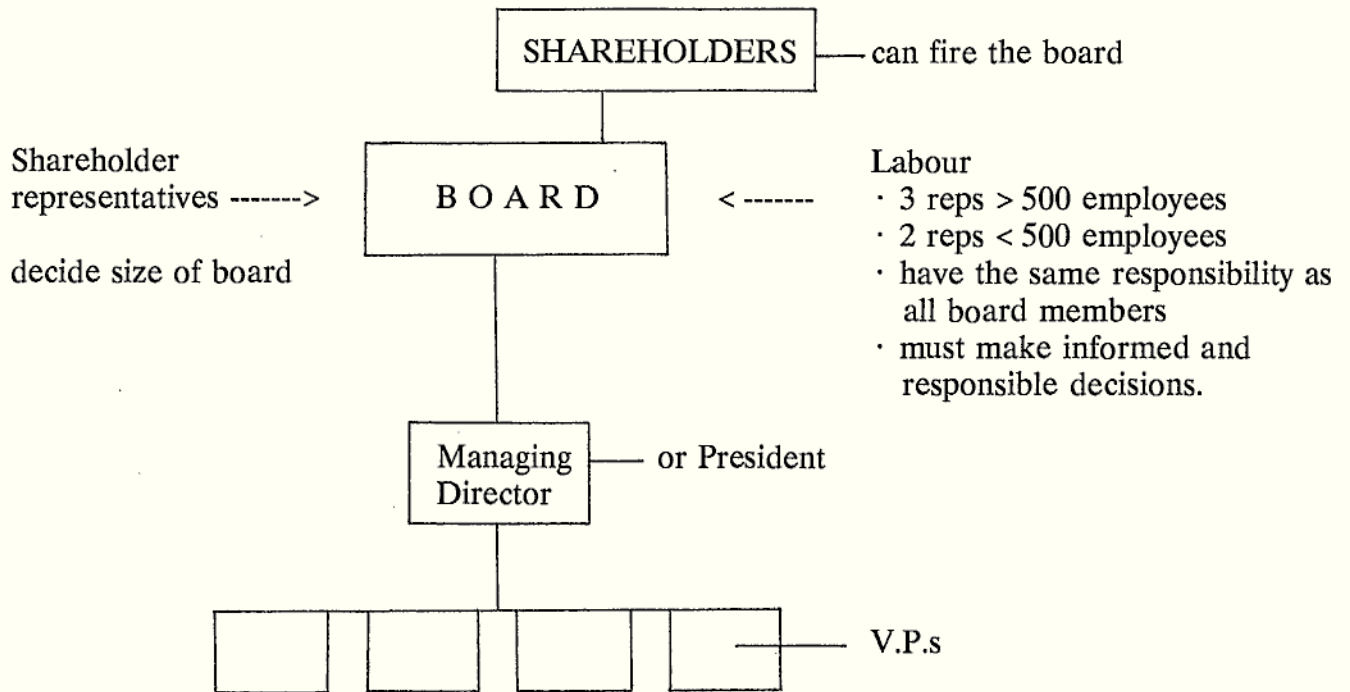
SWEDISH CO-DETERMINATION

HISTORY

The Swedish model is influenced by the older German model and was modified to suit existing institutions. The Swedes developed a simpler, less bureaucratic model (See Model p. 9).

- ¶ Laws requiring that labour be kept informed by management were first introduced in 1936.
- ¶ Since 1976, decision-making for all company and personnel matters is regulated by law, and companies have adjusted by developing co-determination models.
- ¶ Initial resistance has given way to a general acceptance of the regulatory framework.
- ¶ This corporate structure is provided for by law; labour is entitled to representation at the Board level.
- ¶ The executive committee formed by the board must include one labour representative.
- ¶ Major decisions have to be negotiated with the unions, but the company has the final decision.
- ¶ The union can request negotiations at the industry sector labour federation level if not satisfied with firm level negotiations.

SWEDISH CO-DETERMINATION MODEL



POSITIVE ASPECTS

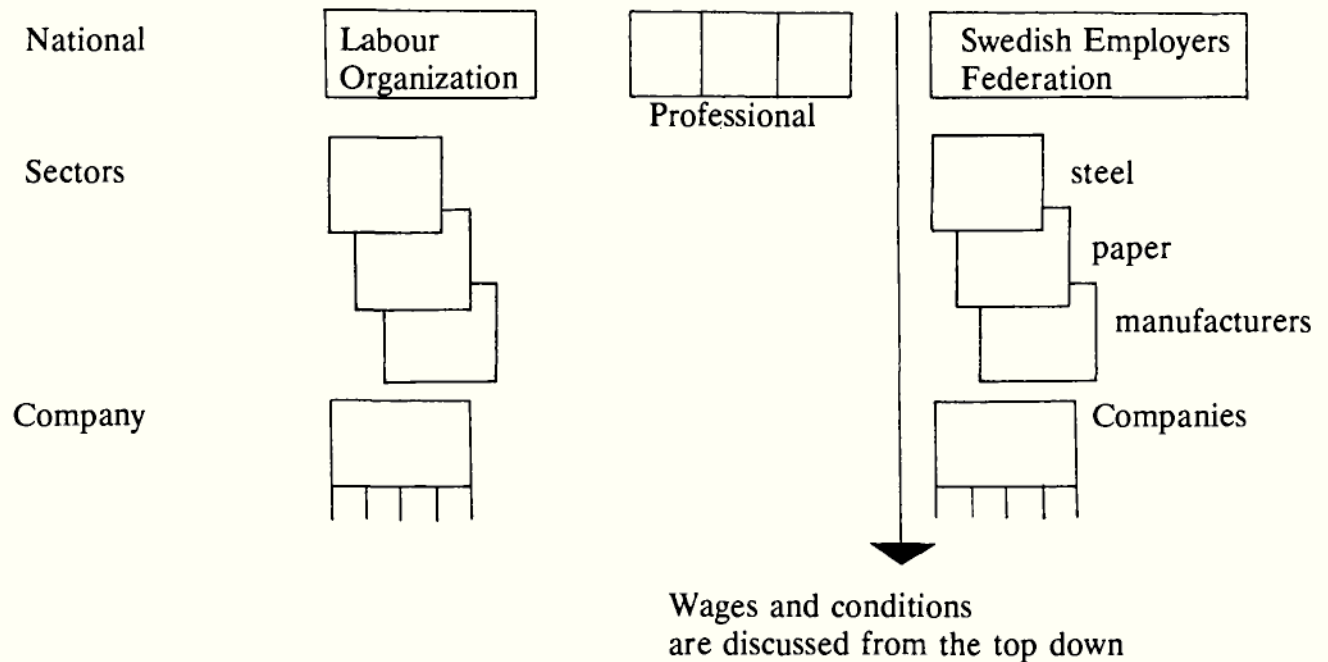
- ¶ The enterprise level labour-management models work very well and result in good co-operation.
- ¶ Intensive contact occurs with the union on several decision-making levels within the company.
- ¶ The labour-management model at the national level is dynamic and changing.

CRITIQUE

- ¶ Labour at the national level is not as involved in restructuring or in taking initiatives.

GENERAL DECISION-MAKING MODEL

The Co-Determination model is part of a general model for corporate and national union decision-making in Sweden.



TRANSFERABILITY OF LABOUR-MANAGEMENT MODELS

The essence and selected elements of labour-management models can be adapted from one country to another, but the wholesale replication of their structure and mechanisms is neither feasible nor desirable.

- ¶ In analyzing the transferability of models, attention needs to be paid to the historic and cultural reasons for success.
- ¶ Labour-management models are dynamic not static. The European model of the 1950s and 1960s may not apply to the present.
- ¶ The legislative framework, which differs in each country needs to be taken into account, at both the national and regional levels.

The Japanese, Germans and Swedes have all benefitted from using some form of co-determination.

- ¶ Other countries can learn from Germany's labour legislation, as Germany has the most advanced laws in this area.
- ¶ Japanese operational methods and management practices have been successfully adapted by Germany and other European countries. The Japanese "quality circle" model is a good one, and the Germans are adopting it.
- ¶ Some elements, such as just in time production, team organization, reduction of classification are clearly transferable. Others can be transferred with adjustments.

In order to implement some form of co-determination, Canada needs to consider its own unique situation and internal problems.

CO-DETERMINATION AND THE EVOLUTION OF CAPITALISM
SHAREHOLDER CAPITALISM VS. STAKEHOLDER CAPITALISM

Two distinct forms of capitalism have emerged, since World War II.

- ¶ U.S. shareholder capitalism represents limited interests, whereas Japanese capitalism is for stakeholders, i.e. a wider set of interest groups: workers; community; national interests; environment.

Co-determination in free market economies is stakeholder capitalism as practised by Japan, Germany and Sweden.

- ¶ Hoesch Director attributes the highly productive and competitive steel industry to two factors:
 - 1) market-competitive structure
 - 2) co-determination and social system.

Shareholder capitalism, according to Rhenman, is not dominant and will diminish over the next 25 years.

- ¶ The decline of economic power vis à vis Europe and Japan will not stop until North America discovers that capitalism for shareholders is not enough.
- ¶ There is a need for politicians, an informed public and shareholders who believe that capital markets are complex entities filled with people, and that the world is a plus sum game not a zero sum game, i.e. that the interests of capital and workers are not mutually exclusive.

- ¶ The U.S. cannot effectively solve problems at the federal level (urban decay, unemployment, health care), because of the effective lobbies of interest groups. The U.S. Constitution is much more rational and effective at the state level, which is well documented in Ronald Reagan's biography.
- ¶ Canada, as well as the U.S., has misused its resources and has not developed an effective, productive, public service.
 - Too many resources have been used to resolve conflicts rather than to produce.
 - Canada has inefficiently deployed resources because of the rivalry between federal and provincial governments.

ROLE OF A DEPARTMENT OF INDUSTRY

- ¶ The Japanese are a good example: after the war, they started looking around the world to examine their mistakes and to see what they could learn from those who were successful.
- ¶ ISTC should pursue what we are now doing: the only way a complex system can be changed is by being influenced from outside.
- ¶ We need to look at what is being done in Europe and Japan.

RESTRUCTURING

¶ To develop the restructuring strategy it is necessary to examine the entire economic, political and labour environment.

¶ Industrial restructuring strategies include:

1) Diversification:

- Since restructuring, Bremen steel industry is now independent of shipbuilding.

2) Specialization

3) Conversion:

- Bremen is the largest German state dependent on military production.
- Given the recent reductions in military expenditures, the unions were the first to propose conversion to non-military production.
- Together, the government, capital and unions set up a Conversion Board for Alternate Production.
- One major company moved from 92 per cent to 50 per cent dependency on military production.
- Identifying alternatives to mass automobile ownership is another example.

¶ The three most important figures to be considered during restructuring are:

- 1) Yield
- 2) Energy efficiency
- 3) Manpower

¶ Two major issues

- 1) How to manage the process of social change (firm, community).
- 2) How to evaluate the consequences on employment in the region.

¶ Role of government

- 1) Formulate laws, regulatory environment
- 2) Conflict mediation
- 3) Provide unemployment assistance and state education

RESTRUCTURING

GERMANY

¶ Labour must participate fully in the restructuring process. The unions sit down with management and review the restructuring plan to determine whether or not the entire plant needs to be shut down:

- 1) if not, investment is made in remaining lines of production
- 2) if yes, a social plan is set up between, labour, management and government

¶ A social plan is defined as the action plan for all the activities that are required to close down or restructure. Effective social planning must identify all the actors: governments, management, local authorities, and unions.

¶ **LABOUR MANAGEMENT MODEL FOR RESTRUCTURING**

- 1) Union participation in industry and firm analyses
 - reciprocal communication
- 2) Participation in decision-making with regard to restructuring
 - no important economic decisions without consultations with labour
 - union has veto on decisions concerning personnel and operations, but not on those concerning technology, planning and restructuring
- 3) Union involvement in planning and implementation process
 - need for a framework of regulations for co-operation and co-determination
 - need for informal involvement in the process
- 4) Occupation Training System
 - very important factor in competitiveness and for society as a whole
 - must lead to both economic success and social progress
- 5) Government mechanisms
 - government mechanisms must exist to compensate the firms

SWEDEN

- ¶ A vast and successful restructuring process took place in the late '70s, in the context of a good economy, a very high demand for labour in other industries, and at a great cost to the government.
- Three major producers, two private and one government owned were about to go bankrupt.
 - Labour unions exerted heavy pressure to restructure the industry.
 - Initially, private firms were not very interested in the restructuring.
 - Large labour cuts were made.
 - Four out of ten mills were closed.
 - The government required companies to invest in other industries in the area.

¶ FIRM LEVEL RESTRUCTURING

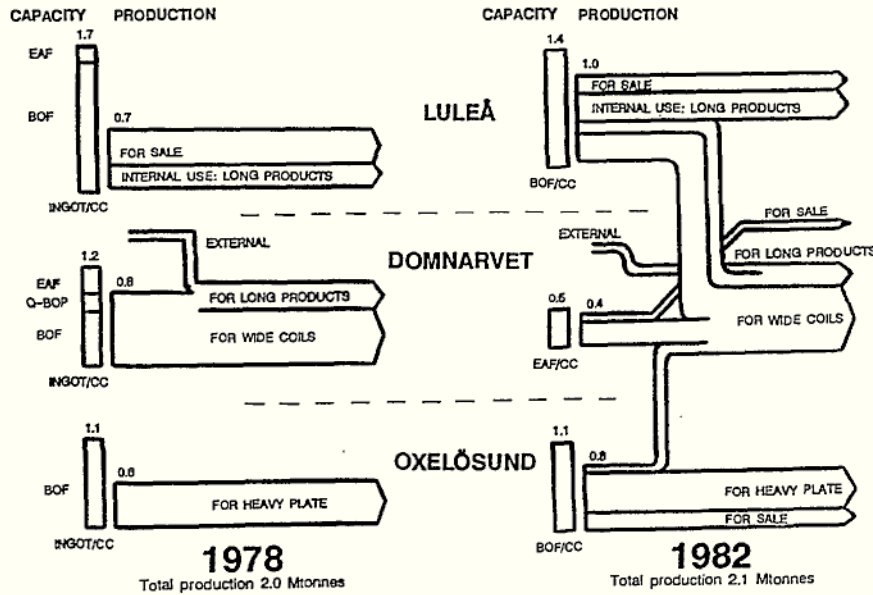
SSAB had two restructuring (capacity reduction) periods (illustrated on the following page):

- 1) 1970s: the union was involved from the beginning.
- 2) 1980s: management came out with a plan; the unions were informed when the details were presented to the board.

For Complete Presentation of Restructuring of Swedish Steel Industry, with specific reference to SSAB, see Document #9, Document File, Structural Adjustment Section. Also, a graphic illustration of AVESTA restructuring is available in Document #1, Document File, Structural Adjustment Section, pp. 30-31.

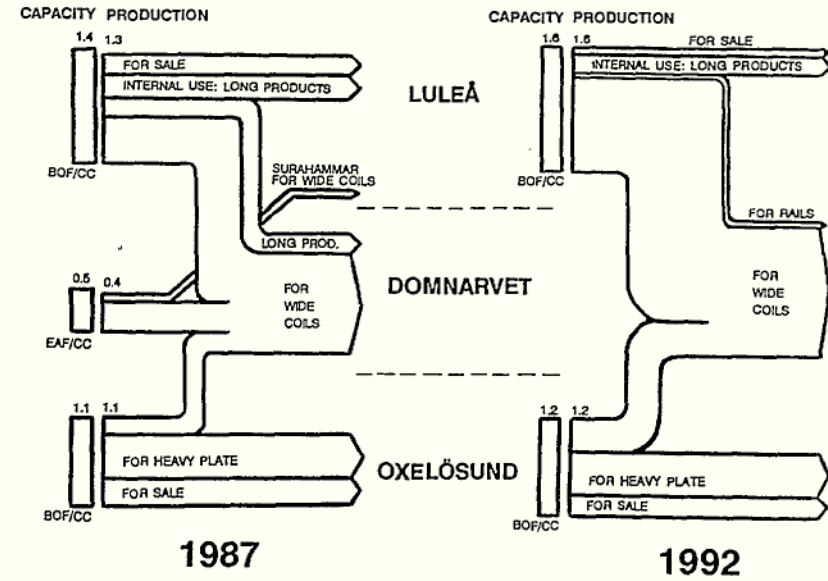
SSAB, FLOW OF SEMIS 1978 and 1982

CLOSURES				INVESTMENT (SEK 2,000 mil)	
4 BL. FURN	Do	3 COOKING ROLLS	Lu	1 SLAB CASTER	Lu
2 BOF	Do	1 HOT STRIP MILL	Lu	Re-winding of HOT STRIP MILL	Lu
1 O-BOP	Do	1 MED. SECT. MILL	Lu	COLD STRIP MILL, WIRE ROD MILL	Lu
1 EAF	Lu			CONTINUOUS ANNEALING LINE	Lu
Employees: 14,800 → 11,400				Yield: 73 → 87 %	
Production: 1.5 → 1.8 mil. tonnes Inferred steel				Productivity: 10.8 → 7.5 man/tonnes Energy cons.: 8.8 → 6.3 MWh/tonnes	



SSAB, FLOW OF SEMIS 1987 and 1992

CLOSURES				INVESTMENT (SEK 1,000 mil)	
2 EAF	Do	1 SLAB CASTER	Lu		Lu
3 CC MACHINES	Lu/Do	1 RECOIL FURNACE HOT STRIP MILL	Do		Do
1 HOT STRIP MILL	Surahammar				
1 MED. SECT. MILL	Lu				
1 WIRE ROD MILL	Do				
Planned:				Employees: 10,900 → 8,300	
				Production: 2.2 → 2.4 mil. tonnes Inferred steel	
				Productivity: 8.0 → 4.3 man/tonnes	



RESTRUCTURING STRATEGY

A variety of approaches may be taken in restructuring a firm. The following is a presentation of the strategy employed by Hans Bergström, President of Marknadshuset and former CEO responsible for restructuring several firms.

- 1) Let the fires burn and examine the situation
 - Excess labour was identified
 - * prior to making any changes in firm
 - * 10% excess manpower formed
 - Solutions were sought to place excess manpower elsewhere.
 - Cases were handled individually:
 - * consultants
 - * retraining
 - * government support
 - * early retirement
 - * reeducation.
 - Two gains:
 - 1) streamlined organization
 - 2) positive rapport with the union to take on the harder task of cutbacks.
 - Individuals received assistance to start their own business
 - * in areas other than steel, to keep the community thriving in a diversified way.

2) Union participation

- An offer was made to the unions to participate in the management of the restructuring, but under the condition that workers must not be informed.
- The unions naturally declined.
- An alternative was offered: informal discussions on a regular basis with union leaders to brief and reflect on the restructuring plans, in camera.

3) Firm split into separate legal companies

- The unions' consent was obtained.
- In some of the new units, employees were offered ownership.
- Each unit bought and sold its own services.

4) Business expansion

- Customer oriented strategies were developed
- High volume custom jobs were undertaken
 - * product integrated with customer
 - * price competitiveness
 - * different sales forces built up.
- Excess production capacity was sold
 - * monthly identification of excess capacity
 - * this did not tie up capital
 - * instead, customer capital was used.

REDUNDANCIES - WORKFORCE CUTS

GERMANY

¶ Under German law, reductions of the workforce in excess of 50 persons are considered "mass layoffs". The law prescribes the steps which must be taken before the layoffs can start:

- 1) inform the labour lawyers
- 2) start negotiations on conditions.

¶ The German Steel Federation set the following redundancy strategies and mechanisms for mass workforce cuts arising from restructuring and closures:

- 1) early retirement

- * workers receive unemployment benefits from the Federal Labour Office in Nürnberg (63-68% of former pay)
- * employer pays the difference between U.I. and former pay, up to 90%
- * After two years, U.I. is reduced, with the employer continuing to pay the difference
- * after age 60, old age pension kicks in
- * unemployment aid is a supplement to U.I. and employer payment

- 2) moving of employees to other industries

- * Labour office has retraining scheme.
- * Government pension office has retraining scheme.
- * East Germany has retraining programs.

- 3) lump sum payments

- * amount depends on tenure

- 4) support to small businesses in the area

¶ Hoesch also uses "voluntary fluctuations", which are transfers organized by the company.

SWEDEN

- ¶ The law provides for layoffs (depending on tenure and age), an early warning requirement, pension schemes and retraining programs.
- ¶ The "last in - first out" principle operates; it can be negotiated where the company wants to keep younger and high-tech trained people.
- ¶ Severe labour cuts took place in the late 1970s and early 1980s.
- ¶ The Swedes have a very intensive follow-up of redundant workers.

- ¶ **METHODS OF DEALING WITH REDUNDANCIES**

The Swedish Metalworkers Union outlined redundancy methods negotiated between the company and the union:

- 1) analyze total number of workers who need to be made redundant
 - * union will try to reduce the number as much as possible
- 2) training and education
 - * for other jobs within the company (for which employee lacks qualifications)
 - * for jobs on the market, outside the company
- 3) negotiate lump sum payment
- 4) support for workers starting small businesses
- 5) pensions for employees over 60
 - * responsibility of employer
 - * company receives tax break

For reference to a current negotiated plan by a specific company (AVESTA), see Notes by Subject, pp. 14-15 in Appendix "E".

SWEDEN'S LABOUR MARKET BOARD (AMS)

- ¶ AMS is intensely active in redeploying and providing assistance to unemployed workers.
- ¶ Their basic principle is a work strategy.
 - active assistance: people should receive training in the first instance.
 - passive assistance: cash payment as a last resort.
- ¶ The Labour Market Board has an effective role in the process of "mass layoffs", utilizing a variety of standard worker assistance mechanisms:
 - 1) advanced warning system
 - * cooperation between management, labour and local authorities
 - 2) training
 - * at every level, from general to specialized
 - 3) matching measures
 - * information to find work
 - * counseling
 - 4) cash benefits to unemployed
 - * while registered as searching for a job
 - * 300 working days (450 days for 55-64 years)
 - 5) relief work
 - * state pays the normal rate for the given work
 - * not compulsory
 - * U.I. could be denied, if suitable work refused
 - 6) assistance to start own business
 - 7) youth opportunities

SUBSIDIES

- ¶ Government assistance formed a significant part of restructuring the European Steel Industry.
- ¶ Germany provided 7.24 billion Deutschmarks of assistance to its ailing steel industry alone between 1975 and 1985, as recorded by the EC Commission.
- ¶ Government assistance in Germany, due in part to its federal structure, is delivered to a greater extent at the state, regional and local levels rather than at the federal level.
 - Regional and local assistance warrants deeper investigation.
- ¶ Subsidies in France are predominantly provided by the central government.
 - 23.57 billion Deutschmarks between 1975 and 1985.
- ¶ The United Kingdom provided subsidies totalling 27.12 billion Deutschmarks to the British steel industry from 1975 to 1985.

Documented subsidies may be found in Appendix "B".

**SUBSIDIES TO THE EC STEEL INDUSTRY
1976-1985**

Country	SUBSIDIES +) *)			AVERAGE ANNUAL SUBSIDY PER TON PRODUCED			AVERAGE ANNUAL SUBSIDY PER TON PRODUCED		
				ORDINARY STEEL			ROLLED STEEL PRODUCTS		
	75-79	80-85	TOTAL	75-79	80-85	TOTAL	75-79	80-85	TOTAL
	Million DM			DM/T					
Belgium	2 725	10 017	12 742	45	150	100	61	206	136
France	2 060	21 515	23 575	18	183	102	22	213	122
U.K.	13 852	13 275	27 127	133	154	142	186	205	195
Italy	4 327	28 317	32 644	37	195	124	47	235	153
Total West Germany	922	6 320	7 242	4	27	16	6	35	22
Saarstahl-Völklingen#1	891	2 378	3 269	48	128	88	68	164	118
Other firms#2	31	3 942	3 973	0	18	10	0	23	13
Luxemburg	33	1 485	1 518	1	64	33	2	81	44
Netherlands	22	1 073	1 095	1	35	19	1	57	30
Denmark	115	191	306	32	55	43	41	63	52
Ireland	76	621	697	233	1 025	748	330	1 138	906
Greece	0	0	0	0	0	0	0	0	0
10 EC countries	24 132	82 814	106 946	36	116	78	48	146	100
10 EC countries without West Germany	23 210	76 494	99 704	51	159	107	67	199	136

Notes:

Own calculations on the basis of data from EC Commission; original figures in ECU; converted using rate of 2.35365 DM/ECU.

+) Data released from EC Commission: for Germany the figures after 1980 used are the amounts actually paid out (EC provided figure of 9.047 billion DM for 1980-85).

*) For Germany, the subsidies paid out after 1980 include approx. 2.8 billion DM, which had to, under certain conditions, be repaid; part thereof has already been repaid.

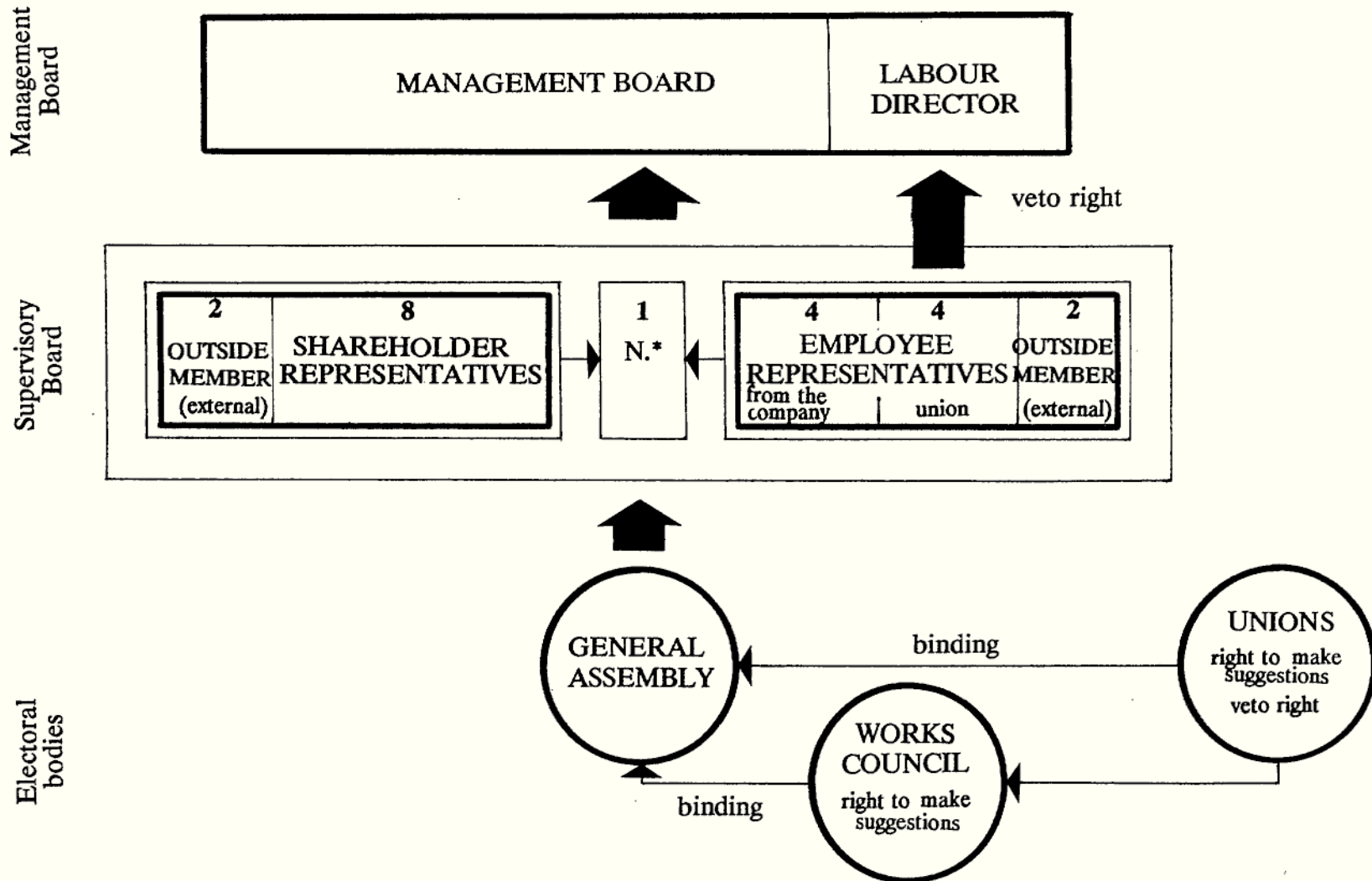
#1 + #2 = German figure; 1/2 = restructuring / new investment; 1/2 = Social Plan

APPENDIX "A "

German Co-Determination Models

Chart # 1

IRON AND STEEL CO-DETERMINATION MODEL (1951)
(MONTANMITBESTIMMUNGSGESETZ 1951)



* N = neutral

Chart #2

SHOP CONSTITUTION CODE (1952)
(BETRIEBSVERFASSUNGSGESETZ 1952)

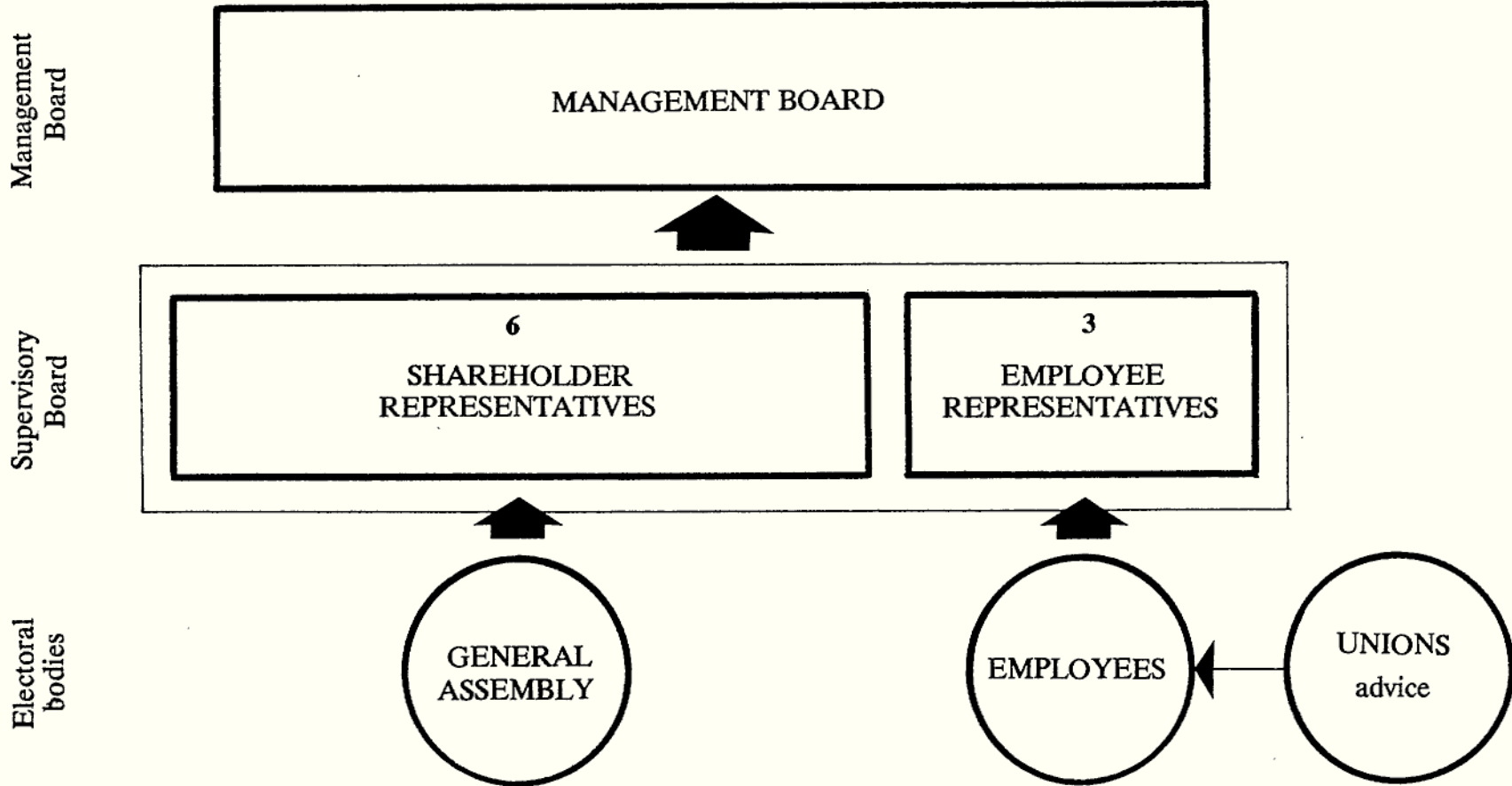


Chart #3

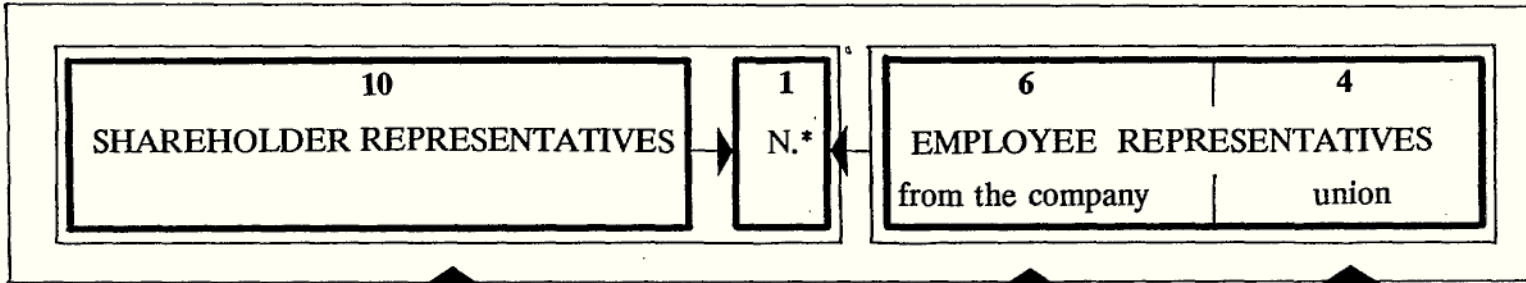
CURRENT CO-DETERMINATION MODEL FOR IRON AND STEEL INDUSTRY

(MONTANMITBESTIMMUNGSGESETZ 1956 - HOLDING NOVELLE)

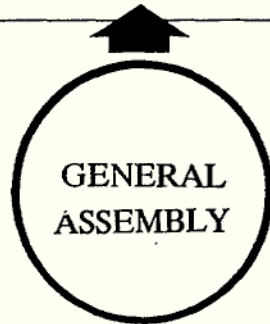
Management Board



Supervisory Board



Electoral bodies

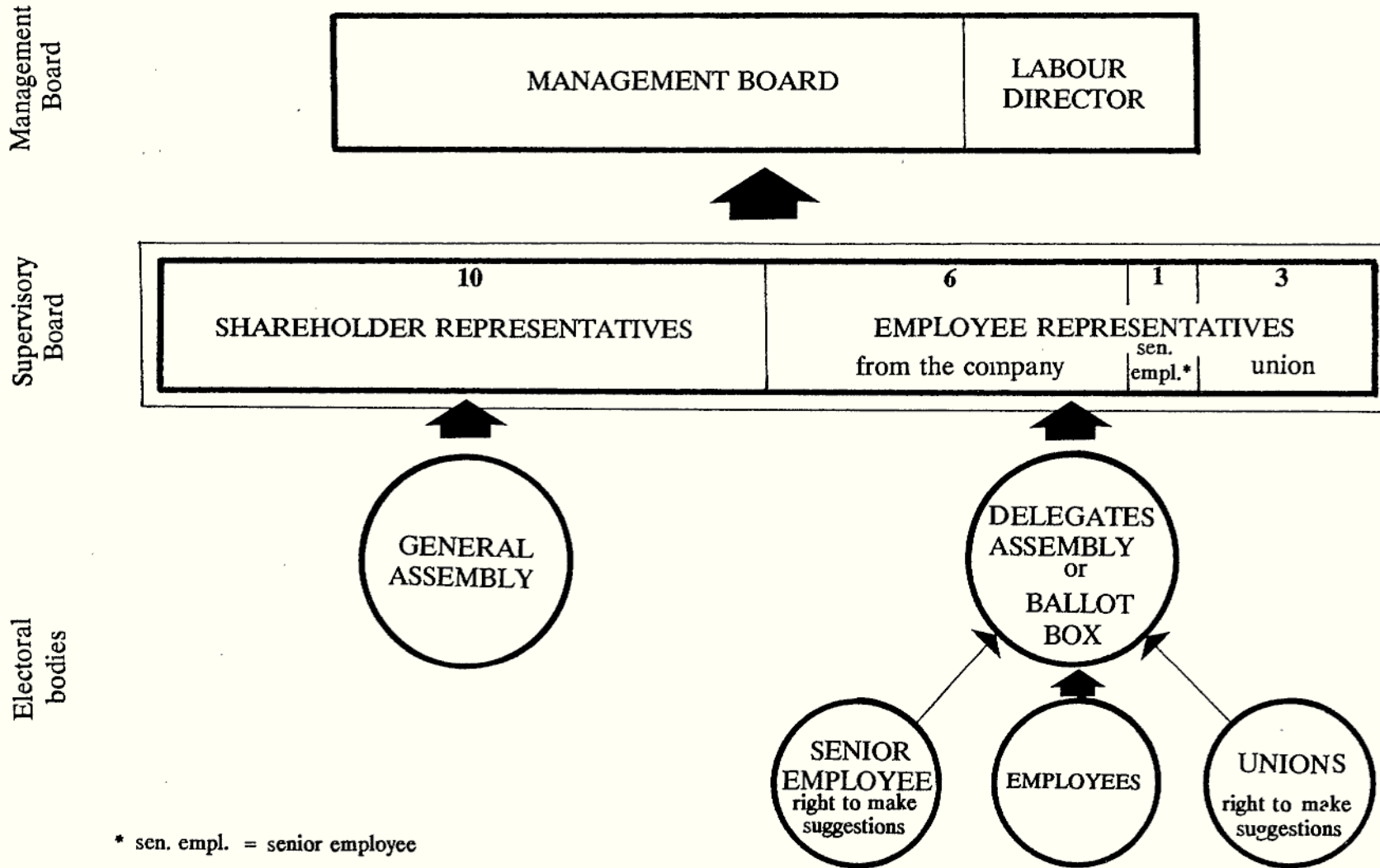


* N = neutral

Chart #4

CURRENT CO-DETERMINATION MODEL FOR INDUSTRY IN GENERAL (1976)

(MITBESTIMMUNGSGESETZ 1976)



* sen. empl. = senior employee

Note: Chairman of Advisory Board has two votes, in the case of a deadlock

APPENDIX "B "

Subsidies/Restructuring Tables

GERMAN SUBSIDIES					
DATE	BENEFICIARY	SOURCE	METHOD	AMOUNT	NOTES
1980-90	Salzgitter	Government	injection	DM2bn	Results: absence of debts, healthy reserves & extensive assets.
1983 agreement	Thyssen-Krupp merger	federal government	aid to be matched by state governments	DM1.5bn	Did not occur as Thyssen refused to help absorb Krupp's DM1.5bn borrowings.
1984 request	Thyssen	Brussels	restructuring and investment aid	DM1bn	Federal government to ask Brussels to approve assistance.
October 1991	West German coal industry	1) consumers 2) central government or coal producing states	1) electricity levy 2) direct aid	DM10bn per year	Consumers pay the difference between price of domestic coal and world price. Economics Minister wants to reduce coal subsidies. Miners are opposed. EC is increasingly concerned about German coal subsidies.
October 1990 declaration	former GDR steelworks	ECSC	financial aid (to former GDR steelworks) and investment plan for modernisation including replacing 12 open hearth furnaces and 2 mills (of Stahl and Walzwerk operations in Brandenburg -former GDR)		ECSC declared itself in favour of assistance; this is first ECSC undertaking in favour of East German industry
Nov. 1991 search	EKO Stahl (East Germany's biggest steelmaker)	Banks, including German based Bank für Wiederaufbau	long-term credits (10-12 years)		Company is seeking credits

Other comments

- **total post 1974 subsidy to European steel industry/German share:** DM 110bn; German share DM7bn (including DM1.4bn repayable investment incentives; Thyssen Stahl and Hoesch have started repayments); German steel industry disadvantaged by larger subsidies in other European industries [Steel weathers market distortions, West German Steel MBM October 1989].
- **phasing out of steel subsidies in Western Europe:** (with the exception of Italy) seen by Thyssen chairman as part of positive moves to improving trade.
- **total value of West German subsidies:** estimated at DM130bn per year (October 1991).
- **steel industry in Former East Germany:** German government wants to keep it free of subsidies, but recognizes that short-term support will be necessary to alleviate social problems caused by capacity reductions.
- **difficulties in mid-1980s in German steel industry:** viewed as stemming in part from the reluctance of the Federal Government to provide subsidies
- Vondran, President of German Steel Industry Association, was critical of Bonn government for not fighting harder with the EC for better transitional arrangements on subsidies to the East German industry, which were due to end mid 1991.

GERMAN CLOSURES/OPENINGS/MERGERS AND LABOUR CUTS					
DATE	CLOSINGS	OPENINGS	MERGERS/ACQUISITIONS	LABOUR CUTS	NOTES
1974			Thyssen acquires Rheinstahl (diversified engineering group)		
mid-1970s to early 1980s				workforce halved	
1978			Thyssen acquires Budd in Troy, Michigan (DM1bn)		
1983			Thyssen-Krupp planned merger collapses over Thyssen's demand for state cash to cover valuation differences		Thyssen CEO Spethmann takes blame for merger failure.
1983			Hoesch-Klockner planned merger breaks down.		Klockner refused to accelerate the depreciation on its huge Bremen wide strip mill.
1984-85				10,000 jobs to be cut by Thyssen	In the Duisburg area.
1986-1989	gradual closure of Thyssen Stahl operations at Hattingen				

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1988	Part of Thyssen Stahl's operations in Hattingen sold to Vereinigte Schmiedewerke (Bochum) and to Vereinigte Stahlwerke		Gradual take over by Thyssen Stahl of section and semi-manufacturing of Krupp Stahl & Reinhausen works.	Thyssen Stahl workforce reduced by 11.1% compared to 1987	Workforce reduction related to rationalisation of Thyssen Stahl (40,000 workers, of which 30,000 in Duisburg).
1989			Thyssen steel business group takes over Thyssen Bausysteme.		
1989			Preussag acquires state-owned Salzgitter.		
1989			Kloeckner-Werke announces possible acquisition of BAT plastic processing subsidiary, Eurotec Systemteil.		Reflects continued diversification of West German producers
1989			Thyssen Stahl says it is close to signing deals with 2 European producers.		
1989			Thyssen Handelsunion (largest West German steel trader) made series of acquisitions (UK aluminium & stainless steel stockholder Garfield Lewis) and joint ventures (with one of Spain's largest steel stockholders; new Brazilian trading company founded with Brazilian partners).		
1989			Hoesch expects to make European deals in the medium term.		

1990-94	Half of the East German industry will have to close.			30,000 of East Germany's 67,500 workforce will have to be cut	
1990			Thyssen Handelsunion founded new trading company in Denmark; Thyssen Stahlunion set up new export / business development company in HongKong		
1990			Thyssen Edelstahlwerke (TEW) (special steel arm) considering complete takeover or majority shareholding in Sächsische Edelstahlwerke Freital		Major West German producers show first signs of unification of steel industries in former East and West Germany
1990			TEW links with former GDR plants: partnership contract signed with Walzwerk Burg; co-operation deals in Leipzig and Berlin; supply link-up with Walzwerk Finow; Berlin based materials marketing concern created in Berlin with Metallurgiehandel Berlin.		
1990			Co-operation deal between Krupp Stahl and GDR cold rolled strip producer; 2 Krupp Stahl subsidiaries concluded agreement with East German axles, springs & forgings producer Hermann Matern.		

1990			Hoesch relationship with EKO Stahl (major East german producer) continues.		
1990			Klöckner Stahl formed cooperative production with East German Hennigsdorf Stahl.		
1990			Peine-Salzgitter extending arrangements with EKO .		
1990			Arrangements between Mannesmann and Reisa Stahl- und Walzwerk		
1990			Mannesmann Demag signed cooperation agreement with Stahl und Walzwerk Brandenburg		
1991			intense speculations about takeovers of EKO Stahl by western European mills		
1991			Krupp bought a 24.9% stake in Hoesch and says it is not a hostile action	Workers fear major job losses if Krupp-Hoesch merge	Hoesch board opposed to merger; Krupp argues it was to prevent foreign interests from acquiring Hoesch; British Steel and Usinor-Sacilor seen as most likely European groups to be interested in Hoesch; merger progress will depend on approval from EC Commission and Federal Cartel Office in Berlin

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Other comments

- **Reductions in annual average overtime:** early 1970s = 157 hours per man, 1989 = 60 hours per man.
- **Cuts in working time:** 1984-1989 these cuts have created 200,000 jobs; other economists dispute these figures, claiming that introduction of labour-saving machinery neutralizes effect.
- **labour force:** in 1989, total 180,000 workers employed in West German steel industry; reductions are expected.
- **diversification:** high diversification (higher than other competitors) of German steel producers helps smooth out the ups and downs of steel cycles.
- **new technology:** Thyssen pioneering use of new technology; pilot strip casting plant run together with SMS Schloemann-Siemag and Usinor-Sacilor (results eagerly awaited by rest of steel industry).
- **interest in former GDR mills:** shown in Aug-October 1991 by France, Italy, Luxemburg, UL and the USA, and Japan (very strong interest), in addition to interest from western European mills.

FRENCH SUBSIDIES					
DATE	BENEFICIARY	SOURCE	METHOD	AMOUNT	NOTES
1976-1986	steel industry	state and regional aid	various forms	FFr100bn	
1977	steel industry	FDES (Fonds de développement économique et social)	loans		
1982	Usinor	government	loan on favourable terms	Ffr 500 m	To take over Creusot Loire's special steel subsidiary.
1983 (expected)	Sacilor	government			To take over special steel interests of Pechiney Ugine Kuhlman (PUK), Ugine Aciers.
1990	Usinor-Sacilor	Crédit Lyonnais	share acquisition	FFr2.5bn	Under informal investigation by EC to verify that it is not a covert subsidy.

Other comments

- **alternative capital raising methods:** in response to Mitterrand's "ni..ni" policy (no privatization, no nationalization) which limited state-owned companies' access to both government and private capital, cash raised by issuing exotic securities, having both the quality of debt and equity (technique pioneered by Rhône-Poulenc, chemicals group); publicly floating subsidiaries (Pechiney, aluminium and packaging group); buying shares in each other (Crédit Lyonnais and Usinor-Sacilor)
- **relationship France - EC:** EC viewed in France as suspicious of every move in the state sector; Sir Leon Brittan, EC competition commissioner has provided unrelenting inquisition of state subsidies suspected of distorting competition and has frequently targeted France. Brittan's rule of thumb: state subsidies are acceptable as long as a private shareholder would have made the same decision.

FRENCH CLOSINGS/OPENINGS/MERGERS AND LABOUR CUTS			
DATE	MERGERS	LABOUR CUTS	NOTES
1966		abolition of 15,000 jobs	Under State-iron and steel industry agreement.
1966	Usinor took over Lorraine-Escault		
1968	Wendel and Sidelor merged		
1973	Wendel-Sidelor took over S.M.S. and became Sacilor; Solmer created		
1977		16,300 jobs abolished	
1979-1980		21,000 jobs cut	
1980-1990		workforce reduced from 150,000 to 60,000	Helped by minimum interference from economically liberal Socialist government; by efficiency gains; and by training & increased job flexibility. Usinor-Sacilor benefitted from British Steel's experience in workforce reductions. Fierce French union resistance in early 1980s, now less thanks to decline of French Communist Party.
1982	Sacilor takeover of Ugine Aciers		Result of 2 year negotiations; substantial losses accumulated at Ugine Aciers (\$147 million from 1977-1979).
1986	Usinor-Sacilor merger		

1988-1990	Ffr. 8.3bn round of acquisitions by Usinor-Sacilor under Francis Mer, including Saarstahl, Jones & Laughlin in 1990 (USA \$ 2nd largest stainless steel maker, price estimated at \$518.1M), Edgcomb (one of USA \$ biggest independent steel merchants); plus big minority stake in ASD (UK 2nd largest steel distributor).		Results: 55% of its Ffr 97bn (£ 10bn) turnover outside France in 1989; company now one of Europe \$ most internationally diversified steelmakers; 3 principles for acquisitions: 1) stick to agreed bids 2) increase downstream involvement (like British Steel) 3) expand in higher value-added products. J & L acquisition gives Usinor-Sacilor 23% of US stainless steel market.
1988-1990	Ugine Aciers (Usinor-Sacilor division) acquired 10 companies across France (La Meusienne), Italy, Spain and the USA (including Techalloy Corp of New York) + control of US stainless bar stockholder Alloy & Stainless.		
1989	Usinor-Sacilor acquires 30% stake in UK stockholder Howard E. Perry.	6,000 job cuts planned at Usinor-Sacilor.	
1989	Usinor-Sacilor agreement with Bethlehem, USA to 50:50 joint venture.		
1989	Usinor-Sacilor acquires 70% stake in Saarstahl Volklingen (new name: Dillinger Hütte Saarstahl).		
1990	Usinor acquiring 35% of French stockholder, Béreau Sudreau; acquired US service centre Interstate Steel in Illinois; Unimétal (Usinor-Sacilor \$ long product company) signed agreement to take 50% stake in Georgetown Steel Corp; interest announced in taking minority stake in LTV, Cleveland (USA 3rd largest producer).		Stake in LTV may face difficulties because of LTV \$ position under Chapter 11 of USA \$ bankruptcy code.
1990-2000		Usinor-Sacilor needs to lose 1,000 jobs annually.	

1990	Usinor-Sacilor bid for 20% stake in ASD (UK's largest steel distributor)		Plan to set up steel processing centre controlled by Usinor-Sacilor at Barking, Essex. This is seen as direct response to British Steel increase in share of steel stockholder market after acquisition of C Walker & Sons, and part of growing trend throughout Europe for steel producers to acquire stockholders, processors and distributors, and to internationalize.
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Other comments

- **early attempts at workforce reduction:** little progress achieved due partly to social implications of closures and conflict between closures and policies of socialists when they assumed power in 1981
- **French gov t reaction to international ambitions of state-owned companies:** eager blessings.

U.K. SUBSIDIES

- Study by consultants Maimgren, Golt, Kingston for BSC claims BSC receives less net benefit from Gov t than the average EEC steel industry: BSC penalised by political intervention of keeping plants open for employment reasons, and by higher costs for gas, electricity and fuel oil. Other EC governments, esp. Germany, make large contributions to operating costs of railway and canal systems, which greatly benefit steel industry.

U.K. CLOSINGS/OPENINGS/MERGERS AND JOB CUTS				
DATE	CLOSINGS	OPENINGS/MERGERS	LABOUR CUTS	NOTES
1976-mid 1980s			workforce at British Steel reduced from 210,000 to 166,000	
1983			5,000 job cuts announced by British Steel	
1988		British Steel acquired 34% of Spanish re-roller service centre Laminacion y Derivados (£ 10m).		
1989		BS share in UK wiremaker Twill increased from 25% to 40% (in line with greater downstream involvement).	British Steel announced 1,200 job cuts for 1990-1992	
1990		British Steel acquires Klockner-Werke's sectional steel division at Troisdorf, West Germany; and acquires (£ 330m) C.Walker & Sons (Holdings) UK largest independent steel stockholder.		1st manufacturing venture outside UK (approx. £ 105m).

1990	British Steel announced closing of Ravenscraig, Scotland, scheduled for April 1991; conditional guarantee to keep plant open expires in 1994; closure of BSC Clydesdale tube mill announced.		770 jobs will be lost at Ravenscraig and 1,200 at Clydesdale.	Strong controversies over Ravenscraig closure (tried in mid 1980s but stopped by political pressure). Dispute seen as test of whether or not The privatisation of British Steel in 1988 has led to freedom from political intervention. Scotland viewed as a poor place for steel (lack of raw materials, distance from markets); fierce competition from Japan and West Germany in seamless tube produced at Clydesdale.
1990	British Steel plans to replace mills at Dalzell, Motherwell and Scunthorpe with new facility at Teesside.			
1990		Possible joint venture between British Steel and Bethlehem Steel, USA.		Details kept until successful conclusion of talks with United Steelworkers Union.
1990	United Engineering Steels (UK's 2nd largest steel producer) closing North Wales plant at Brymbo.		1,125 jobs lost	
1990		British Steel concludes agreement on joint venture with Aristrain, Spanish structural steel maker, after setbacks in discussions.		BS wants to exploit Aristrain's distribution network in France, West Germany and the US.

Other comments

- **British Steel priorities:**
 - 1) to invest in its UK plants, to maintain its market share
 - 2) to establish a leading position in European markets in selected products
 - 3) to expand into the USA
- **German reaction to Spanish expansion of British Steel:** Vondran, German steel industry President, warned the industry to be watchful of the "British giant".

APPENDIX "C "

Contacts

GERMANY**INDIVIDUALS**

- **Dr.-Ing. Hansjürgen Hauck**, Chairman and Chief Executive Officer
Maschinenfabrik Müller Weingarten AG
P.O. Box 1363, D-7987 Weingarten
tel: (0751) 401-300 fax: (0751) 401-500 telex: 732864
P.O. Box 310, D-7300 Esslingen
tel: (0711) 3195-300 fax: (0711) 3195-278 telex: 7256501
meeting: 05-12-91
topic: restructuring
- **Dr. Alfred Hesse**
Hoesch AG
Eberhardstrasse 12, D-4600 Dortmund 1
tel: (0231) 841-2205 fax: (0231) 841-2210
meeting: Dortmund, 10-12-91
topic: restructuring
notes: * responsible for Hoesch restructuring
* Member of Management Board
- **Ulrich Jürgens**
Wissenschaftszentrum Berlin für Sozialforschung
Reichpietsufer 50, 1000 Berlin 30
tel: (49) 30-254910
notes: * name given by Peter Unterwegger
* book on inter-country labour comparisons
- **Mr. Mulleman**
Bundeswirtschafts Ministerium (Federal Ministry of Economy)
topic: economic aspects
notes: recommended by Dr. Hauck
- **Manfred Muster**, 1. Bevollmächtigter
IGM Bremen
Bahnhofsplatz 22-28
2800 Bremen 1
tel: (0421) 33559-12
fax: (0421) 324213
meeting: Dortmund, 17-12-91
topic: co-determination, restructuring
notes: President of Regional Union
- **Dr. jur. Horst W. Reinecke**, Director
Arbeitgeberverband Eisen- und Stahlindustrie e.V. (Steel Employers)
Kaiserswerter Str 115, 4000 Düsseldorf 30
tel: (0211) 452081
meeting: Düsseldorf 9-12-91
topic: labour-management

- **Dr. Rainer Stinner**, Senior Vice-President
The MAC Group, Deutschland GmbH
Kaulbackstrasse 1, D-8000 München 22
tel: (089) 296220 fax: (089) 3003233/282552
meeting: München, 29-11-91
topic: co-determination
notes: * other contact **Daniel Denoual** (meeting 23-11-91)
* organization and strategy consultant
* would be interested in doing the German part
* has contacts with two professors
* MAC located in London, München and Norway
- **Dr. Van Dran**, President
Wirtschaftsvereinigung Stahl (German Steel Federation)
Breite Strasse 30, W-4000 Düsseldorf 1
tel: (0211) 829-562 fax: (0211) 829-231
Karl-Liebknecht Strasse 34, O-1020 Berlin
tel: 23-43-041 fax: 23-42-973
meeting: Düsseldorf, 09-12-91
topic: co-determination, labour, redundancies
notes: other contacts: Dr. Axel Plagemann, Public relations (Düsseldorf)
Elgin Schroder, Public relations (Düsseldorf)
- **Dr. Helmut Wienert**
Institut Rainis
Rheinisch-Westfälisches Marktforschung GmbH.
Ruttenscheidstr. 9, Essen
tel: (0201) 233171
notes: recommended by Dr. Hauck
- **Dr. Martin K. Welge**, Professor
Universität Dortmund
Lehrinstitut für Unternehmensführung
Postfach 50050, D-4600 Dortmund 50
tel: (0231) 755-3148/3150 fax: (0231) 751-532 telex: 822445 unido d
meeting: Dortmund, 10-12-91
topic: co-determination
notes: * expertise in steel, coal, textiles, shipbuilding
* current research on managerial problems of declining businesses, including some work on steel industry; field work and analysis completed. Plans to meet with U.S. professor.
* will provide any English write-ups.

INSTITUTIONS

- **Deutsche Bundesbank**
- **Institut für Sozialwissenschaftliche Forschung**, Munich
- **Wissenschaftszentrum Berlin für Sozialforschung**
Reichpietsufer 50, 1000 Berlin 30
- **Faculties of Business Administration** at universities in steel areas

FRANCE**INDIVIDUALS**

- **Nicholas Buhler**
Bossard Consultants
14, rue Rouget de Lisle, 92441 Issy-les-Moulineaux Cedex
tel: (1) 41084367 fax: (1) 41084782
meeting: Paris, 2-12-91
topic: restructuring and social conflict
notes: * other contact: Jean-Yves Koch, Directeur Général Adjoint
(steel industry expert)
- **Michel Crozier**, work on French sociological issues

INSTITUTIONS

- **INSEAD**, European Business School, Fontainebleau
tel: (33) 1-6072400

SWITZERLAND**INDIVIDUALS**

- **Stephan Moinov**
International Labour Office (ILO)
4 route des Marillons, CH-1211 Geneva 22
tel: (22) 799-75-56 telex: 415647 ilo ch
meeting: Geneva, 26-11-91
notes: * the ILO steel expert
* from Soviet Iron and Steel Institute
- **Peter Unterwegger**, Head of Automotive Department
International Metalworkers' Federation
54 bis, route des Acacias, Case postale 563, CH-1227 Geneva
tel: (41) 22-743-6150 fax: (0041) 22-431510
meeting: Geneva, 27-11-91
topic: unions
notes: * experience in labour and steel
* widely published, North American auto labour relations
- **Mr. Von Rohland**
ILO
4 route des Marillons, CH-1211 Geneva 22
tel: (22) 799-7916 telex: 415647 ilo ch
meeting: Geneva, 26-11-91
topic: labour
notes: organizational experience

- **Gijsbert Van Liemt**
 ILO
 4 route des Marillons, CH-1211 Geneva 22
 tel: (22) 799-8181 telex: 415647 ilo ch
meeting: Geneva, 27-11-91
topic: labour
notes: * experience in International labour (European community)
 * other ILO contacts: Mr. Clotz tel:(41) 22-799-7561;
 Mr. Van Ginneken tel: (41) 22-799-6445

INSTITUTIONS

- **IMEDE, Universite de Lausanne, Lausanne**
 tel: (41) 22-799-7561
notes: Mr. Moinov (ILO) has contacts

LUXEMBURG

INSTITUTIONS

- **Iron and Steel Statistics Bureau**

BELGIUM

INDIVIDUALS

- **Peter Coldrick**
 European Trade Union Confederation
 Rue Montagne aux Herbes Potageres, B-1000 Brussels
 tel: (020) 218-31-00 fax: (02) 218-35-65
notes: recommended by Rick Jackson (Canadian Labour Congress)
- **Antoon Herpels, Head of the division "ECSC Readaptation and social aspects of iron and steel policies"**
 Commission of the European Communities
 Rue de la Loi 200, B-1049 Brussels
 tel: (322) 235-1550 fax: (322) 235-0129

INSTITUTIONS

- **Iron and Steel Institute, Brussels**

SWEDEN**INDIVIDUALS**

- **Hans Bergstrom**
Berit och Hans Bergstrom Konsulter AB
Gransangsvagen 9, 161 40 Bromma
tel: (08) 26-69-14
meeting: Stockholm, 12-12-91
topic: restructuring
notes: * President and CEO of several companies
* restructured a steel company

- **Gabor Farago**
National Labour Market Board (AMS)
Sundbybergsvagen 9, Solna, S-171 99 Solna
tel: (46) 8-730-6000 fax: (46) 8-730-6068
meeting: Stockholm, 13-12-91
topic: redundancies, U.I.
notes: economist

- **Alan Larson, Minister**
Swedish Government
topic: restructuring
notes: * recommended by Olov Rydh
* worked with the unions on restructuring the steel industry

- **Jan-Ake Olsson, International Secretary**
Swedish Metal Workers 'Union
Olof Palmes Gata 11, S-105 52 Stockholm
tel: (46) 8-786-8000 telex: 11873 Metall S
meeting: Stockholm, 13-13-91
topic: redundancies, restructuring

- **Dr. Orvar Nyqvist, President**
Jernkontoret
P.O. Box 1721, S-1167 Stockholm
tel: (46) 8-678-48-20 fax: (46) 8-811-2089
meeting: Stockholm, 13-12-91
topic: restructuring
notes: * Jernkontoret is an old (1747) association of steel and mine producers
* ASFI COFI counterpart

- **Eric Rhenman, Vice-President**
 SIAR-BOSSARD, International Management Consultants
 Brahegatan 47, Box 5572, S-114 85 Stockholm (b)
 Kommendorsgatan 9, 4th floor, Stockholm (r)
 tel: 8-663-5050 (b) 8-667-2954 (r) fax: 8-783-0051
meeting: Paris, 25-11-91; Stockholm 14-12-91
topic: labour-management, restructuring
notes:
 - * SIAR-BOSSARD involved in Usinor-Sacilor
 - * Company has network in all countries of interest to ISTC
 - * would be willing to provide a turnkey piece of work
 - * Rhenman wants to maintain contact and start a relationship with Cdn. gov't
 - * other contacts: Albert Ojermark, Partner; Ulf Johanisson (meeting Stockholm, 11-12-91)

- **Olov Rydh, President**
 Forvaltningsbolaget Fortia
 Engelbrektsplan 2, 114 34 Stockholm
 tel: 8-679-60-20 fax: 8-679-51-40
meeting: Stockholm, 11-12-91
topic: privatization, restructuring
notes:
 - * President of all Swedish Crown Corporations
 - * Former Under Secretary of State for Industry

- **Alf Wedmalm, Vice-President, Personnel and Information**
 AVESTA AB
 Vasagatan 8-10, P.O. Box 16377, S-103 27 Stockholm
 tel: (46) 8-788-5050 fax: (46) 8-20-84-81 telex: 12378
meeting: Stockholm, 12-12-91
topic: labour-management relations, redundancies, training

INSTITUTIONS

- **National Labour Market Board (AMS)**
 Sundbybergsvagen 9, Solna, S-171 99 Solna
 tel: (46) 8-730-6000 fax: (46) 8-730-6068

- **Swedish Work Environment Firm**
 Box 1127, S-111 81 Stockholm
 tel: (46) 8-796-4700
topic: restructuring
notes:
 - * recommended by Peter Unterwegger
 - * centre for working life (work reorganization, public and private sector)

UNITED KINGDOM**INDIVIDUALS**

- **Magnus Hallberg**, Partner
SIAR-BOSSARD
International Management Consultants
41 Curzon St., London WTY 7R1
tel: 71-495-1268
meeting: 11-12-91, Stockholm
topic: Swedish steel, restructuring
notes: * would like to confer with Don Tate
* involved in steel in Sweden, also with United Engineering
* joint venture with British Steel and GNK
* expertise in steel, pulp and paper
- **Felix Rotahyn**, Partner
British Steel
topic: labour
notes: * recommended by Daniel Denoual
* look for references in newspapers
- **Joe Seher**
British Steel
tel: 41-22-743-6150
topic: labour-management relations
notes: * recommended by Daniel Denoual
* took over steel mill, sold for \$50 million
* should have very direct experience in labour-management relations
- **Jean-Michel Six**, Managing Director
DRI/McGraw Hill, DRI EUROPE LTD
Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU
tel: (4481) 545-6200 fax: (4481) 545-6248 telex: 892191 MCGRAW G

INSTITUTIONS

- London Business School (Labour/Management Professor)
- London School of Economics (Labour/Management Professor)

U.S.A.**INDIVIDUALS**

- **Frank Empak**
International Metalworkers Federation
tel: (41) 22-743-6150
notes: * recommended by Peter Unterwegger (IMF)
* vast amount of European contacts
- **Lazare Frer**, New York

- **Ian MacGregor** (British Steel)
Lazare Frer, New York
notes: * contact through Jim Howe
 * recommended by Daniel Denoual
- **Wolfgang Streck**
University of Madison, Wisconsin
tel: (41) 22-799-7556
notes: recommended by Peter Unterwegger (IMF)
- **Lowell Turner**
Cornell, Ithaca
topic: comparative industrial relations, co-determination
notes: * recommended by Peter Unterwegger (IMF)
 * recommended as advisor to Canadian government by Manfred Muster
 * other address: Berkeley Roundtable on the International Economy
 2234 Piedmont Avenue, University of California, Berkeley,
 California CA 94703

CANADA

INDIVIDUALS

- **Harvey Coloday**, Professor
University of Toronto
topic: labour-management relations
notes: recommended by Peter Unterwegger (IMF)
- **R. W. (Rick) Jackson**, National Director, International Affairs Department
Canadian Labour Congress
2841 Riverside Drive, Ottawa, Ont. K1V 8X7
tel: (613) 521-3400 fax: (613) 21-8949 telex: 53-4750
- **Dr. Tom Rankin**
notes: * recommended by Peter Unterwegger (IMF)
 * expertise on shell refinery in Sarnia

TUAC CONTACTS

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OTHER CONTACTS

- GATT

APPENDIX "D "

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APPENDIX "E "

Notes by Subject

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LABOUR-MANAGEMENT RELATIONS

1. Models

1.1 German Co-Determination model

Historical background and principles

- The principle underlying co-determination, i.e. the need for works councils with an input into entrepreneurial modes, was first established in 1923 [German Steel Federation p. 8].
- The sharing of power between shareholders, management and workers is the underlying philosophical principle [Welge p. 10].
- The underlying issue is the rights of workers to be informed [Hauck p. 7].
- After WWII, the allied powers needed to reorganize labour laws in Germany. [Denoual p. 1]. The 1951 code, "Montanmitbestimmungsgesetz 1951" (see Chart #1) [original document #5] was developed, under the influence of the British Labour government [Denoual p.1], for labour and capital to cooperate [Dr. Hauck p. 6], as good working relationships were needed [German Steel Federation p. 8].
- WWII left two legacies for the steel and mining industry:
 - 1) no involvement with political parties
 - 2) 50-50 representation [Muster p. 19]
- A peculiarity of the German system, is that socialists renounced Marxism in Godesbad [Denoual p.1].
- The 1952 model (see Chart #2) [original document #6], which introduced true co-determination rights for the first time for the works councils, forms the basis of the current model. The board cannot take decisions with regard to social affairs without reference to the works council.
- Revisions to the code were introduced in 1956 (see Chart #3) [original document #8], the "Montanmitbestimmungsergänzungsgesetz 1956 (Holding-Novelle)". They do not apply to diversified holding companies, only to steel + coal production. The steel industry would prefer this version of the code today.
- Further revisions were introduced in 1976 (see Chart #4) [original document #7], the "Montanmitbestimmungsgesetz 1976".

Current co-determination models (see Charts)

- The 1952 model (see Chart #2) [original document #6], now applies only to small companies.
- The 1976 revised code is now in effect and constitutes the current co-determination model for the industry in general [German Steel Federation p. 8].

- The deciding vote is held by the President, who comes from Capital [Muster p. 19].
- The "Arbeitsdirektor" (Labour Director) is a very important and strong position [Muster p. 19]:
 - * Management or labour may propose individuals for the position
 - * The position is mutually negotiated and accepted
 - * In the case of labour cuts, the Arbeitsdirektor is responsible for making the cuts, and developing the social plan; he is also responsible to, and negotiates on behalf of management.
- Co-determination operates at two levels [German Steel Federation p. 8] as there are 2 legal frameworks. An understanding of both frameworks provides a clear picture of co-determination [Stinner p. 4]:
 - 1) **Co-determination Code** at the Board of Directors level, under "Mitbestimmungsgesetz 1976":
 - * the advisory council is made up of the management board, "Vorstand" (with 1 Labour Director); and
 - * the supervisory board, "Aufsichtsrat" (with 2/3 ownership, 1/3 employees)
 - * e.g.: all 21 members of the Board of Directors must vote in favour of a shutdown for the decision to be valid [Hesse p. 11]
 - 2) **Cooperation Code** at the shop floor/firm level:
 - * any firm over 5 employees can ask for representatives on the Board
 - * the system is increasingly sophisticated with the no. of employees
 - * the Betriebsrat - Labour representative - operates at the shop floor level
- Co-determination for coal + steel operates under the 1952 code; the supervisory board is composed of 50% employees [Stinner p. 4].
- **Steel + mining industry** : the model is much stronger than the rest of the industry [Hauck p. 6].
- **Other industries:**
 - * if more than 2000 employees, a supervisory board must be set up, with worker representatives
 - * the chairman has 2 votes to overrule decisions
 - * both union and workers have representation on the Supervisory Board [Hauck pp. 6-7].
- Co-determination includes [Stinner p. 4]:
 - 1) informing employees
 - 2) obtaining an input into operations
 - 3) co-decisions
- Co-determination provides unions with access to decision-making bodies and the Board of Directors of German firms and allows the unions to have an influence on long term planning [Denoual p. 1].

- A special set of labour laws applies to the mining industries [Denoual p.1].
- The model is oriented more towards the organization as the key to competitive advantage [Van Liemt p. 2].
- Co-determination assumes good labour - management relations. Flexibility can't occur in an antagonistic environment [Van Liemt p. 2].

Evaluation of German co-determination

- **Negative aspects**
 - * Co-determination slows down decision-making, delays plant closings, and entails considerable costs [German Steel Federation p. 8]
 - * Employers do not like co-determination, because of restrictions on decision-making [German Steel Federation p. 8].
 - * Some studies indicate that worker participation has not been fully activated [Welge p. 10].
 - * The law could be more precise as to the specific areas in which workers have an input [Welge p. 107].
- **Positive aspects**
 - * The unions are happy with the model [Welge p. 9]
 - * The unions have more information on market and industry [Denoual p. 1].
 - * Management is quite happy with the model, despite the constraints, because it works [Welge p. 9]
 - * 80% of CEOs throughout Germany are in favour of the law [Hauck p. 7].
 - * The model creates a positive environment of cooperation [Hauck p. 7].
 - * The board unanimity required for ex. for plant closures (at Hoesch, as in other firms, all 21 Board members must vote in favour of plant closure) could not be accomplished without co-determination [Hesse p. 11].
 - * The model also secures social peace; closures have been peaceful and tolerable and strikes have not occurred [German Steel Federation p. 8].
 - * No outright sackings have occurred thanks to co-determination [German Steel Federation p. 8].
 - * There have been no labour suits during the past 20 years [Stinner p. 4].
 - * Co-determination helps to even out the respective interests of labour, management, and investors [Welge p. 9]
 - * Co-determination works on a daily basis: if changes are needed to effect optimization and earnings, a solution can usually be reached with labour representative [Hauck p. 7].

- * Despite the delay in decision-making, the implementation of decisions is much quicker and easier [Wege p. 9].
- * The model has provided a framework for the process of managing labour cuts and restructuring the steel industry, i.e. for increasing productivity by decreasing the labour force, while maintaining a good image with the public and workers [Hesse p. 109]

- **Comments**

- The German case is the second best, after Sweden [Unterwegger p. 3].
- The Co-determination code is a complete book itself [Hauck p. 6].
- Volkswagen is a very good example of the co-determination process [Muster p.20].

1.2 **France**

- France does not have a legal framework comparable to Germany [Denoual p. 1].
- The French equivalent of "co-determination", the comité d'entreprise was not successful. It was relegated to trivial issues [Denoual p.1].

1.3 **U.K.**

- Unions have tried to gain influence through the Labour political party, rather than deal directly with management [Denoual p. 1]

1.4 **Sweden**

Historical background and current context

- Sweden had a strong supply position. It was dependent on export markets. Efforts were made to make the industry more internationally cost competitive; this forced them to adjust internally [Denoual p. 1]
- Since 1936, laws have required that labour be kept informed [Wedmalm p. 14].
- In 1976, laws were introduced on how to make decisions within the company; companies were forced to negotiate everything with regard to company and personnel decisions; this sounded hard at the time, but all companies have developed models and are now used to the situation [Wedmalm p. 14].
- The government is going to reform almost every sector of society [Rydh p. 12].
- The industry is very regulated with regard to labour-management relations [Wedmalm p. 15].

Current co-determination model (see Chart)

- The Swedish model is influenced by the older German model, which was modified to suit existing institutions. The Swedes wanted a simpler, less bureaucratic model [Rhenman p. 18].

[Rydh p. 12]

- At the board level, employees are entitled to have members on the Board.
- This structure is provided for by law; labour is entitled to representation.
- The executive committee formed by the board must include one labour representative.
- Major decisions have to be negotiated with the unions, but the company has final decision.
- Union can request negotiations at the industrial labour federation level.

[Bergstrom p. 14]

- The fact that legally, unions have to be a part of the Board in Sweden does not replace the need for a good daily working relationship with the workers.
- The unions had to look for a structure that would be effective at the national level, since it is more complicated to deal with unions at the company level; under the existing system, the national union sets up a policy and a strategy. The local union can negotiate at the firm level [Olsson p. 16].
- SSAB: three companies were merged, each with a local union; uneven reductions will be made in the individual firms. The legal structure requires that the company must negotiate with each plant [Olsson p. 16].
- The law provides that the company has the final decision [Olsson p. 26].

Evaluation of the Swedish model

- **Negative aspects**

- * The labour management model can be relied on at the firm level, but labour at the national level is not as involved in restructuring or in taking initiatives [Rydh p. 12].

- **Positive aspects**

- * This is the best case [Unterwegger p. 3].
- * The labour - management model is dynamic and changing at the national level [Rydh p. 12].
- * The enterprise level labour - management models are very good, they work well and result in very good cooperation [Rydh p. 12]
- * The co-determination law of Sweden works very well at the firm level [Rydh p. 12].
- * Intensive contact occurs with the unions, on several decision-making levels within the company; the informal process does not entail any obligation to agree, but it is an important process [Wedmalm p. 15].

1.5 Other countries

- The Netherlands

They have something similar to the German "co-determination" model (Workers' Council) [Denoual p.1]

- Italy

The system is similar to France [Denoual p.1].

- Japan

The Japanese were forced to review capitalism; after the war, they started traveling around the world [Rhenman p. 18]. While U.S. capitalism is for shareholders, Japanese capitalism is for stakeholders, i.e. for a wider set of interest groups, including workers, community, national interests and environmental interests [Rhenman p. 18].

1.6 Transferability of models

- In analyzing the transferability of models, attention needs to be paid to the reasons for success (historic, cultural) [Hauck p. 7].
- Other countries can learn from Germany's laws, as Germany has the most advanced laws in this area [Welge p. 9].
- Some form of German, Japanese, or Swedish co-determination is necessary [Rhenman p. 18].
- The Japanese model will not work in Europe or N.A.; the model must be adapted to the national conditions [Moinov p. 2].
- The Japanese model is difficult to replicate [Hauck p. 7].
- Japanese methods and management practices have been successfully transferred to Germany and other European countries [Welge p. 9]
- The Japanese "quality circle" model is a good one, and the Germans are adopting it [Hesse p. 11].
- In North America, relations are predicated firstly on collective agreement, whereas they are regulated by laws in all E.C. countries. A transition would be required [Moinov p. 2].
- The European model may not apply to the present, it is more a model for the 1950s and 1960s. In an era of political confrontation, the German labour-management cooperation model will not work [Denoual p. 2].
- The legislative framework which differs in each country needs to be taken into account, at both the national and regional level [Unterwegger p. 3].
- Some elements, e.g. just in time production, team organization, reduction of classification, are clearly transferable. Others can be transferred with adjustments [Unterwegger p. 3].

- In order to implement co-determination, Canada needs to consider its own unique situation and internal problems [Rhenman p. 18].
- Canada has never been efficient at deployment of resources because of the rivalry between federal and provincial governments. Too many resources have been used to resolve conflicts rather than produce [Rhenman p. 18].
- Need to examine which infrastructural changes are needed in Canada to adapt co-determination [Muster p. 20]

1.7 General comments

- **Labour/Management Model for Restructuring the Industry** [Muster p. 20]:
 - 1) Union participation in industry and firm analyses
 - * reciprocal communication
 - 2) Participation in decision-making with regard to restructuring
 - * no important economic decisions without consultation with labour
 - * union has veto on decisions concerning personnel and operations, but not on those concerning technology, planning and restructuring
 - 3) Union involvement in planning and implementation process
 - * need for a framework of regulations for cooperation/co-determination
 - * need for informal involvement in the process
 - 4) Occupation Training System:
 - * this is a very important factor in competitiveness
 - * this is a factor for society as a whole
 - * must lead to both economic success and social progress
 - 5) Government mechanisms:
 - * the government must have mechanisms whereby the firms can be compensated
- It can be argued that the Germans, Swedes and Japanese have not been harmed by good labour-management relations; these are not necessarily required for competitiveness [Van Liemt p. 3].
- Any innovation in European labour-management relations will be found in the auto industry [Unterwegger p. 3].
- Great innovations will not occur in countries with weak or split unions. Strong unions lead to strong labour laws, and subsequently to labour innovation [Unterwegger p. 3].
- Formal structures are very useful, but they are not helpful if they are too restrictive [Bergstrom p. 14].
- Some form of Japanese, German or Swedish co-determination is necessary. It is not only possible, it is necessary [Rhenman p. 18].

2. Unions

2.1 **Germany**

- IG Metal one union, on several Boards of Directors; very well financed; able to develop own specialist [Denoual p. 1].
- IG Metal is the most powerful trade union [Stinner p. 4].
- The unions are very strong; they have the power to enforce their demands [Welge p. 10].
- The industrial unions systems covers steel, automotive, computers, airplanes, aerospace, ship building and tool machinery [Muster p. 19].
- The unions' traditional approach is to be reactive to capital; since the war, they have been proactive [Muster p. 19].
- The structure of the workforce is changing: the ratio of white collar workers to blue collar workers is increasing (both are unionized); this creates a new competence for shaping the industrial structure of a region and creates a shift towards a greater intellectual pluralism and a more complex structure [Muster p. 19].
- The unions' main priority is to look at a competitive economic environment for the future [Muster p. 19].

2.2 **France**

- Unions are divided along political lines:
 - 1) CGT: close to communist party
 - 2) FO: middle of the road
 - 3) a third union, closely associated with the Christian Socialists [Denoual p.1].
- The unions all compete for membership and management attention, as well as solutions to problems; they are subject to a divide and conquer approach [Denoual p.1].
- In most instances, unions have little credibility with management [Denoual p.1].

2.3 **U.K.**

- The union system is more like the German system [Denoual p. 1].

2.4 **Sweden**

- The unions have accepted the view that restructuring was necessary and that exports and competitiveness are important issues [Olsson p. 16]

2.5 **Other countries**

Italy is like France, unions compete with each other [Denoual p. 1].

2.6 General comments

- Miners and steel workers formed the early powerful unions in Europe; they have been the backbone of socialist and labour parties [Denoual p. 2].
- Communist parties have captured 25% of the vote in France, Italy and Spain, until the mid 70s. They are currently losing ground and have no interest in co-management [Denoual p. 2].

3. Issues related to labour-management relations

- **role of political system:**

There are 2 alternatives to labour management relations:

- 1) face to face management
- 2) access through political system [Denoual p. 2]

- **degree of unemployment:**

In Germany, worker participation has survived 8-9% unemployment [Van Liemt p.3].

- **worker education:**

the workers' understanding of economic and other issues increases with increased education [Hauck p. 7].

- **competitiveness:**

* the German steel industry is highly productive and competitive for 2 reasons [Hesse p. 11]:

- 1) market - competitive structure
- 2) co-determination and social system

* a labour - management model can be a significant competitive force, if operated properly [Wedmalm p. 15]

- **capitalism for shareholders (U.S.) vs. capitalism for stakeholders:**

Capitalism for shareholders is not dominant and will not be in 25 years. The decline of the N.A. continent in terms of economic power vis à vis Europe and Japan will not stop until N.A. discovers that capitalism for shareholders is not sufficient. There is a need for politicians, an informed public and shareholders who believe that capital markets are complex entities filled with people, and that the world is a plus sum game, not a zero sum game, e.g. that the interests of workers and of capital are not mutually exclusive [Rhenman p. 18].

INDUSTRY RESTRUCTURING

1. Germany [Muster p. 19]

- Labour must participate fully in the restructuring process.
- German labour learned a lot from the Swedes, particularly with regard to the restructuring of shipbuilding.

- **Union involvement:**

- * the unions sit down and go over the restructuring plan to determine whether or not the entire plant needs to be shut down;
- 1) if not, investment is made in remaining lines of production
- 2) if yes, a social plan is set up between labour, management and government

2. **France**

- The implementation of a social plan was easy thanks to French government assistance [Bossard p. 5].
- Bossard was very active in restructuring of Usinor-Sacilor [Bossard p. 5].

3. **U.K.**

- The total closure of Ravenscraig is now imminent and constitutes a crisis for the entire British steel industry [OECD conference p. 6].

4. **Sweden**

- A vast and successful restructuring process took place in the late '70s, in the context of a good economy, in an environment where there was a very high demand for labour in other industries, and at a great cost to the government [Rydh p. 12]:
 - * 3 major producers, 2 private and 1 government owned were about to go bankrupt
 - * labour unions exerted heavy pressure to restructure the industry
 - * initially, private firms were not that interested in the restructuring
 - * after a massive input of funds, both private firms, Stora and Gränges sold their shares for one krona
 - * effectively, there was an alliance between the industry and labour, and the government had to pay
 - * large labour cuts were made
 - * 4 out of 10 mills were closed
 - * the government introduced a number of programs
 - * considerable funds were spent on replacement industries for the areas (diversification investment)
 - * attempts were made to merge companies with specialty steel, but were not carried out
 - * specialty steel was left to market forces and the industry has largely been fading away
 - * the key factors in the success of the restructuring of ordinary steel were the fact of single ownership and the existence of a plan of action
 - * the government required companies to invest in other industries in the area

- The metalworkers were and are interested in keeping the steel industry healthy; unions tell management that rationalization has been insufficient [Wedmalm p. 15]
- AVESTA created separate financial and legal entities, each responsible for its own profit and losses [Wedmalm p. 15].
- SSAB had two restructuring periods [Nyquist p. 16]:
 - 1) during the 70s, the union was involved from the beginning;
 - 2) 1986-87, management came out with a plan
 - * the unions were informed when the details were presented to the Board

Bergström experience [pp. 13-14]

- Example of a good working relationship with the union. He restructured a steel company which had 2 steel mills and a world wide market, and was making huge losses, using 4 strategies:
 - 1) **let the fires burn and examine situation**
 - * he brought in McKinsey
 - * looked for excess labour without making any changes and formed 10% excess manpower
 - * sought ways to place these people elsewhere
 - * cases were handled individually : consultants; retraining; government support; early retirement; reeducation
 - * 2 gains:
 - 1) streamlined organization
 - 2) developed positive rapport with the union to take on the harder job of restructuring cutbacks
 - * also helped individuals start their own businesses, in areas other than steel, to keep the community thriving in a diversified way
 - 2) **offered to union to participate in the management of the restructuring**, but under the condition that workers must not be informed; unions naturally declined; **alternative: informal** discussions on a regular basis with union leaders to brief and reflect on the plans, in camera.
 - 3) **split up the company into separate legal companies**
 - * in some of these, employees were offered ownership
 - * managed to obtain the unions' consent for the separation into legal entities
 - * each unit bought and sold its own services
 - 4) **business expansion**
 - i) customer oriented strategies - former clients from existing stock around the world
 - ii) high volume custom jobs
 - * integrate product with customers
 - * price competitiveness
 - * different sales forces built up

- iii) excess production capacity sold
 - * identify excess capacity on a monthly basis
 - * does not tie up capital; use customer capital.

5. Social plan

- A list of all the actors: government, management, local authorities, and unions needs to be drawn up for a social plan [Bossard p. 5].
- The current crisis, which is different from the early 1980s and is occurring in the context of downward price pressures, cost and labour reductions, underlines the need for a social plan. Pressure is being exerted for a world social charter [OECD conference p. 6].
- Social free markets must have a system of security networks [Hauck p. 13].
- The French were in a position of doling out money and finally wanted a social plan along with participation in the process [Bossard p. 5].

6. Redundancies

6.1 Germany

- Reductions in excess of 50 persons are considered "mass layoffs" under the law [Hauck p. 7]:
- The law prescribes the following steps, which must be undertaken before the layoffs can start [Hauck p. 7]:
 - * inform labour lawyers
 - * start negotiations on conditions
 (these steps are costly)
- 4 strategies used [German Steel Federation p. 9]:
 - 1) **early retirement:**
 - * workers receive unemployment benefits from federal Labour Office in Nürnberg (63-68% of former pay)
 - * employer pays difference between U.I. and former pay, up to 90%
 - * after 2 years, U.I. is reduced, employer continues to pay the difference
 - * after age 60, old age pension kicks in
 - * unemployment aid is a supplement to U.I. and employer payment
 - * share of costs 1/3 German gov t, 1/3 employer, 1/3 EC
 - 2) **moving of employees to other industries**
 - * Labour office has retraining scheme
 - * Gov t pension office has retraining scheme
 - * East Germany has retraining programs

- 3) **lump sum payments**
- 4) **support to small businesses in the area**

Hoesch 1980-86 reductions:

Hoesch made enormous cuts (13,000) with the use of the co-determination model, and with full cooperation from the union [Muster p. 19].

3 models used [Hesse p. 10]:

- 1) **early retirement:**
 - * for older people, up to the time they get their pension
 - * 55 year old gets 92% of former income (guaranteed by Hoesch, even if the company doesn't receive subsidies)
 - * model = 1/3 company; 1/3 government; 1/3 social insurance (paid both by worker and company)
- 2) **payout:**
 - * this was done for 1,500 workers
 - * amount depends on tenure
 - * average 15,000 DM
- 3) **voluntary "fluctuation":**
 - * transfers organized by the company

unemployment insurance:

80% of salary for one year [Hauck p. 7].

6.2 France

- Workers were made redundant with 90% pay plus all social benefits [Bossard p. 6].

6.3 U.K.

- J.C.L. (Job Creation Limited) was a concept introduced in the late '70s, to create jobs where steel had been shut down; operated under entrepreneurial jurisdiction [Hallberg p. 11].

6.4 Sweden

- The Swedes have a very intensive follow up of redundant workers [Van Liemt p. 3].
- Severe labour cuts took place in the late '70s [Rydh p. 12].
- Law provides for layoffs, depending on tenure and age; early pension schemes + retraining programs [Rydh p. 13]
- Last in, first out principle operates; it can be negotiated, where the company wants to keep younger, trained people [Rydh p. 13].
- 2500 positions (including management) were eliminated during the restructuring process [Wedmalm p. 15].
- **current situation at AVESTA [Wedmalm pp. 15-16]:**
 - * the company is laying off 900 employees
 - * a plan was agreed to in May

- * a new proposed organization structure was presented, including the qualifications of the positions and the identification of individuals proposed for the positions
- * unions obtain list of total no. of employees; last in/first out principle
- * 4 strategies are being used:
 - 1) an average of 4 months notice is given (varies from 2 to 12), depending on tenure; employees are paid for their work until their departure; unemployment insurance follows, but no severance pay;
 - 2) early retirement, with 80-90% of pay is offered to employees over 60;
 - 3) educational leave offered; employees are laid off after studies are completed;
 - 4) retraining + circulation within the company for redeployment
- The union can influence the government and AMS to try to find alternative jobs for the worker [Olsson p. 16]
- **Methods of dealing with redundancies** [Olsson p. 17]:
 - 1) look at total nos of workers that need to be made redundant; union will try to reduce the number as much as possible
 - 2) training and education
 - i) within company - for other jobs not yet qualified for
 - ii) jobs on market outside the company
 - 3) Negotiate lump sum payment for people made redundant
 - 4) support for workers starting small businesses
 - 5) pension for people over 60; employer responsible for this; company receives a tax break for this
- The five above points are what you can have discussions about with the company.
- In major negotiations like SSAB, government can be involved to help create opportunities in the community
also e.g. AVESTA the government got the company to put 100 million kronor into investment fund for alternative new jobs in the region.
- Unemployment insurance provides an additional method
 - * worker receives U.I. for 450 working days for persons over 45; under 45 300 working days
- Legislation includes an early warning requirement.

Labour Market Board (AMS)

- AMS as done an extremely good job [Rhenman p. 2]:
 - 1) employment
 - 2) retraining
 - 3) projects: regional development, environment

[AMS p. 17]

- Budget: 27 billion krona = 5.5 billion dollars
- Basic principle = work strategy; people should get retraining in 1st instance; passive assistance - cash payment - in last resort
- **methods used**
 - 1) advanced warning system
 - * cooperation between management, labour and local authorities
 - 2) training - at every level from general to specialized
 - 3) matching measures
 - * information to find work
 - * counseling
 - 4) cash benefits to unemployed, while registered as looking for a job: 300 working day; 450 days (55-64 years)
 - 5) relief work - state pays the normal rate for the given work
 - * not compulsory, but one could be denied U.I. benefits if refusing suitable work
 - 6) start own business
 - 7) youth opportunities

6.5 Costs of redundancies

- **Germany:** total cost to relieve one employee was 75,000 DM (reference: annual wages, excluding overtime, of steel worker in 1989 = 47,000 DM) [German Steel Federation p. 8].
- **Sweden:** the cost of laying off 900 employees at AVESTA is calculated at \$200 million [Wedmalm p. 16].

7. Education and training

7.1 Germany

- * Hoesch and German steel industry make a large input into education, training and culture; this results in increased productivity [Hesse p. 11].
- * The German apprenticeship system is very effective. It is a dual system:
 - 1) practical training in the firm
 - 2) theoretical education in public schools [Hesse p. 11].
- * Germany has a lot of education programs for retraining [Hauck p. 7].

7.2 Sweden

[Wedmalm p. 15]

- * Retraining was a significant part of the restructuring process
- * 1,000 employees given 8 week training course on the industry, the company, markets, etc.
- * 6 months training course given to workers volunteering in any field outside the company.

8. Restructuring strategies, issues and general comments

- industry strategies include [German Steel Federation p. 8]:
 - 1) diversify
 - 2) specialize
 - 3) become a global player
- two main coping strategies [Muster p. 19]:
 - 1) diversification, e.g. Bremen shipbuilding: 50% of output is independent of shipbuilding;
 - 2) conversion to other industries, e.g. Bremen is the largest state depending on military production:
 - * given the recent reductions in military expenditures, the unions were the first to propose conversion to non-military production;
 - * one major company moved from 92% to 50% dependency on military production;
 - * together with the government, unions + capital set up a Conversion Board for Alternate Production.
 (identifying alternatives to mass automobile ownership is another example)
- **two major issues** [Bossard pp. 4-5]:
 - 1) how to manage the process of social change in major restructuring on the industry
 - 2) how to evaluate the various consequences on employment in the country
 - * What kind of social measures must be implemented to resolve the problems from the impact on the environment?
 - * What kind of indirect aid can be focussed on firms in the region?
- **three most important figures** to be considered during restructuring [Nyquist p. 16]:
 - 1) yield
 - 2) energy efficiency
 - 3) manpower
- **role of government:**
 - * to formulate laws [Hauck p. 7]
 - * when workers are unemployed, to provide unemployment insurance and state education [Hauck p. 7]
 - * conflict mediation: e.g. **Germany**: when labour and management can't agree, the government can choose an arbitrator, often a politician, who will find a solution [Welge p. 9].

- The restructuring of the European steel industry took place before the general increase in unemployment. Workers were able to bargain better deals than now [Van Liemt p. 3].
- Individual countries have chosen individual approaches, e.g. Lorraine/Saar: Lorraine has no alternative employment, whereas there was in Germany [Van Liemt p.3].
- ECSC oversaw the European restructuring process [Van Liemt p. 3].

SUBSIDIES

See Appendix "B" for detailed information.

1. Germany

- In the federal state of Germany, assistance is more likely to be delivered at the state/regional level (e.g. subsidies to zone border areas) [Van Liemt p.3].
- Steel, shipbuilding and coal are heavily subsidized; coal subsidies amount to \$20 billion/yr (steel and power plants consume coal) [Welge p. 10].
- Figures should be publicly available, but they would have to be gathered from different sources [Welge p. 10].

2. France

- is more centralized: gives more from central government [Van Liemt p. 3]

3. Europe

- **figures:**
U.K. received 27 billion DM in subsidies for its restructuring; Europe as a whole received 107 billion DM [German Steel Federation p. 8] (see also Tables) [original document # 4].
- **levels of assistance in Europe**
European markets are protected through three levels of assistance [Van Liemt p. 3]:
 - 1) European assistance
 - 2) national assistance
 - 3) regional assistance
- In response to the Uruguay Round, Davignon prohibited all subsidies to the steel industry with the following exceptions:
 - 1) R + D
 - 2) assistance to reduction and closures
 - 3) environment
 - 4) disadvantaged regions [Casserini p. 6]

4. Issues

- **Beneficiaries**

Differences exist between assistance provided to a state owned and assistance provided to a privately owned company. The issue is whether or not shareholders are beneficiaries [Van Liemt p. 3].

- **Rivalries between companies**

Rivalries, for subsidies, between companies will depend on the number of companies [Van Liemt p. 3].

APPENDIX "F "

Notes by Meeting

Meeting with Daniel Denoual 23-11-91

Germany

- Post WWII powers had to reorganize labour laws
- British Labour government influence
- "co-determination" provides unions with access to decision-making bodies + board of directors on German firms; influence on long term planning
- benefits: union has more realistic information on market and industry
- IG Metal: one union, on several boards of directors
 - very well financed
 - able to develop own specialist
- special set of labour laws apply to mining industries
- peculiarity of system is that socialists renounced Marxism in Godesbad

Netherlands

- they have something similar to the German "co-determination" model: Workers Council

France

- does not have this legal framework
- unions divided along political lines - forces
 - 1) CGT: close to communist party
 - 2) FO: middle of the road
 - 3) one closely associated with Christian Socialists
- all of these unions compete for membership and management attention and solution to problems
- in most instances unions have little credibility with management; subject to divide and conquer approach.
- Comité d'entreprise (French equivalent of "co-determination") was not successful; relegated to trivial issues.

Italy

- like the French system
- unions competing with each other

U.K.

- union system is more like the German system
- unions tried to gain influence through political party (Labour) rather than deal directly with management
- Labour pulling + towing

Sweden

- adapted a labour/management model like the Germans; worthwhile to look at

General

- In all of these, two ways of acting:
 - 1) face to face management
 - 2) access through political system
- Miners and steel workers were the early powerful unions
- they have been the backbone of socialist and labour parties
- communist parties in France, Italy and Spain: until the mid seventies 25% of the vote; now they are being washed out, no interest in co-management.
- the European model may not apply to the present; more a model for the 1950s and 1960s; era of political confrontation, the German labour/management cooperation model will not work

Meeting with Eric Rhenman 25-11-91

- Union participation on 2 levels
 - 1) participation of union required
 - 2) participation of workers on shop floors
- a lot of things have changed; Japanese experience
- union participation has come at different times, in different countries, with different companies
- Bossard
 - * developed the labour management techniques for cooperation
 - * developed "Quality Circles"
 - * Usinor-Sacilor - Pont Amousson (St-Gobain)
 - * electronic industries
 - * look at the entire economic/political/labour environment to pilot the strategy for restructuring
- Unions in France have been relatively weak

Meeting with Von Rohland, I.L.O. 26-11-91

- Moinov: Japanese model will not work in Europe or N.A.
model must be adapted to the national conditions
- N.A.: relations are predicated firstly on collective agreement
- Europe: relations are regulated by laws in all E.C. countries
would require a transition
- solutions are very different in different countries

Meeting with Van Liemt - I.L.O. 27-11-91

- labour-management model in Germany "co-determination"
 - * more towards organization as the key to competitive advantage
 - * all of this assumes good labour management relations
 - * can't have flexibility in an antagonistic environment

- In Germany, worker participation has survived 8-9% unemployment; labour management relations at firm levels
- you can say that the Germans, Swedes, Japanese have not been harmed by good labour/management relations;
- you cannot necessarily say they are required for competitiveness; has been helped by the best practice production methods
- Protection of European markets:
 - 1) European assistance
 - 2) national assistance
 - 3) regional assistance
- France is more centralized: gives more from central government
- Germany federal state: more likely to deliver assistance at the state/regional level (e.g. subsidies to zone border area)
- a considerable amount of support has been given to the industry, but there has been a different mix of categories and sources and would require a great deal of legwork
- there are differences between assisting a state owned and a privately owned company, i.e. whether shareholders are beneficiaries or not

Meeting with Peter Unterwegger

International Metalworkers Federation 27-11-91

- if there is going to be innovation in labour/management in Europe, it will be found in the Auto industry
- Sweden and then Germany are the best cases
- in the case of countries in which unions are weak or split into varying confederations, there will not be great innovation
- strong unions --> strong labour laws --> labour innovation
- recommendations: Germany - look at Volkswagen (partly publicly owned); Wolfsburg, near Hannover
- model for process industries
- layers: look at different levels:
 - 1) legislative framework - different in each country
 - a) national
 - b) regional
 - 2) enterprise level
 - some elements are clearly transferable: just in time production; team organization; reduction of classifications. Others can be transferred with adjustments.
- Germany: layoffs, shorter work week; keep paying
- Berufschule - worker training system
- education training
- investment in new equipment
- assistance programs

Meeting with Rainer Stinner - MAC 29-11-91

- organization and strategy consultant
- would be interested in doing the German part
- **overview:**

2 legal frameworks

- 1) co-determination (renewed in 1976; "Mitbestimmung")
 - a) advisory council
 - i) management board (1 Labour Director)
 - ii) supervisory board (2/3 ownership; 1/3 employees)

co-determination for coal + steel (1952) Labour govt.
50% employees on Supervisory Board.

IG Metal most powerful trade union

- 2) Betriebsverfassungsgesetz - Cooperation Code - within firm
 - * any firm (over 5 employees) can ask for representatives on board
 - * increasingly more sophisticated with no. of employees

Betriebsrat - Labour representatives

3 levels

 - 1) instances of informing employees
 - 2) obtain and input in operations
 - 3) co-decisions

If you understand these two basic laws, you have the picture

- * Leads also to inflexibility

Discussion (Law Professor)

- says there have been no labour suits between company and management during the last 20 years.
- the steel industry is heavily subsidized
- when there is no agreement the company picks up the slack
- important: to have contacts with Arbeitsdirektor of major steel companies - all in the Ruhrdistrict.

Meetings with Bossard 2-12-91

- 2 issues:
 - 1) How to manage the process of social change in major restructuring on the industry
 - * Bossard is just in process of publishing a book
 - * may provide a draft in a few weeks

- 2) How to evaluate the various consequences on employment in the country
- * What kind of social measures must be implemented to resolve the problems from the impact on the environment?
 - * what kind of indirect aid can be focussed on firms in the region?
- Bossard was very active in restructuring of Usinor Sacilor
 - social plan was easy because of Fr. gov't assistance
 - * workers were made redundant with 90% pay plus all social benefits
 - * can give us precise information on French Steel sector
 - Plan: make a list of all the actors : government, management, local authorities, union
 - French were in the position of doling out money and finally wanted a plan and participation in process

OECD Steel Committee Meeting - TUAC 04-11-91

I MARKETS

- David Fowler: Market discussion - TUAC requires market information
 - * demand has decreased in past year
 - * concerned about employment restructuring
 - * for free markets with humane social programs
- Tom Wright
 - * document available on world markets from OECD working party
- Highlights of working party
 - * steel market continued to decline in most consumer products and decline in steel prices
 - * macro economic factors; growth slowdown, interest rates, decrease in investment.
 - * employment levels continued to decline in OECD
unemployment levels = Europe 4%, U.S.A. 6%; Mexico 10%

II TRADE POLICY

- Casserini
 - * Uruguay Round - general climate of nervousness - antidumping
 - * concern over U.S. VRAs
- Subsidies: one of the rare exceptions to subsidy reductions is assistance to unemployed steel workers
- Mr. Davignon's response to Uruguay Round: prohibition against all subsidies to steel industry; exception: R + D; assistance to reduction and closures; environment; disadvantaged regions.

- discussions on: export credits; tariffs; VRAs; quotas; price controls; TPM; competitive provisions; restrictive and prohibitive measures; government procurement; antidumping regulations; dispute settlement.
- Casserini: "social clause" is still of great concern to trade unions; should be included in this set of agreements.

III STRUCTURAL ADAPTATION FOR STEEL INDUSTRIES

- Today's crisis is different from the early 1980s; a small downturn results in severe consequences.
- downward price pressure; reduction on costs, labour.
- current crisis underlines the need for a social plan; are pushing for a world social charter at the Treaty of Rome.
- Britain: total closure of Ravenscraig is now imminent; crisis for entire British steel industry.

IV FUTURE WORK

- Tom Wright - inter alia - the social plan was seen as an important issue by the committee
- Casserini - two important studies have already been made (can easily be updated) on adaptation to steel restructuring - social plan

Seminar on Eastern European countries

- environment 1st stage :
 - legislative structures in all the related countries
 - the costs to production - important concern

Meeting with Dr. Hauck 05-12-91

- formerly Krupp-VDM 1983 CEO + Chairman of Board
- **contact:** Dr. Helmut Weinert, Institut Rainis, Essen
- 25% gov't. 75% regionally sponsored
- Document: co-determination code is a complete book itself
- Management perspective of co-determination
 - * after war developed code, for labour + capital to cooperate
 - * 2 concepts:
 - 1) **steel + mining** - specific relationship Montan co-determination
 - very strong system; possibilities for the worker
 - much stronger than the rest of industry
 - 2) **remaining industry**
 - if more than 2000 employees, must build a supervisory board and workers have representatives

- chairman has 2 votes to overrule
- both union and workers have representation on the Supervisory Board
- structure of a public company is also prescribed
- creates positive environment of cooperation - successful law
- if you travel throughout Germany, codetermination is a success; 80% of CEOs favour the law
- **employee reductions**
 - * more than 50 persons - law refers to it as a "mass layoff"
 - * steps prescribed:
 - 1) inform lawyers of labour
 - 2) start negotiations on conditions
 must be done before the layoffs can start
 costs a lot of money
- **role of government**
 - * formulating law
 - * employee is unemployed --> unemployment insurance
 --> state education
- **co-determination** : rights of workers to be informed
- **unemployment insurance**: 80% of salary for one year
- lots of education programs for retraining
- co-determination works on a daily basis; if you need to make changes to effect optimization and earnings, you can usually work it out with representative
- **social free market system**: free markets must have system of security networks
- **co-determination**: education plays a role; the higher the education --> increase understanding of economic + other issues
- **apprenticeship program**
- **transferability**:
 - 1) you have to look at the reason for success (historic, culture)
 Japanese model is difficult to replicate

Meeting with German Steel Federation 09-12-91

PRESENTATION

Dr. Plageman
 Elgin Schroeder
 Dr. Reinecke, Steel Employers Association

- Documents:
 - 1) **discussion of association**
 - 2) **collective bargaining**
 - 3) **valid (most recent) co-determination Act** --> rules applying to employers and employees

- **Co-determination** started initially in 1923; developed the principle that there had to be works councils, which have a say in entrepreneurial modes
- **1952 model**
 - * basis for current model; for the first time introduced true co-determination right for the works council
 - * in terms of social affairs, board can't do anything without reference to the works council
 - * need for restructuring after the war, required good working relationships between capital + labour
- **co-determination on 2 levels**
 - 1) Board of directors
 - 2) Shop-floor code
- **charts (#5,6,7,8) illustrating co-determination**
 - * documents #4,5,6,7 = models of co-determination
 - * Chart #5
1951 Co-determination influenced by British occupation in Germany
 - * Chart #7 - general industry code: revised + in effect
 - * 1956 Montanmitbestimmung - revised + current steel + coal co-determination code; does not apply to diversified holding companies, only to steel + coal production
- **employers views**
generally, the employers are not a friend of co-determination because free decision making is restricted
- **steel industry** would prefer the 1956 (Chart #8) co-determination model; co-determination costs a lot of money, slows down decision making
- Steel Employers Federation is not a member of the General Industry Employers Association
- **labour cuts:**
 - * more general decline
 - * delays in closing firms; cost a lot of money
 - * because of co-determination, there have been no outright sackings of employees
- **good side:** closures have been peaceful, tolerable, no strikes
- co-determination has delayed plans and been costly but it has secured social peace.
- **industry strategies**
 - 1) diversify
 - 2) specialize
 - 3) become a global player
- (refer to Document #9 - Anlage 4)
British received 27 billion DM in subsidies in its restructuring; total 107 billion DM for Europe as a whole

- Allowable subsidies
 - 1) R+D
 - 2) environment
 - 3) social program
 - 4) closures
- Employee cuts - social plans
 - 1) early retirement:
 - * receive unemployment benefits from federal Labour Office in Nürnberg (63-68% of former pay)
 - * employer paid differences between U.I. and former pay up to 90%
 - * after 2 years U.I. is reduced, employer continues to pay the difference
 - * total costs to relieve an employee was 75,000 DM (1/3 German Govt, 1/3 employer, 1/3 EC)
 - * after age 60, old age pension kicks in
 - * Unemployment aid - supplement to U.I. and employer payment
 - * annual wages of steel worker in 1989 = 47,000 DM (excluding overtime)
 - 2) moving of employees to other industries
 - * Labour Office has retraining scheme
 - * Govt pension office has retraining
 - * East Germany has retraining programs
 - 3) Lump sum payments
 - 4) Support to small businesses in the area

Meeting with Professor Martin K. Welge 10-12-91

- Japanese methods and management practices have been transferred successfully to the U.S. and Europe.
- **co-determination:**
 - * unions are happy with situation
 - * management is quite satisfied with co-determination, despite constraints, because it works.
 - * it helps to even out the interests of labour and management and investors.
 - * generally speaking, it is quite a success; quite an interesting model to look at.
 - * decisions are delayed by this process but the implementation is much quicker and easier.
 - * other countries can learn from these laws; Germany has the most advanced laws in this area.
- **restructuring:**
 - * was managed - layoff of workers - in way which was comfortable for both sides.

- **improvements:**
- shop floor:
 - * some studies indicate that worker participation is not fully activated.
 - * law could be more precise as to areas into which workers have input.
- **philosophical principle behind:**
 - * sharing of power among shareholders, management, workers
- **unions:**
 - * are very strong, have the power to enforce their demands.
 - * labour costs is a disadvantage
 - * no major labour disputes in the past 20 years
 - * gov't steps in (not in an official way); when both labour and management can't agree, the gov't can choose an arbitrator, often a politician, he will find a solution.
- **subsidies:** steel, shipbuilding, coal heavily subsidized
\$20 billion/yr subsidies to coal (steel + power plants consume coal)
- **comparative study:**
 - * would have to take into account subsidies of different countries
 - * E.C. level
 - * Federal gov't
 - * state gov't levels
 - * local
 - * figures should be publicly available, but they would have to be gathered from different sources

Meeting with Dr. Hesse - Hoesch 10-12-91

- **Co-determination**
 - * how to manage labour cuts and restructuring in the steel industry
- to increase productivity by decreasing labour force, at the same time must have a good image with the workers and the public
- 1978 Hoesch had 25,000 workers, when he started; now 12,000
- reduction took place between 1980-86 (about 8,000 at that time)
- **3 models for social plan:**
 - 1) **early retirement** for older people; up to the time they get their pension; 55 year old gets 92% of former income; Hoesch guarantees, even if they don't get subsidies
model: 1/3 company; 1/3 government; 1/3 social insurance (paid both by worker + company)
 - 2) **payout:** 1,500 workers; amount depends on tenure; average 15,000 DM;
 - 3) **voluntary "fluctuation"** transfers organized by the company;
- Ruhr district had cuts all over and would have had a lot of unrest if they had made their cuts in an inhumane way.

- this system is comfortable for the people but we are well advised to have done it this way because we would have had riots. It was the price to pay for social peace.
- unions are large and strong
- it is important that there be close relations between the firms, the unions, the government and the employers associations
- **social fields**
 - * Hoesch + steel industry makes a large input in education, training and culture
 - * apprenticeship system is very effective
 - dual system: 1) practical training in the firm
 - 2) theoretical education in public schools
 - * have been told more effective than England
 - * results in high productivity
- German unemployment insurance system - ABM - (Labour creating measures) - retraining
 - * Hesse recommends meeting these people
- Hesse provided in German the contract with union for layoffs, labour cuts, restructuring;
- Hesse is a director, elected by the advisory board under the Co-determination law of 1956, which resembles the 1952 model;
- All 21 members for Hoesch must vote in favour for a shutdown. It is similar for other firms.
- This could not be accomplished without co-determination; most management + directors would agree.
- **importance of government involvement:** for framework, regulations and laws;
- co-determination is a good model;
- German steel industry is highly productive and competitive for 2 reasons:
 - 1) market - competitive structure
 - 2) co-determination and social system
- Japanese model of "quality circle" is a good model and the Germans are adopting it.

Meeting with SIAR-BOSSARD 11-12-91

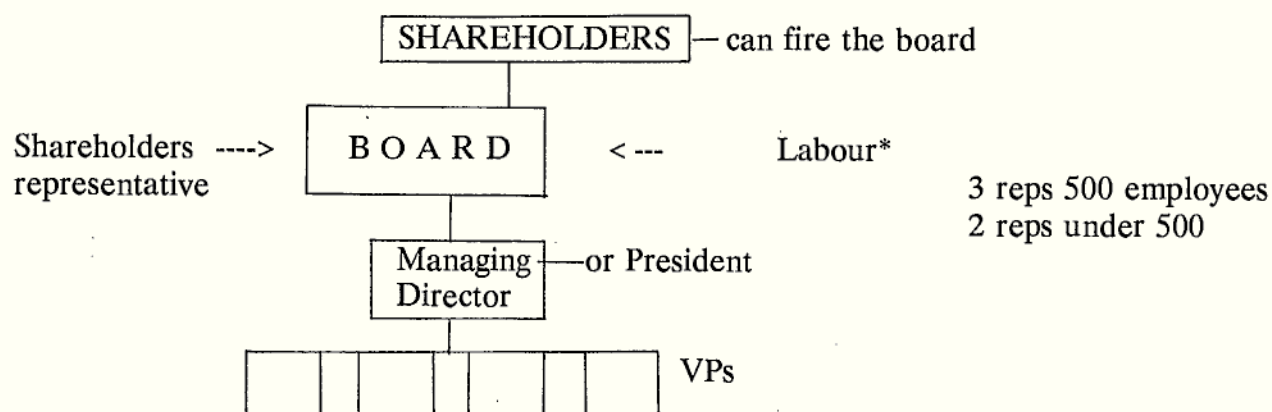
Magnus Hallberg, partner

- also pulp & paper expert; would like to confer with Don Tate
- **experience:** involved in Steel in Sweden, also with United Engineering; joint venture with British Steel and GKN; involved to some extent with restructuring.
- **British steel:**
 - J.C.L. Job Creation Limited - concept in late '70s - to create jobs where steel had been shut down. Under entrepreneurial jurisdiction.
 - * could provide a document
 - * a lot of small engineering companies developed
 - * brought the system to Sweden.

Meeting with Olof Rydh, President of all Crown Corporations in Sweden 11-12-91

- currently privatizing all the companies under new government
 - knows the programs Sweden had in place during restructuring
 - AMS Labour board knows the rules on training + placement, unemployment
- #### restructuring of steel industry
- large restructuring process in late 70s
 - 3 major producers - 2 private and government owned; all about to go bankrupt
 - heavy pressure from labour unions to restructure the industry (private firms initially not that interested in the restructuring)
 - restructuring took place in the last half of the 1970s; terribly costly for the government.
 - after huge input of funds, both private firms Stora and Gränges sold their shares for one krona
 - effectively, there was an alliance between industry and labour, and the government had to pay
 - many people were made redundant
 - government put up a lot of programs, closed 4 of 10 mills
 - considerable funds spent on replacement industries for the areas - diversification investment
 - also tried to merge companies with specialty steel; did not come through
 - specialty steel was left to market forces; the industry has been largely fading away
 - economy was good during this process
 - key factor in success of restructuring of ordinary steel was due more to the fact of single ownership and a plan of action
 - power of unions had been declining
 - government is going to reform almost every sector of society
 - model of labour-management is dynamic and changing at national levels
 - enterprise level labour-management models are very good to look at; work well; very good cooperation;
 - board level - employees are entitled to have members on Board

SWEDEN



* Labour representatives have the same responsibility as all Board members; must make informed and responsible decisions

- This structure is provided for by law; labour is entitled to representation.
- The executive committees formed by the board must include one labour representative.
- Major decisions have to be negotiated with the unions, but the company has final decision.
- Union can request negotiations at industrial labour federation level.
- Co-determination law of Sweden works very well at the firm level.

procedure for restructuring lay-offs:

- Law provides for layoffs, depending on tenure and age.
- early pension schemes
- retraining programs
- [Last in, first out principle; can be negotiated, where company wants to keep younger, trained people]

steel:

- restructuring took place in an environment where there was a very high demand for labour in other industries
- extra pay, pension schemes
- government required companies to invest in other industries in the area

labour management model

- can be relied on at the firm level, but labour at the national level is not as involved in restructuring or in taking initiatives

Meeting with Eric Rhenman 12/12/91

- AMS has done an extremely good job
 - 1) employment
 - 2) retraining
 - 3) projects; regional development; environment
- very unbureaucratic

Meeting with Hans Bergström - Marknadshuset 12/12/91

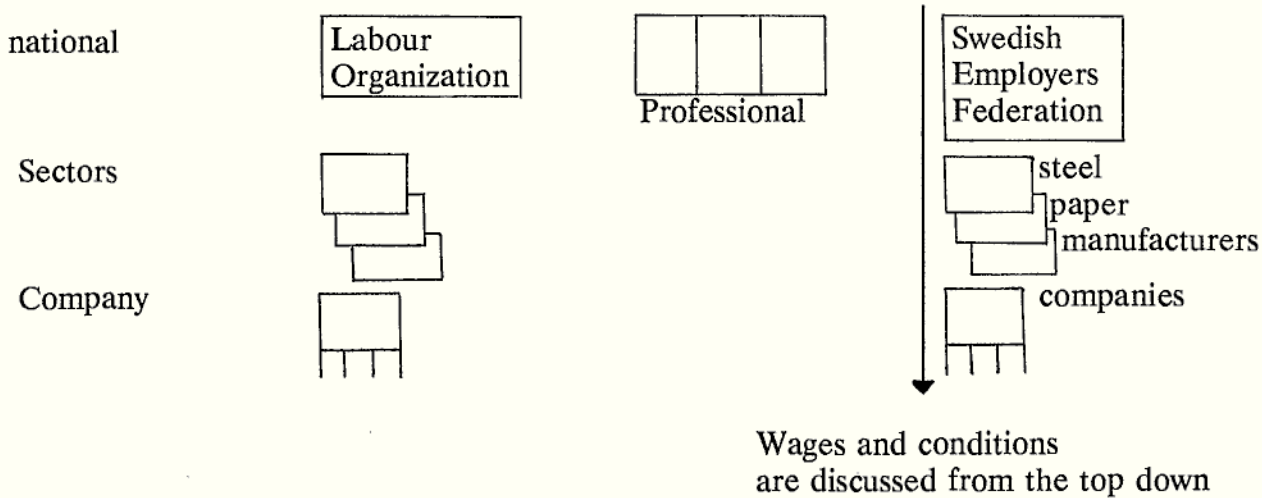
- President + CEO for several companies
- How he restructured steel company:
 - * had 2 steel mills, worldwide market
 - * company was losing tremendous amount of money
 - * idea was to restructure the entire company
 - * used 4 strategies:
 - 1) **let the fires burn and examine situation**
 - * brought in McKinsey
 - * look for excess labour without making any changes; formed 10% excess manpower;
 - * sought ways to place these people elsewhere
 - > 20% management;
 - * individual handling of cases: consultants; retraining; government support; early retirement; reeducation
 - * gained two things:
 - 1) streamlined organization
 - 2) developed positive rapport with the union to take on harder job of restructuring cutbacks

- * also helped people to start their own businesses (different from steel) to help keep the community thriving in a diversified way;
- 2) **offer to union to participate in the management of the restructuring**, but must not inform workers; unions naturally declined;
alternative: informal discussions on a regular basis with union leaders to brief + reflect on the plans, in camera.
- 3) **split up the units of the company into separate legal companies**
 - * in some of these, offered employees ownership
 - * managed to obtain the unions' consent for the separation of units into legal entities
 - * each unit bought and sold its own services
 - * could sell services outside
- 4) **expanded business**
 - 1) customer oriented strategies - former clients around the world
 - 2) high volume custom jobs
 - * integrate our product with the customers
 - * price competitiveness - with huge demand
 - * built up different sales forces
 - 3) sell excess production capacity
 - * identify excess capacity on a monthly basis
 - * does not tie up capital; use customer capital

- 2500 employees at the beginning
- 2100 at the end --> high profitability
- this is an example of a good working relationship with the union
- Legally, unions have to be part of the Board in Sweden. This does not replace the fact that there has to be a good daily working relationship with the workers.
- Formal structures are very useful, but they are not helpful if they are too restrictive.

Meeting with Alf Wedmalm, Vice-President, AVESTA 12-12-91

- (since 1936, laws saying that labour should be informed)
- 1976, laws on how to make decisions within the company; forced to negotiate everything about company and personnel decisions.
- This sounded hard at the time, but every company has developed models and are used to it now.



- very regulated on how labour + management work together
- 98% of blue collar workers
- structural change of steel industry : good illustration in AVESTA Annual report pp. 30-31
- have eliminated from 7000 employees to 4500 (including management)
- Metalworkers were and are as much interested in keeping the steel industry healthy; good cooperation on these levels.
- Unions in fact tell us we haven't rationalized enough.
- Informal consultative process on both company and employee changes; no obligation to agree, but the process is important.
- intensive contact with the unions on several levels within company where all decisions are made
- The system works well and is effective.
- AVESTA made separate financial and legal entities; responsible for own profit and loss.
- Labour-management model can be a significant competitive force, if operated properly.
- **Retraining:**
 - * a significant part of restructuring
 - * 1000 people given 8 week training course on the industry, the company markets etc.
 - * 6 months training course given to workers volunteering in any field outside company
 - * people begin to move within the company and out of the company
- **Current situation:**
 - * currently laying off 900 employees
 - * plan agreed to previously in May
 - * Presentation of new proposed organization structure, the qualifications of these positions, and proposed plan for who is going to man these positions
 - * unions obtain list of total no. of employees, last in/last out

- **4 strategies:**
 - 1) Give four months notice (two to twelve), depending on tenure. Paid for work until departure. No severance pay. Unemployment insurance.
 - 2) Over sixty - early retirement; 80-90% of pay.
 - 3) Educational leave --> laid off after studies completed
 - 4) Retraining + circulation within the company for redeployment
- **cost:**
They calculate the cost of laying off 900 at 100 million kronor (200 million dollars).

Meeting with Dr. Orvar Nyquist, President, Jernkontoret 13-12-91

- Jernkontoret = old (1747) association of steel + mine producers (AISI COFI counterpart)
- M.D. of SSAB during restructuring and other steel mills
- three most important figures:
 - 1) yield
 - 2) energy efficient
 - 3) manpower
- it is very important to include labour in the restructuring process
- SSAB had two restructuring periods:
 - 1) 70s : union was in from the beginning
1977-78 : a lot of projects
 - 2) 1986-87 Management came out with plan
 - * unions informed when the details presented to the board
 - * quicker process if you determine what needs to be done
 - * involve union before decision is made and for implementation
- Documents provided

**Meeting with Jan-Ake Olsson, International Secretary,
Swedish Metal Workers Association**

13-12-91

- Ake Johansson, steel negotiator
- steel and mining are Swedish traditions
- unions have accepted the view that restructuring was necessary; consciousness on union part that exports and competitiveness are important.
- more complicated to deal with unions at company level.
- unions had to look for a structure that would be effective at a national level
- Alan Larson and union worked on this process.
- The national union sets up a policy and strategy. The local union can negotiate at the firm level.
- will try to find packages that are relatively acceptable to the people
- SSAB for example: merger of three companies; three local unions; there will be uneven (greater in some) reductions in each firm.
- Legal structure is that the company must negotiate with each plant.
- In the end, the law provides that the company has final decision.
- Union can influence the government and AMS to try to find alternative jobs for the worker.

- **Methods of dealing with redundancies**
 - 1) look at total numbers of workers that need to be made redundant
union will try to reduce the number as much as possible
 - 2) training and education
 - i) within company - for other jobs not yet qualified for
 - ii) jobs on market outside the company
 - security fund - employers contribute to it
 - 3) Negotiate lump sum payment for people made redundant
 - 4) support for workers starting small businesses
 - 5) pension for people over 60; employer responsible for this
 - * company receives a tax break for this
 - * worker receives U.I. for 450 working days for persons over 45; under 45 300 working days
- The five above points are what you can have discussions about with the company
- In major negotiations like SSAB, government can be involved to help create opportunities in the community
also e.g. AVESTA: the government got the company to put 100 million kronor into investment fund for alternative new jobs in the region
- 6) unemployment insurance: details can be obtained from AMS - Labour Market Board
- note: early warning requirement in legislation

Meeting with Labour Market Board, AMS 13-12-91

- Budget: 27 billion krona = 5.5 billion dollars
- GDB - 2.25% of GDP
- Basic principle = work strategy; people should get retraining in 1st instance; passive assistance - cash payment - in last resort
- **Methods of Labour Market Board**
 - 1) advanced warning system
 - * cooperation between management, labour and local authorities
 - 2) training - at every level from general to specialized
 - 3) matching measures
 - * information to find work
 - * counseling
 - 4) Cash benefits to unemployed (registered as looking for work)
 - 300 working days < 45 years
 - 450 days: 45-64 years
 - 5) relief work - state pays the normal rate for the given work
 - * not compulsory, but one could be denied U.I. benefits if refusing suitable work
 - 6) start own business
 - 7) youth opportunities

Meeting with Eric Rhenman 14-12-91

- **Co-determination**
 - * Swedish model is influenced by the older German model
 - * modified to suit existing institutions
 - * wanted to have simpler, less bureaucratic model
- U.S. capitalism is for shareholders, whereas Japanese capitalism is for stakeholders (wider set of interest groups (workers, community, national interests, environmental interests))
- capitalism for shareholders is not dominant and will not be in the next 25 years
- some form of Japanese, German or Swedish co-determination is necessary
- Canada has never been efficient at deployment of resources because of the rivalry between federal + provincial governments
- too many resources have been used to resolve conflicts rather than produce
- Canada as well as the U.S. has misused its resources and has not developed an effective/productive public service.
- U.S. interest groups effectively lobbies for its interests; as a consequence, the U.S. cannot effectively solve problems at the federal level (unemployment, health care)
- U.S. constitution is much more rational and effective at the level of the states. Well described in Ronald Reagan's biography.
- Canada needs to consider its own unique situation and internal problem to implement co-determination
- Co-determination is not only possible, it is necessary.
- The decline of N.A. continent in terms of economic power vis à vis Europe + Japan will not stop until we discover that the capitalism of shareholders is not enough.
- Need politicians, informed public, shareholders who believe capital market is a complex entity filled with people; that the world is a plus sum game, not a zero sum game; e.g. interest of workers + capital are not mutually exclusive.
- what should ISTC be doing: the kind of things we are doing; looking around is the only way a complex system can be changed - by being influenced from the outside.
- we need to look at what is being done in Europe + Japan; exactly what we are doing now.
- Japanese forced to review capitalism.
- Japanese are a good example: after the war, they started travelling around the world to see their mistakes and learn from the successes of others.

Meeting with Manfred Muster, IG Metal 17-12-91

- industrial unions system -> steel, automotive, computers, airplanes, aerospace, shipbuilding, tool machinery.
- **co-determination:**
 - [Muster talks about the European model, as opposed to the German model]
 - * 2 heritages from WWII for Steel + Mining
 - 1) distinctly, definitely not involved with political parties
 - 2) 50-50 representation

- * President comes from Capital and has deciding vote
- * Levels of co-determination:
 - 1) Vorstand - Company Board of Directors
 - 2) Arbeitsdirektor:
 - management or labour may suggest
 - mutually negotiated and accepted position
 - very important and strong position
 - if a company makes a cut in labour, the Arbeitsdirektor is responsible for making the cuts, developing the social plan and is responsible to/negotiates on behalf of management
- **Hoesch:** made enormous cuts (13,000) in 1986, under the co-determination model, and with full cooperation from the union.
- **restructuring:**
 - * Labour must participate fully in the restructuring process
 - * German labour learned a lot from the Swedes, particularly in the restructuring of shipbuilding
 - * **union involvement:** unions sit down and go over the plan for restructuring and examine whether or not entire plant needs to be shut down;
 - 1) if not, invest in remaining lines of production
 - 2) if yes, set up a social plan between labour, management and government
 - * **coping strategies:**
 - a) diversification -e.g. Bremen, shipbuilding; 50% of turnover (output) is independent from shipbuilding;
 - b) conversion to other industries - e.g. Bremen : largest state depending on military production;
 - because of recent changes reductions in military expenditures, unions were the first to propose conversion to non-military production.
 - one major company moved from 92% to 50% dependence on military production.
 - with the government, unions + capital set up a Conversion Board for Alternate Production

another example: alternatives to mass automobile ownership
- main priority of unions in Germany is to look at a competitive economic environment for the future
- the unions' traditional approach is to be reactive to capital
- since the war, the unions have been proactive
- structure of workforce is changing:
 - * the ratio of white collar workers is increasing vis à vis blue collar workers (both are unionized)
 - * this brings in a new competence for shaping the industrial structure of a region
 - * there is a shift to a greater intellectual pluralism; more complex.
- shift in process to co-management: talks not only on alternative product, but also on alternative organization structure

- Volkswagen is a very good example of the co-determination process.
- will send document on Volkswagen workplace design; the union's involvement is working.
- **Labour/Management Model for Restructuring the Industry**
 - 1) Union participation in industry/firm analyses
 - * reciprocal communication
 - 2) Participation in decision making in restructuring
 - * no important economic decisions without consultation with labour union
 - * union has veto on personnel and operations; no veto on technology, planning or restructuring
 - 3) involve union in planning + implementation process
 - * need a framework of regulations for cooperation/co-determination
 - * more say there is a need for informal involvement in process
 - * Project Steering Committee
 - * Government must have mechanisms whereby the firms can be compensated
 - 4) Occupation Training system :
 - * is a very important factor in competitiveness
 - * factor for whole society
 - * must have both economic success and social progress
 - 5) Which infrastructural changes do we need in Canada in order to adapt co-determination?



QUEEN HD 9525 .A2 D6 1992
Doherty, Patrick
European steel industry anal

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