

China announcing 400,000 steelworker job cuts

Samuel Davidson
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An estimated 400,000 steelworkers in China will lose their jobs, in line with plans to slash crude steel production capacity by between 100 million and 150 million tons.

The announcement was posted Sunday on government web sites, and reports a decision made by the State Council on January 22 to cut steel, coal and other basic industrial production in response to the global slump and declining growth in China.

Li Xinchuang, head of the China Metallurgical Industry Planning and Research Institute, said that the cuts in production would translate into 400,000 steelworkers losing their jobs.

“Large-scale redundancies in the steel sector could threaten social stability,” Li Xinchuang told the official Xinhua News Agency Monday.

The State Council did not say when the cuts would be made, but China, which produces half of the world’s steel, has already cut capacity by 90 million tons in response to the growing slowdown in the Chinese and world economy, and is under enormous pressure to do more. Along with the cuts already made, the new cuts will amount to about a 20 percent reduction in steelmaking capacity.

The reductions will have an enormous impact on Chinese workers. In addition to those directly employed in steel making, it is estimated that for every job lost in steel, another 3 jobs are lost in related and supporting industries.

Three million workers in the steel, coal, cement, aluminum and glass industries are expected to lose their jobs in the next few years as these industries seek to cut production by 30 percent.

Many of these employees are first-generation workers who migrated from impoverished rural villages with hopes of a better life. Often their families are dependent

upon money these workers are able to send home.

As in the United States and every other country, investors responded to the announced job cuts with joy. The stock price of China’s largest steelmaker, Hebei Iron & Steel, rose 4.3 percent on the news, and the second-biggest, Baoshan Iron & Steel, rose by 5.3 percent. The stock prices of China’s coal producers also rose on the news of the layoffs.

According to the World Steel Association, China’s steel production in 2014 amounted to 822.7 million tons, or 49.4 percent of the world output of steel. Japan is the second largest steel producer, at 110.7 million tons, followed by the United States at 88.2 million tons and India at 86.5.

In 2015 world steel production fell by 2.8 percent. China’s steel production fell to 803.8 million tons, or a drop of 2.3 percent, the largest fall in 25 years. US steel production fell 11 percent to 78.9 million tons and European production declined by 3.2 percent. Japan, Turkey and South Korea also saw declining steel production in 2015.

The outlook for 2016 is even further cuts. Prices for steel have been on a corresponding decline. The benchmark for hot roll steel has fallen on the world market from over \$600 a ton in February 2013 to less than \$300 a ton in December 2015.

According to the World Steel Association there is currently an overcapacity of steelmaking by 300 million tons. In other words, the world’s overcapacity of steel is greater than the combined production in Japan, the United States and India, the second, third and fourth largest producers combined.

US Steel, the second largest steel producer in the United States, reported a \$1 billion loss for the fourth quarter of 2015, for a total loss of over \$1.5 billion for the year. The steelmaker reports that its production has

fallen to less than 70 percent of capacity. Over the past year it has laid off thousands of steelworkers and idled several mills.

The massive layoffs among Chinese steelmakers underscores the reactionary nature of the United Steelworkers' union campaign to blame Chinese steelworkers for the decline in US steel production and resultant layoffs. Behind the nationalism and chauvinism being pushed by the USW is support for the war drive of the US government against China.

Steelworkers in China, the US, Japan, India and everywhere around the globe are facing the same problems, brought about not by the workers of other countries but by the fundamental contradictions of the capitalist system.

In place of nationalism, chauvinism and war, workers need an international socialist policy that unites the workers of the world in a common struggle to defend jobs and living standards.



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