Steelmakers threaten production cuts and plant closures worldwide

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Just a few months ago, there was a huge worldwide demand for steel. Now, following the deepening of the international finance crisis, the world's major steel concerns confront a dramatic collapse in sales and orders as activity slumps in the building, automotive and engineering industries.

The steel companies have reacted quickly with the introduction of reduced hours, cost-cutting measures, the dismissal of temporary workers, and the closure of entire plants.

At the beginning of November the world's biggest steelmaker, ArcelorMittal, announced it was cutting back production by up to 35 percent. Savings programs already in operation are to be intensified and investment plans put on ice.

ArcelorMittal is a multinational company with its headquarters in Luxembourg. It employs 326,000 workers in more than 60 countries and controls approximately 10 percent of the world's raw steel production. The steel giant has already shut down a steel plant in Ukraine. In mid-January, 2,444 workers at its US plant in Burns Harbor, Indiana, are to be "set free for an unlimited period", i.e., dismissed.

ArcelorMittal is cutting 9,000 jobs worldwide. At the steelmakers' German plants, 3,000 workers have already been reduced to short-term working. A tenth of the company's workforce is to be slashed in Germany, with factories affected in Bremen, Duisburg and Eisenhüttenstadt in eastern Germany.

The company also plans to shed another 750 full-time jobs in Germany and is already in negotiation with trade unions and work councils about the details. The threat of redundancies is used by company management to push through wage cuts on the remaining full-time workers—with the legwork being carried out by the trade unions.

Rivals of ArcelorMittal—leading steel concerns such as Corus (India), Nippon Steel (Japan), Severstal (Russia), Baosteel (China) and Voest-Alpine (Austria)—have taken similar measures with catastrophic consequences for ten of thousands of workers worldwide.

Just a few weeks ago, German steelmaker ThyssenKrupp Steel declared it had no intention to introduce reduced hours. Now it has now announced plans to extend factory holidays over Christmas for its high-grade steel works and steel processing plants, and production stops during the holiday period in its steelmaking enterprises (when possible from a technical standpoint). Beginning in January, short-time working will be introduced at practically all of its steel plants, including its biggest plant in Duisburg. An estimated 20,000 workers are likely to be affected.

According to a report in the WAZ newspaper, at the beginning of December the collapse in sales at ThyssenKrupp Steel amounted to 60 percent. About 40 percent of the company's steel production goes to the automotive industry and a further 10 to 20 percent to subsidiary industries related to auto production.

As is the case in the automotive industry and other industrial companies, temporary workers are the first and hardest hit by austerity measures. ThyssenKrupp Steel has already terminated the contracts of 2,100 temporary workers.

At the Thyssenkrupp cold-rolling mill in Bochum, 600 of 2,400 workers, every fourth job, are to put on short-time working from January and the plant is to be closed down for two weeks in the middle of December. If the situation does not improve in January, the short-time working will be extended to February and expanded into other production areas affecting an additional 1,000 to 1,500 workers in the town of

Bochum alone.

The extent and length of the short-time working implemented in other plants remains uncertain. These work hours guarantee staff just 60 percent of their full income. In addition, workers will also lose income through cuts in shift, weekend working and holiday pay.

More than half of ThyssenKrupp’s profits for the financial year ending September 30, 2008, or €1.7 billion, stemmed from the company’s involvement in steel and high-grade steel. It is precisely these production areas that are now confronted with sinking orders and decreased sales.

The ThyssenKrupp executive committee has made no prognosis of the company’s prospects in view of the current economic slump. However, the company has announced a savings program aimed at slashing costs by over €1 billion. In addition, former investment plans are to be shelved.

If the order situation continues to worsen, which many economic experts regard as probable, ThyssenKrupp has a plan “C”. According to a report in the *Süddeutsche Zeitung*, CEO Ekkehard Schulz describes this as the “worst case” scenario: “If there is a continuing slump in orders for steel and high-grade steel, plan ‘C’ envisages dismissals and the closure of entire plants.”