# Joint TUAC- IndustriAll Submission to the OECD Steel Committee on the Draft Guidelines for Subsidies and Government Support in the Steel Sector

## 30 August 2018

TUAC, in partnership with IndustriAll – the Global Union Federation covering amongst others in the steel sector – welcomes the opportunity to provide comments on the draft guidelines for subsidies and government support measures in the steel sector (DSTI/SC(2018)7/REV1)

**General comments**

The draft OECD guidelines rely excessively on the role of markets and market forces. However, and especially where excess global steel capacity and productive change are concerned, it is inappropriate to place overreliance on market forces.

Given the nature of the steel sector, an industry which is characterised by high capital sunk costs, prone to movements in the economic cycle and very often the subject of strategic considerations, it is hard to see how market discipline would alleviate, let alone address, global excess steel capacity unless it is complemented by tangible policy coordination (as was the case for example with the restructuring of the steel sector in Europe under European Commissioner Davignon). In this respect, a crucial question that is ignored by the draft is what the implications should be for policy making in case major (non-OECD) economies are not playing by these rules. The consequences of imposing a 'market solution' in a global economy where other important players have 'rigged' the rules of the game cannot be ignored and, at the very least, need to be acknowledged by the OECD.

The role that markets play in 'creative destruction' also needs to be assessed in a very cautious way. Left to their own devices, markets will certainly ensure that part of 'creative destruction' that is represented by mass redundancies and shocks to communities. The dimension of creating new and productive jobs however is another matter. As a recent OECD, publication (2018 Employment Outlook, chapter4 'Back to work") concludes: "A considerable number of workers who lose their jobs to economic change nevertheless experience significant income losses and other hardships" (page 126). In addition:  "Job displacement is an important source of unemployment earnings insecurity and other types of hardship for workers" (page 137).

While it is welcome that the draft guidelines do refer briefly to the role of social security nets and active labour market policies in facilitating productive change, new insights drawn by the OECD itself from the experience with the financial crisis are missing. Indeed, in the recently approved narrative of the new Jobs Strategy, the OECD is acknowledging that job protection also has benefits and is calling for a 'balance' between employment flexibility and job stability. A certain degree of job protection is now seen in the Jobs Strategy as preserving viable job matches in a crisis (# 31, #75) and as improving the stability of the job relationship, thus fostering learning and innovation (#6, third bullet point). Moreover, job protection in the form of advance notification of dismissal allows for support for displaced workers to be provided in a timely way (#79), a point that is also abundantly made by the 2018 Employment Outlook. Finally, the OECD's new Jobs Strategy is also supporting the idea that short-time work schemes allow jobs to be preserved in times of crisis, thus increasing resilience against temporary shocks (#6, first bullet point, #72). These new insights on the balance between employment flexibility and job stability also need to be reflected in the OECD steel draft.

**Specific proposals of amendment**

# 8ii: Well-functioning labour markets that strike a balance between employment flexibility and job stability and are supported by constructive social dialogue, combined with social security safety nets and active labour market policies, facilitate the transition of displaced workers to rewarding jobs in other parts of the economy

# 8v: Other exit barriers that are (…) particularly relevant for the steel sector include (…) Public support to accompany the social costs and impact of the crisis in steel will not be viewed as an an exit barrier.

# Guideline P.5: Add a footnote clarifying that policy measures to support short time work schemes in times of economic downturns are exempted.

# Guideline P.4 Irrespective of their stated purpose, with the exception of the aim of limiting cross-border subsidy arbitrage, ensure that conditions attached to government measures do not hinder capital mobility or strengthen barriers to exit.

Add new Guideline 1.7.2.

Motivation: Mergers, acquisitions, and restructuring operations in general often have a far-reaching impact on the workforce. Informing and co-operating with workers and their representatives with the aim of mitigating such adverse consequences is therefore desirable but is also a well-established OECD principle( see OECD guidelines on Multinational Enterprises, Chapter V, points 3 and 6 and OECD Principles on Corporate Governance IV.C).

Text of new guideline: Workers and their representatives should be timely and thoroughly informed of the any plans concerning mergers and acquisitions.