



International Metalworkers' Federation Indian Steel Report



Foreword

Developing countries such as India are playing an increasingly important role in shaping the global economy. As the economies in these countries grow we are faced with the essential task of making sure that this growth eradicates poverty and inequality and brings benefits to working people. India, in particular, has the potential both to grow economically and deliver social justice to its people.

In order to achieve this goal it will be important for the Indian trade union movement to address the challenges it faces in a rapidly developing economy: challenges such as sustainability, privatisation, equality, wealth distribution and modernisation. Although these challenges are not just confined to the Indian steel industry, the high level of unionisation that already exists in the steel industry provides us with an opportunity to make an impact.

This report is intended to offer an insight into how development will take place in the Indian steel industry, its place in the global economy and what challenges the Indian trade union movement can expect to face in the future. By doing this I hope that we can develop a long term strategy that will influence the future of the industry and, in particular, improve the lives of steelworkers and their families.



Marcello Malentacchi
General Secretary
International Metalworkers' Federation

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1. Introduction

“Adaptability is not imitation, it means power of resistance and assimilation”

Mahatma Gandhi

The aim of this report is to provide insight into what impact continued development of the Indian steel industry will have on the global steel industry, the opportunities this growth will present to the Indian trade union movement and the situation faced by Indian steelworkers today.

China has been the focus of attention for many unions since its rapid economic expansion began a number of years ago. By following a policy that has supported heavy industries and foreign investment, the Chinese government has been able to enjoy growth that has seen industries such as steel and shipbuilding boom.

India has implemented similar policies to support industrial growth and its steel industry is set to grow by around 6% per annum over the next ten years. According to recent research by Deutsche Bank, India could become the world's third largest economy by around 2010, surpassing Japan.

With India and China home to 40% of the world's population it appears that their economic modernisation will establish both countries as truly global players and continue to drive a sharp rise in the demand for steel. However, with both India and China also planning to raise their export share, concerns remain about future overcapacity in the market.

The Indian Steel Ministry plans to raise India's export share from 15% at present to 24% in the next 15 years. Part of this development programme has been the signing of 50 memoranda of understanding to set up steel plants in the state of Orissa. Posco of South Korea has agreed to construct a large US\$12 billion steel plant near Paradip port, which is the largest single investment in India's history. ArcelorMittal is also investing in a major steel plant at a cost of US\$10 billion and Russian major, Magnitogorsk Iron and Steel (MMK) is planning to establish a steel plant with a capacity of 10 million tonnes.

Orissa is one of India's poorest states with 47% of the population below the poverty line, despite the fact that it has a fifth of India's coal reserves, a quarter of its iron ore and a third of its bauxite. India is still a low income country with a per capita income of just US\$730. Although some industrial development has occurred and there has been a rise in living standards, over one third of the world's poor live in India, with over 800 million people living on below US\$2 a day. Eradicating poverty and redressing the inequality in Orissa and elsewhere in India is a significant challenge that must be addressed as the country continues to industrialise.

As the Indian economy develops home-grown companies, such as Tata, it will increasingly look outward. With new found confidence Indian entities are investing overseas as the country tries to develop a larger global footprint. The most recent example is Tata's bid for Land Rover, which closely followed an earlier successful bid for Corus by Tata Steel.

Tata Steel's purchase of Corus in early 2007 transformed the Indian producer, previously ranked as the 56th largest producer in the world into a steel giant ranked fifth in global production.

Tata Steel had already made acquisitions abroad, the first major one being its acquisition of Nat Steel in 2004 with production capacity in Singapore and China, and its purchase of Millennium Steel of Thailand in 2005.

For the trade union movement India's development will present a number of challenges. The move from public to private ownership and rapid industrial development means that union strength will be fundamental to achieve improvements in the workplace and in pay and conditions for workers. Unless an upsurge in organising counters the debilitating effects of corporate globalisation, transnational corporations will continue to view India as a low wage haven where they can afford to pay workers, in many cases, less than a dollar a day, bringing wages down everywhere.

The economic model that India adopts is also vital: will economic development be based on the principles of social justice similar to France and Germany or will it adopt the approach of the United States encouraging union busting and deregulation of workplace protection? By focusing on the steel industry in India and its development the IMF hopes to address some of these issues.

11 February 2008

Rob Johnston, IMF Director for Steel

T. Dyvadheenam, IMF Regional Representative for South Asia

2. The Global Steel Industry

*“Whatever you can do or dream you can, begin it.
Boldness has genius, power and magic in it. Begin it now.”*

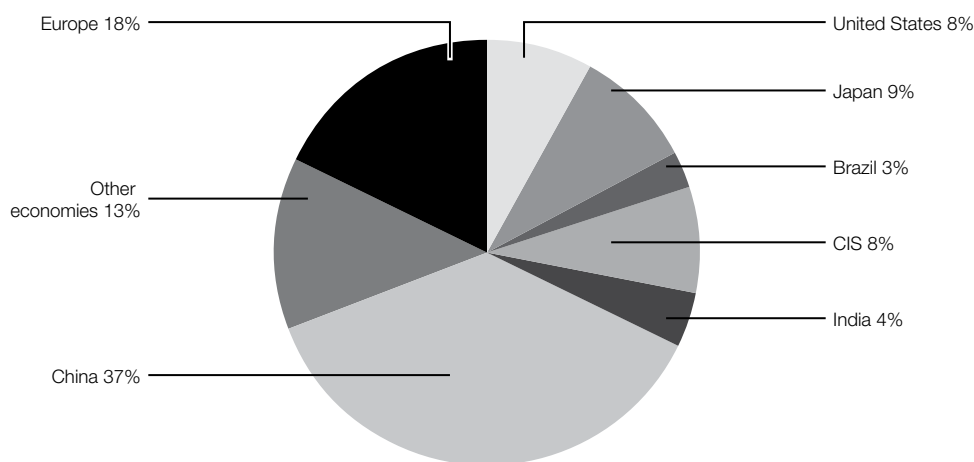
Goethe

Current conditions in the global steel market are approaching the best that have been seen in the last decade with prices for most steel products rising rapidly. The demand expectations for the next year are strong and share values of steel companies have been buoyed by mergers and acquisition speculation as well as reasonably good results in 2006.

The global steel market is enjoying its sixth consecutive year of strong output and demand growth. Continued capacity expansions could however endanger positive market developments and world economic prospects have been weakened recently following the sub-prime lending loans and debt defaults in the U.S.

It is highly likely that this will lead to a deceleration on spending on steel intensive products in 2008 in several countries. However global steel production and consumption growth will be supported by the continued growth of many emerging economies, where activity is likely to remain positive.

Figure 1: Share of world steel production by region, January-October 2007



Source: International Iron and Steel Institute (IISI)

According to the Organisation for Economic Co-operation and Development (OECD), China continues to drive world production developments. In 2006, China accounted for one-third of the world's total demand growth and two-thirds of the world's output growth with production climbing to 419 million tonnes, an 18% increase over 2005.

Elsewhere in Asia in 2006, Japanese steel production rose to its highest level since the earliest 1970's, climbing 3.3% to 116.2 million tonnes. South Korean steel production increased by 1.3% to 48.4 million tonnes.

In the European Union-27,¹ annual growth slowed to 2.8% in the second quarter of 2007, down from a strong 3.4% in the first quarter. Growth has slowed visibly in several of the larger economies, including Germany, France and Italy, but others such as the United Kingdom and some new member states continue to enjoy strong rates of expansion.

Crude steel production in Europe rebounded in 2006, growing by 6.5% over the previous year to 235 million tonnes. Of the largest producing countries, Germany, Italy and UK recorded the fastest growth, all in excess of 5%, while France and Spain posted more moderate expansions.

In the Commonwealth of Independent States countries, steelmaking activity has re-accelerated, led by Russia, where crude steel production increased by 4 million tonnes to reach 70.6 million tonnes in 2006, an increase of 6.8% over 2005, which was supported by capacity expansion in electric-arc furnace steelmaking.

North American steel consumption for 2006 as a whole was up almost 12% on 2005. Steel deliveries to the domestic market rose by 3.5% to 98.5 million tonnes. Meanwhile crude steel production rose by 3.8% in 2006 to 98.5 million tonnes. Steel imports rose to a record level of 41.7 million tonnes in 2006 a 41.6% increase on 2005 with imports from China increasing the fastest to become the world's largest source of U.S. imports.

Overall Latin America is also enjoying strong growth. Brazil is the region's largest steel producer, where production was almost 31 million tonnes in 2006, a 2.2% decline from 2005. The decline was due to a five month outage of a blast furnace in the first half of the year. Nevertheless, consumption of steel increased by 10.1% and the industry continues to expand rapidly.

The urge to merge

One trend that is likely to continue is moves to consolidate the industry; Tata Steel's successful bid for Corus being the latest example. This move follows the trend set earlier when ArcelorMittal was formed through the merger of Arcelor and Mittal. ArcelorMittal now represents 10% of world production, employs 338,000 and operates 61 plants in 27 countries. Although consolidation has accelerated, the industry still remains very fragmented as compared to the concentrated iron ore industry, for example.

The process of globalisation and integration has been slow in the steel industry, lagging behind most other manufacturing sectors. The characteristic high costs of investment in steel plants, its indivisibility, and the vulnerability of the sector to cyclical fluctuations all play a part in slowing the pace of mergers and acquisitions but state ownership has often been quoted as the main factor obstructing consolidation.

Concern over Jobs

Despite continuing moves to privatise steel undertakings, state ownership in China and in other major producing countries outside the OECD means that almost half of global crude steel output remains in public hands. In OECD countries, public shareholdings in steel companies have mostly been terminated by privatisation over the last two decades but governments even in

¹ European Union-27 consists of: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

the U.S. have asserted an interest and a concern about the national strategic significance of steel. Both acquisitions and mergers carry risks which in some cases have been overlooked at the outset. Acquisitions raise other serious concerns among the working people affected by them and trade unions normally try to seek assurances from the new company as part of the process.

Press releases from unions in the UK during the recent Tata takeover of Corus provide an example. Dave Gibbs, Amicus National Officer for the steel industry said, *“Our prime concern is our members’ job security and the security of their wages and pensions, but so too is the future of the UK steel making industry. We’ll be seeking urgent meetings with Tata and asking for assurances given our members’ jobs and terms of employment but we will also be asking the government to ensure that steel has a protected role in the UK economy.”*

This followed earlier comments from Community General Secretary Mick Leahy who said, *“What I can say at this point is that we are willing to work in partnership to drive forward an investment strategy that allows the UK operations to contribute to Tata’s profitability, However, we are not prepared to see an accelerated or slow demise of the UK steel industry.”*

Unions are a major stakeholder

From an employment perspective, there are several factors which distinguish the steel industry and trade union organisations in it. Because of the relatively large scale of most steel installations and their usually close connections with the communities in which they are located, in nearly all significant steel producing countries the rate of trade union organisation is higher in steel than in all other industrial sectors.

During OECD high level meetings on steel, the IMF has repeatedly stated that the right to form and join an independent trade union and to take part in its activities are basic human rights, which all working people should be able to practise whatever the level of economic development in the country concerned.

As the industry continues to merge and consolidate for many workers trade union membership will be the only opportunity for influence over their future livelihoods. In a period of economic integration respect for these basic rights assumes particular importance in forming perceptions about competition in international trade.

Figure 2: Total employment in the steel industry, by country (Thousands)

	2004	2005	2006	2007e
Europe of which:				
Belgium	17.4	17.0	17.0	17.0
Germany	79.5	91.3	91.1	91.1
Italy	39.1	38.9	39.0	-
France	34.0	31.3	-	-
Spain	21.5	-	-	
Sweden	12.5	-	-	-
United Kingdom	19.6	18.7	18.4	18.0
Poland	30.7	28.8	-	-
Czech Republic	27.2	25.7	24.7	-
Slovak Republic	18.2	18.1	17.3	-
Romania	-	30.4	29.7	29.0
Turkey	29.5	30.4	31.2	
Canada	25.6	24.6	24.8	24.5
Mexico	30.9	32.7	33.5	
United States	156.8	156.8	154.3	151.0
Japan	94.1	95.5	96.7	-
Korea	56.9	55.2	54.5	-
Brazil	98.3	98.3	111.6	-
CIS of which:				
Russia	-	650.0	640.0	-
Ukraine	-	285.0	-	-
India		-	-	-
Argentina	-	14.4	14.0	-
China	1704.0	1714.0	1597.0	-

Source: OECD Secretariat

3. Structure of the Indian steel industry

“We still have a number of persons in our country in SAIL, TISCO and other big and small steel plants who have the capabilities. They have the will to excel and transform the country, given a long term vision.

“We should be ready to compete in outside markets... If our steel industry gears up in about three to four years, Indian steel can be both in India and foreign markets. Our vision should be towards this.”

India 2010: A vision for the new millennium, by APJ Abdul Kalam and YS Rajan

The steel industry in India is concentrated in the east, south and west of the country. The integrated foundries are located in the east, while electric steel is produced predominantly in the south and west. In the future the east will see rapid expansion as more integrated capacities are being built in Orissa and other eastern states due to its raw materials.

India has one of the largest iron ore reserves in the world of about 17 billion tonnes. The reserves are largely located in the states of Orissa, Jharkhand and Chhattisgarh. At present only the top two Indian steel makers (SAIL and Tata Steel) have captive iron ore mines, while the others have to purchase ore from domestic iron ore miners.

Indian steelmakers, particularly Tata Steel and Steel Authority of India Limited (SAIL), are highly desirable elements for future mergers and acquisitions. Steel companies in this region will benefit in the years ahead from an improving economy, abundant and low cost iron ore, low wage costs and sizeable expansions of their plants. Indian steel producers are already among the lowest cost producers in the world.

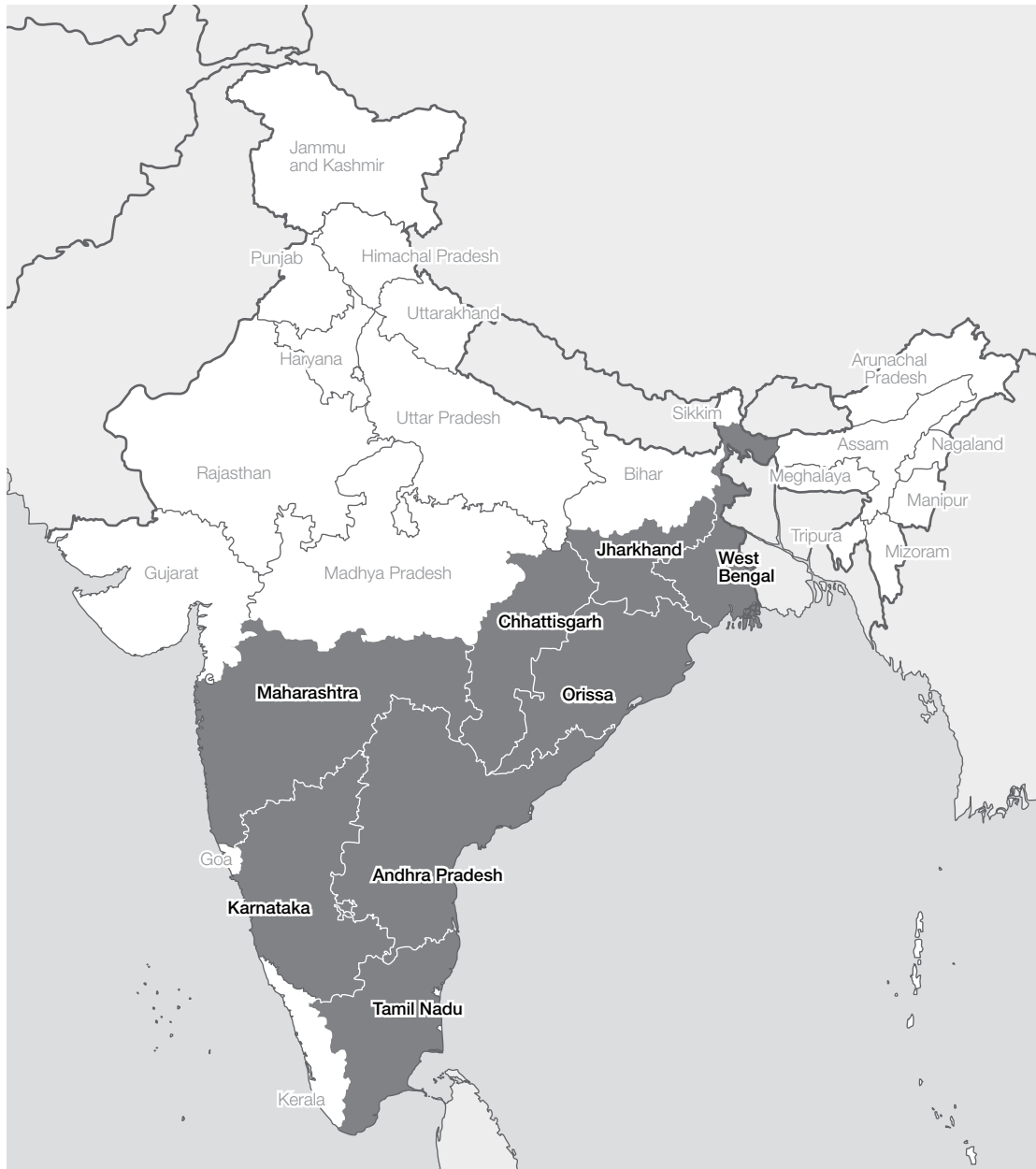
Although India is now one of the world's top ten steel producers, its domestic output is insufficient to meet the demand in all segments. Imports increased in 2005 by 8% and it is likely that India will continue to import in many segments over the medium term.

According to Deutsche Bank Research,¹ the three biggest steelmakers in India have a combined output of almost 20 million tonnes and have a domestic market share of 51%. Their domestic competitors are numerous medium-sized and smallish companies and more mergers can be expected between these companies as these firms need to improve their position with regard to the powerful suppliers of raw materials.

India's extremely low wages, as shown in Figure 4, and favourable energy prices will continue to promise substantial cost advantage compared to production facilities in (Western) Europe or the U.S. But labour productivity in India is still very low. This may be due to the technology being used and also, specifically in the public sector, steel plants also employ people engaged in peripheral jobs not directly related to the core business as part of a welfare state policy.

¹ See Perlitz, Uwe, “Steel market in India: Companies set for expansion,” Deutsche Bank Research, September 2006.

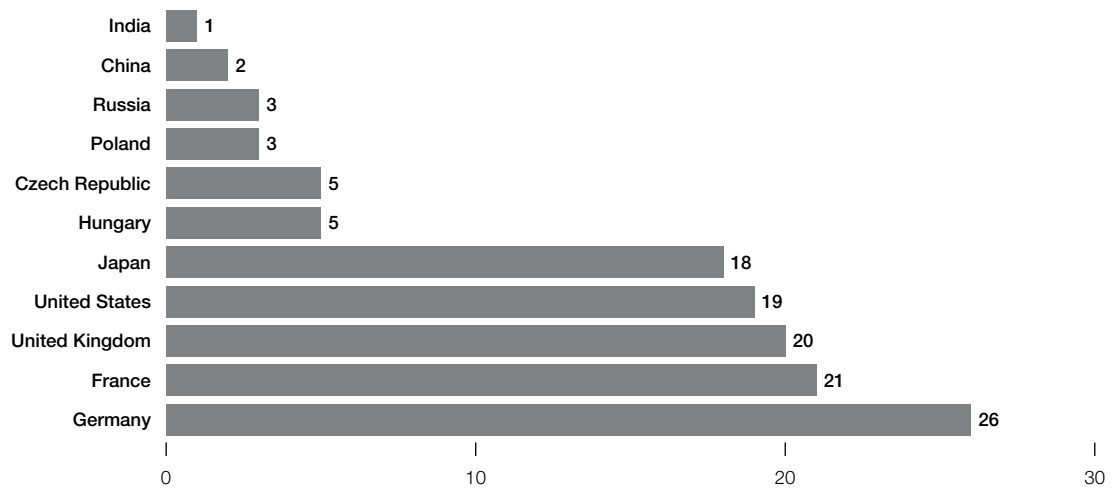
Figure 3: Map showing Indian states with steel industries (shaded ■)



Although India has modernised its steelmaking facilities considerably over the past decades, nearly 6% of its crude steel is still produced using the outdated open-hearth process. In order to address this, SAIL's Corporate Plan 2012 does contain a variety of measures to modernise its plants and processes including the closure of crude steel capacities that use the traditional open-hearth process.

According to the German Steel Federation, crude steel output at the largest Indian steelmaker is roughly 144 tonnes per worker per year, whereas in Western Europe the figure is around 600 tonnes.

Figure 4: Low labour costs in India (2004, Euros)*

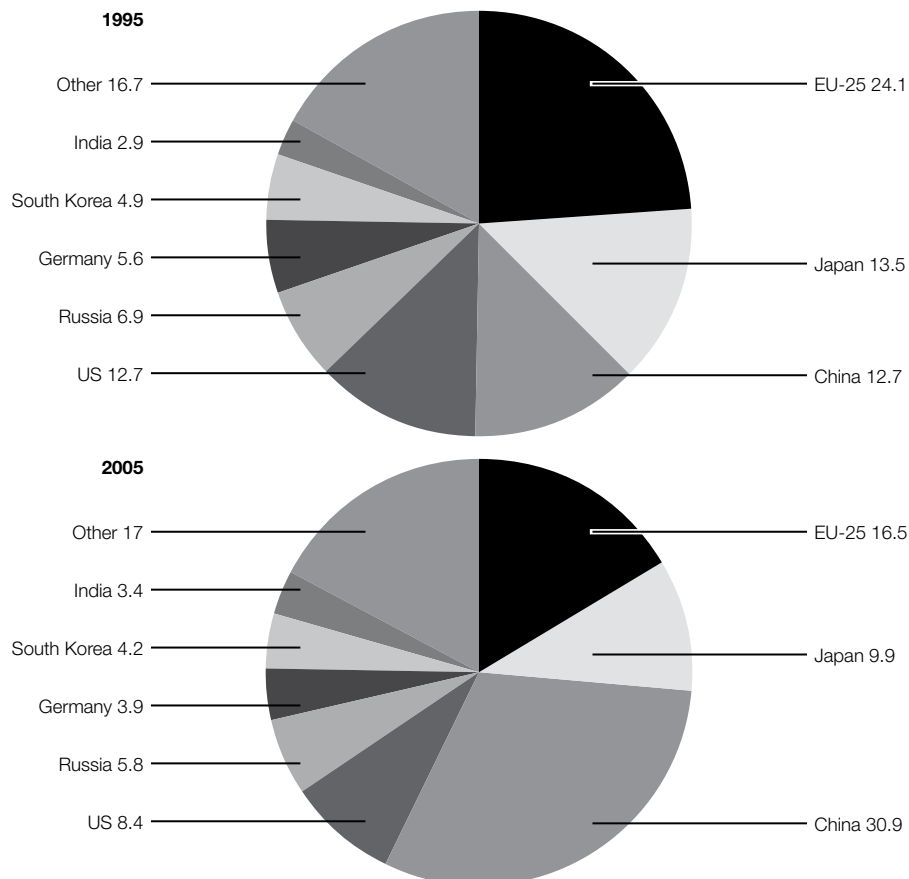


*Labour costs per hour worked

Source: IW

Cited in *Steel market in India: Companies set for expansion*, Deutsche Bank Research, September 2006

Figure 5: India: Biggest increase in crude steel output (Breakdown, %)



Sources: IISI, DB Research calculations

Cited in *Steel market in India: Companies set for expansion*, Deutsche Bank Research, September 2006

Figure 6: Planned crude steel capacities

Company	Increase '000 tonnes	year
Arcelor	5,000	2010
Bai Balaji	2,000	2010
Bhushan Ltd.	2,000	2007
Bhushan Steel & Strips	3,000	2008
Essar Gujarat	1,250	2006
Indian Iron & Steel	1,500	2009
Ispat Industries	2,800	2010
Jindal Steel & Power	3,000	2008
Mittal Steel	6,000	2009
POSCO	4,000	2010
Rashtriya Ispat Nigam	1,450	2007
SAIL	2,000	2007
Tata Iron & Steel (TISCO)	2,000	2007
	3,000	2008
	3,000	2010
	7,500	2010
Vedanta Resources	5,000	2008
Visa Industries	1,500	2010
Visakhapatnam	5,100	2010
Vizag	1,600	2008
Total	62,700	2006-2010

Source: WV Stahl

Cited in *Steel market in India: Companies set for expansion*, Deutsche Bank Research, September 2006

Figure 7: Crude steel output forecasts (million tonnes)

	2005	2015	2015/2005 % p.a.
India	38.1	68.2	6
China	349.4	754.4	8
Japan	112.5	118.5	0.5
South Korea	47.7	52.7	1
EU-25	186.4	196.0	0.5
Germany	44.5	46.5	0.5
US	94.9	104.8	1
Russia	66.1	88.8	3
World	1,131.8	1,843.5	5

Source: DB Research

Cited in *Steel market in India: Companies set for expansion*, Deutsche Bank Research, September 2006

As India's crude steel consumption grows so will its need to increase capacity. India has already seen a double digit growth in crude steel output since 1995 and this trend is set to continue.

Crude steel capacity in India will grow steadily as investments come on line with significant increases in steel tonnage trying to keep pace with forecast demand. India's crude steel output is forecast to grow at 6% par annum between 2005 and 2015 with only China recording larger growth.

Per capita consumption of steel in India is only 29kg and has a long way to go to reach consumption levels of around 400kg in developed countries like the U.S. and the world average of 140kg. In order to meet increasing domestic and international demand, the Indian government has formulated a draft national steel policy, which targets a production of over 110 million tonnes by the year 2020.

The SAIL (Steel Authority of India Limited) is the largest steel-making company in India. It is a fully integrated iron and steel maker producing both basic and special steels. The Government of India owns about 85% of SAIL's equity and retains voting control of the company.

Ranked among the top ten public sector companies in India in terms of turnover, SAIL manufactures and sells a broad range of steel products, including hot and cold rolled sheets and coils, galvanised sheets, electric sheets, structurals, railway products, plates, bars and rods, stainless steel and other alloy steels. SAIL produces iron and steel at four integrated plants and three special steel plants located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including the company's iron ore, limestone and dolomite mines.

SAIL is one of India's biggest corporate turnarounds seen in recent years. On the back of a sharp increase in global and domestic steel prices and improvements in its efficiency levels, it transformed itself from a debt-ridden loss-making company to a highly profitable debt-free company.

The company believes that its challenges are a huge workforce, lack of modernisation and process flow inefficiencies, which has caused it to focus on these areas for future improvement. SAIL also has ambitious expansion plans, which include an increase in hot metal production from its plants to about 20 million tonnes per annum by 2012, against a current level of 13 million tonnes a year.

Tata Steel is Asia's first and India's largest integrated private sector company and was established in 1907. Tata is seen to be one of the world's lowest cost producers with its captive iron ore and coal mines along with world class facilities at Jamshedpur in eastern India. Prior to its takeover of Corus, Tata had a presence in seven countries (India, Singapore, Thailand, Sri Lanka, Bangladesh, South Africa and Iran).

Tata claims to be one of the most efficient steel producers in the world. It has made significant investments to enrich its product mix in order to minimise the impact of volatile steel prices. Challenges for the new company will include sourcing low cost materials on the open market for the Corus part of the business.

4. An expert's view: India - A steel industry rising star

"We owe a lot to the Indians, who taught us how to count, without which no worthwhile scientific discovery could have been made."

Albert Einstein



Peter F. Marcus, Managing Partner-CEO

Peter F. Marcus, a steel securities analyst who founded World Steel Dynamics and is a respected consultant to the steel industry, provides an expert's view of the likely trends in the Indian industry:

- Sizeable future economic growth seems assured, although it will not match China's because of lower Fixed Asset Investment (FAI) and savings ratios to GDP. Some day, services in India may rise to about 60% of GDP versus 51% at present; just as FAI in China some day may rise to 54% of GDP versus 45% at present.
- The sharply improving infrastructure is a boon for many steel plants. A new major highway has been built to connect the country's major cities. The improved road system from the East Coast (Kolkata) to the West Coast (Mumbai) is important for SAIL, Tata Steel and others.
- A steel demand growth rate of 10% per year in the next decade seems plausible. It would boost steel demand from 52.4 million tonnes in 2007 to 130 million tonnes in 2017.
- Steelmaking capacity expansions, both greenfield and round-out, will be huge because low cost iron ore properties can be obtained on a favourable basis. Also, Indian entrepreneurs are often less fearful than others to take on debt.
- India's location is ideal to serve steel markets in the Middle East, China, Southeast Asia and even Europe.
- A number of ports in India are deep and expandable. Additional ones will be built.
- India has a large, low-waged and often skilled workforce. Despite the low wage rates, some Indian steel plants (JSW in Karnataka) have close to world-class manning.
- A large pool of highly-skilled management personnel with a good background in steel also exists. Many of these have come from government-owned SAIL. In fact, Lakshmi Mittal, the Chairman of ArcelorMittal, over the years made great use of prior SAIL managers when he was seeking skilled managers willing to travel to remote regions of the world (Trinidad, Western Mexico, Kazakhstan and Romania) in order to turn around just-acquired steel plants.

- Indian integrated steel companies have low costs versus many competitors in Japan, South Korea, China and Taiwan.
- Indian steelmaking plants some day will also provide sizeable quantities of low cost slabs to hot-strip mills and plate mills elsewhere in the world.
- The Indian steel industry benefits from high global steel scrap prices because it has many sponge iron facilities.
- India's sponge-iron and induction furnace sector may continue its 10 to 20% per annum growth rate for another few years because it has a good success formula. Excess energy from coal-based sponge iron units is used to generate relatively low-cost electricity for use in induction furnace plants.
- The Indian steel industry is a hotbed of new technologies. Two plants have a blast furnace, a DRI unit and a Corex unit.
- The social fabric of India is far different from China because the central government has little control over what goes on at the state level – including the approval of new steel plants (of which a huge number have been announced for Orissa on the East Coast).
- Because India is a country with a long history of democracy and a well-established legal system, the country risk factor is less than in China and some other countries/regions.
- It often takes months, if not years, to get approval to build new steel plants because of the incredible bureaucracy, graft problems from the near-top to the bottom of the government, and a complex political environment at the local level that respects the opinion of all groups.
- The Indian rupee will probably not strengthen as much as the Chinese RMB because the country will have less manufactured goods to export and the agricultural sector would be damaged if the currency was too strong.
- Indian manufacturers may have an adequate supply of natural gas in the future because a number of new natural gas pipelines are being built – including one from the East Coast to the West Coast.
- Four of WSD's "world-class steelmakers" are located in India. They are Tata Steel, SAIL, Essar and JSW. SAIL is largely government owned. All are positioned to be winners in the future.

5. Trade union structures in India

*“Action for one’s own self binds,
action for the sake of others delivers from bondage.”*

Mahatma Gandhi

India has 65,000 unions registered under the Trade Union Act and the unionisation rate in India is around 8 to 9% of the working class. The average number of members per union is 740 (1997). Not surprisingly, the traditional labour movement is strongest in the declining public sector and what was national industry, much of which has been forced out of business or bought by transnational corporations.

Indian workers tend to be divided into two categories: the organised and unorganised sector. The National Commission for Enterprises in the Unorganised sector (NCEUS) defines the unorganised sector as follows, *“The unorganised sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers.”* The organised sector consists of public sector workers and workers in non-agricultural entities in the private sector, which employ 10 or more workers.

NCEUS defines unorganised or informal employment as follows, *“Unorganised workers consist of those working in the unorganised enterprises or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment/social security benefits provided by the employers.”* The commission further explains that employees with informal jobs generally do not enjoy employment security (no protection against arbitrary dismissal) work security (no protection against accidents and illness at the work place) and social security (maternity and health care benefits or pension).

Figure 8: Verified membership of central trade union organisations in India

	National Centre	Total Membership	%	Agriculture and Rural Sector Workers	%	Industrial Workers	%
1	BMS	6,215,797	25	1,397,503	16	4,591,187	30
2	INTUC	3,954,012	16	1,171,617	14	2,556,820	17
3	CITU	2,678,473	11	288,922	3	2,246,861	15
4	AITUC	3,442,239	14	1,539,973	18	1,746,219	11
5	HMS	3,338,491	13	727,424	9	2,486,518	16
6	Others (8 in total)	5,255,790	21	3,392,265	40	1,742,800	11
	Total	24,884,802	100	8,517,704	100	15,370,405	100

Note: Criteria agreed by the Standing Committee for recognizing as a National Centre are as follows:

1. Having verified membership of at least 500,000;
2. Spread over at least 4 States (Provinces); and
3. Spread over in 4 Industries/Sectors including Agriculture and Rural.

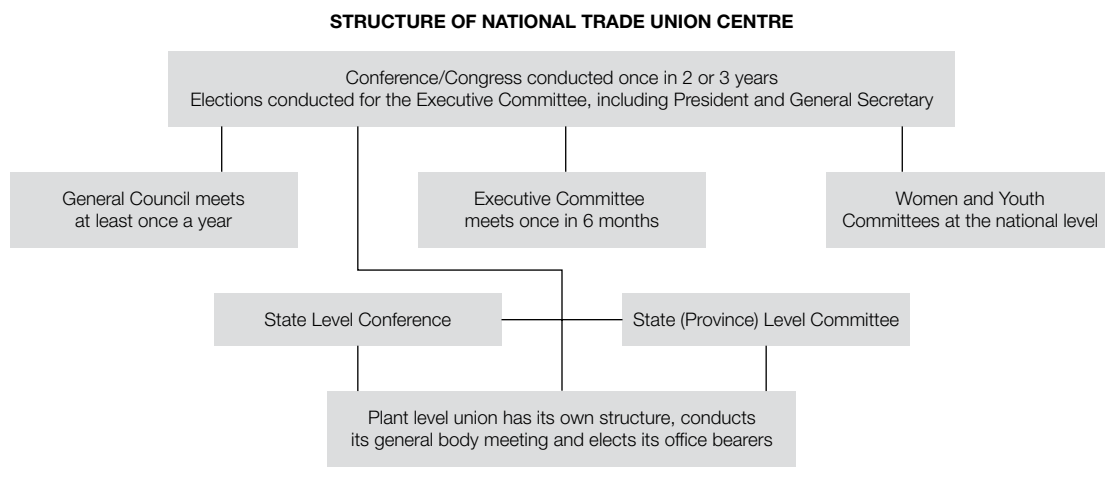
Thirteen national trade union centres are listed in India, but there are five major ones as listed at Figure 8. India’s national centres have historically aligned with political parties. As the political parties fragmented, so did the trade union movement, leaving one right wing, one nationalist, one social democratic, and three left wing centres.

Indian law incorporates strong protections for the rights of workers the provisions of a large number of which remain non-enforceable, but give unions limited access to the work place. This was one of the reasons that the trade union movement relied on its political connections, a practise that has become less effective over time due both to divisions within the trade union movement and globalisation.

Besides the federations, the number of independent unions at plant level has grown in the past few years. These independent unions refuse to affiliate to the national federations for a number of reasons - one of the most common is the political background of the federations. With the emergence of new regional parties in states (provinces) they are also promoting regional trade unions, which aggravate the situation further. Enterprise unions face a number of challenges such as the inability to influence national policy and being unable to call for solidarity from other workers in different plants during times of conflict with management.

The national centres are made up of plant level unions the largest can have thousands of members and the smallest less than a hundred. Almost all the national trade union centres have similar structures, consisting of a national level body and state level bodies comprising of all sectors and each sector has industry wide federations.

Figure 9: Structure of a typical Indian national trade union centre



Union dues are collected by the plant level unions which retain the majority with only a small amount transferred to the national centres. Monthly subscription rates are a fixed amount not a percentage of wages and the rate of subscription can vary from Re1 to Rs 10 per month. The subscription is collected through a check-off system or collected directly from members. This means that often the plant level unions are financially stronger than the national centres. The plant level unions pay Re 1 to Rs 5 per member per year to the national centres and Re 1 to Rs 5 per member per year to the industrial federations. Sometimes the union will collect a special levy at the time of its members receiving a bonus or after a collective agreement is reached, with the amount determined by the union.

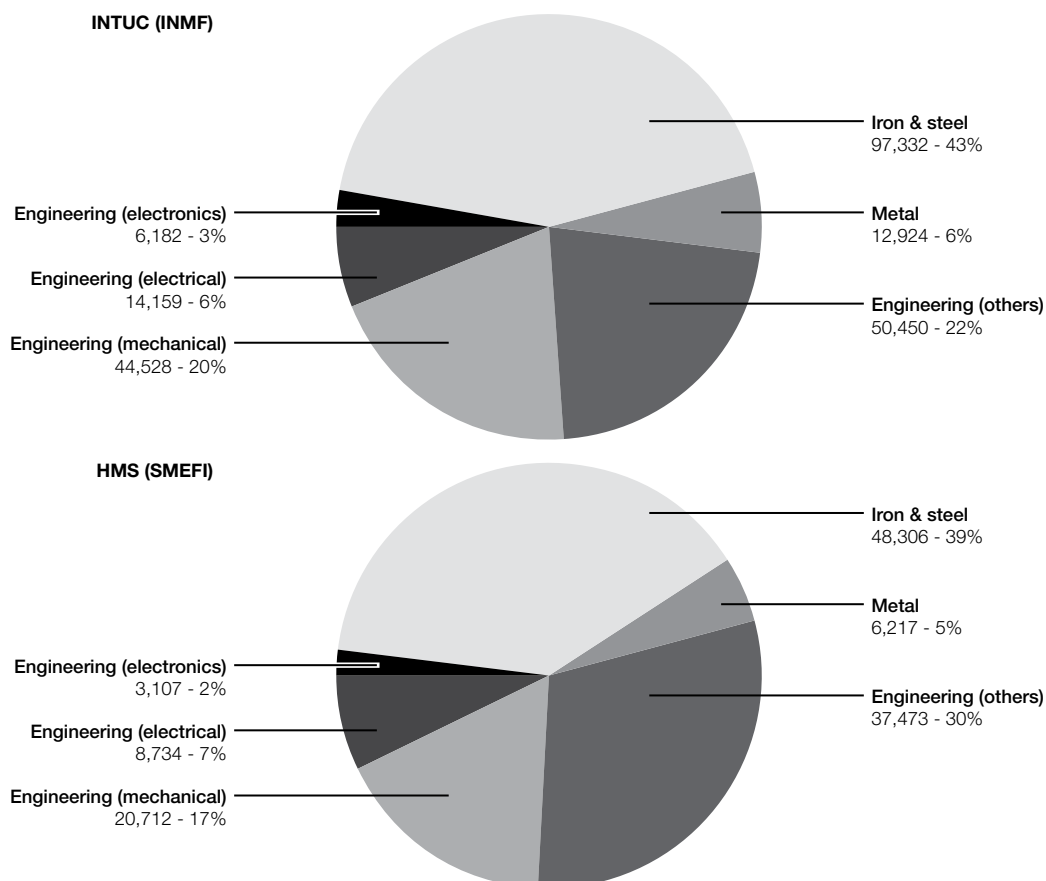
Figure 10: Status of verified membership in sectors related to the International Metalworkers' Federation (IMF)

S. No.	National Centre	Iron & Steel	%	Metal	Engineering (Others)	Engineering (Mech.)	Engineering (Electricals)	Engineering (Electronics)	Total
1	BMS	36,174	13	11,485	91,040	64,932	13,875	9,601	227,220
2	INTUC*	97,332	34	12,924	50,450	44,528	14,159	6,182	225,691
3	CITU	36,077	13	22,435	24,329	46,347	8,663	4,839	142,779
4	AITUC	20,876	7	16,213	90,449	27,713	479	317	156,118
5	HMS*	48,306	17	6,217	37,473	20,712	8,734	3,107	124,613
6	Others (8 Together)	44,153	16	632	25,039	49,721	1,151	29	120,771
Total		282,918	100	69,906	318,780	253,953	47,061	24,075	997,193

*Indian national centres with industrial federations that are affiliated to the IMF: INTUC – Indian National Metalworkers' Federation (INMF) and HMS – Steel, Metal and Engineering Workers' Federation of India (SMEFI).

Figure 10 shows that INTUC (Indian National Trade Union Congress) and HMS (Hind Mazdoor Sabha), the two national centres with industrial federations that are affiliated to the IMF, represent 34% and 17% respectively of the organised iron and steel workers that belong to a central trade union organisation in India, which together represents 51% of these iron and steel workers. This level of organisation provides the IMF affiliated unions with some influence in the iron and steel sector at the national level, and the responsibility for using this strength in organising unorganised iron and steel workers.

Figure 11: Status of verified membership of IMF affiliates INMF (INTUC) and SMEFI (HMS)



Sources: ?

Furthermore, the number of iron and steel workers as compared with other metalworking sectors within the two national industrial federations affiliated to the IMF also indicates the relative importance of the steel sector among workers already organised in the metal sector in India. As illustrated in Figure 11, out of INTUC's membership in sectors related to the IMF 43% are employed in the iron and steel sector and for HMS 39% are employed in the iron and steel sector. It is important for Indian's trade unions to build on this strong base and continue to organise in the steel sector as it grows.

Organising

Article 19 of the Indian constitution guarantees the freedom to form a trade union. The Trade Union Act of 1926 also provides rights for the formation of trade unions. The Act states that at least 10% or 100 workers, whichever is less, who are engaged or employed in the establishment of industry may apply to register a trade union provided they also submit a copy of the union rules which comply with the Act's guidelines, an address where the union will be registered, and names of the office bearers. Registration is not mandatory but common place, the Act does not prevent the formation of national unions provided that the union has provision for this under its rules and the office bearers agree. The union must also pass the 500,000 members, spread over at least four States (Provinces) and spread-over in four industries/sectors including Agriculture and Rural. However in most cases each newly organised site will register as a new union and in some cases one site can register multiple unions.

There is nothing wrong with the Indian trade union movement today that it can not fix itself. But unfortunately the unions suffer from a variety of problems such as politicisation of unions, multiplicity of unions, inter-union rivalry, uneconomic size, financial instability and dependence on outside leadership due to historical reasons.

It would be wrong to try and measure the Indian trade union movement against any other country as its society and culture are very different, however for any trade union movement the goal must be to build influence in society and be able to represent its members.

India has the capacity within its union leadership to overcome all of these challenges provided there is a real desire to modernise, consolidate and embrace change collectively. So far internal divisions and in-fighting prevent real progress.

Leadership

Many of India's current union leaders played a key role in the country's fight for independence which has meant many of the leaders are highly revered and respected by the movement and general society. Even those leaders that did not directly contribute to the independence movement because of age, but were given patronage are seen in the same light and are held in high regard within the movement.

Indian society has a very strong class system and the different castes still play an important role. Respect and personal relationships are also key and it is not uncommon for trade union leaders to be regarded as leading citizens in their communities and in wider society. Also a natural respect for age and experience means that patronage is highly important and although leaders many have retired from their position of office they still play a major role in the running of the unions and policy decisions.

Within the Indian trade union movement there is a fantastic mix of belief and knowledge that could set them apart from any other nation, but that potential has gone untapped and workers have become used to being subjugated and docile. This has meant that the trade unions have not been able to break out of a mindset of limited achievement.

If Indian workers are to become more than a nation of a billion people selling cheap labour and raw materials and providing a large market for goods and services of other nations the trade union movement has a vitally important role to play.

The movement must start to develop its young leaders with constructive ideas on how to unite the movement and engage with workers on the benefits of trade unionism. These young leaders should not be discouraged and their ideas should not wither in the long wait for approval or be discounted in the name of tradition.

Wage Negotiations

The Joint Wage Negotiating Committee for the Steel Industry arrived at its first Memorandum of Agreement in New Delhi on October 27, 1970, covering the wage structure and other conditions of service for categories of workers in the industry. In June 1979, the name of the committee was changed to National Joint Committee for the Steel Industry (NJCS).

The committee consists of 21 members from the workers' side and 11 members from the employer's side. From the workers' side, three each from the four national trade union centres of INTUC, AITUC, HMS & CITU and one each from the recognised trade union organisations of the main steel plants of Bhilai, Durgapur, Rourkela, Bokaro, TISCO, IISCO, Alloy Steels, Salem and VISP. Originally, Tata Steel was also part of the NJCS. In the last year Tata management has decided to withdraw from NJCS, but trade unions of Tata Steel still insist on continuing with NJCS.

From the employer's side, Managing Directors/Executive Directors of Steel Plants of Bhilai, Rourkela, Durgapur, Bokaro, IISCO, ASP, SSP and VISP and Vice President (HRM), TISCO are members. From the SAIL corporate office, Director (Finance) is a members and Director (Personnel) is the Convenor-Member of the committee. To date the committee has arrived at seven agreements settling wage and associated benefits for the steel industry. Typically the agreements can last for 10 years and the latest is due to expire soon.

The International Metalworkers' Federation – Indian Council (IMF-IC)



Front row (from left to right): U.M. Sankar Das (INMF-Mines); R. Kuchelan (WPTUC); T. Dyvadheenam (IMF-SAO); S. Sudharshan Rao (SMEFI)

Back row (from left to right): S. Somanathan (IMF-SAO); Gautam Mody (WPTUC); E.J. Pereira (SKF); Kishor M. Dhokale (Atlas Copco); Sanjay S. Vadhavkar (SMEFI); Marcello Malentacchi (IMF); Fernando Lopes (IMF); P.J. Raju (INMF); M. Balasubramaniyan (IMF-SAO); Rajasekhar Mantri (INMF).

The IMF-IC is a National Coordination Committee of metalworkers' unions who are affiliated to the IMF. The committee was established in 1992 in order to bring together and coordinate the activities of the IMF affiliates in India. The IMF-IC endeavours to safeguard, promote and advance the political, economic and social interests consistent with the aims and objectives of the IMF. The IMF-IC meets at least once every six months and its members are:

- Indian National Metalworkers' Federation
- Indian National Mineworkers' Federation
- Steel, Metal & Engineering workers' Federation of India
- Simpson & Group Companies Workers and Staff Union
- Working People Trade Union Council
- SKF Bearing India Employees' Union
- Sandvik Asia Employees' Union
- Philips & B.C Components Employees' Union
- Atlas Copco Employees' Federation

The IMF South Asian Office forms the Secretariat for the IMF-IC and recent initiatives include discussions on trying to develop a stronger structure for metalworking unions in India.

At the recent IMF-IC meeting, held in January 2008 in New Delhi, there were thorough and specific discussions on how to strengthen unity among the metalworkers in India and a Sub Commission was established consisting of four members, one each from INMF, SMEFI, WPTUC and Pune affiliates, with the specific task of recommending concrete proposals on:

1. Changes needed to the existing IM-IC Rules on structures such as
 - Congress/Conference
 - Central Committee
 - Executive Committee and Office bearers etc.
2. The Code of Conduct between member federations/unions and also implementation and monitoring system.
3. Solidarity actions and guidelines for dealing specifically with violations of Human & Trade Union Rights and also compliant procedure to ILO etc.
4. Financial contributions to IMF-IC with specific aim of creating self and sustainable organization.
5. Long-term organizing plans in the sectors identified in the 21st IMF-IC Meeting and also any other areas, plus organizing precarious workers as resolved in the IMF Central Committee Meeting held on 28-29 November 2007 in Brazil.
6. Outlay of IMF-IC regular activities including office maintenance etc.

These terms of reference for the IMF-IC Sub-commission were agreed in the 25th IMF-IC Meeting held in New Dehli on January 16, 2008. The sole aim is to united the metalworkers' in India and the preliminary step of strengthen the IMF-IC is only a starting point, thus creating cooperation between the federations/unions affiliated to IMF to reach the final goal. This Sub-Commission will submit its recommendation to IMF-IC by end of March 2008.

6. Case Study on Industrial Relations: Tata Steel

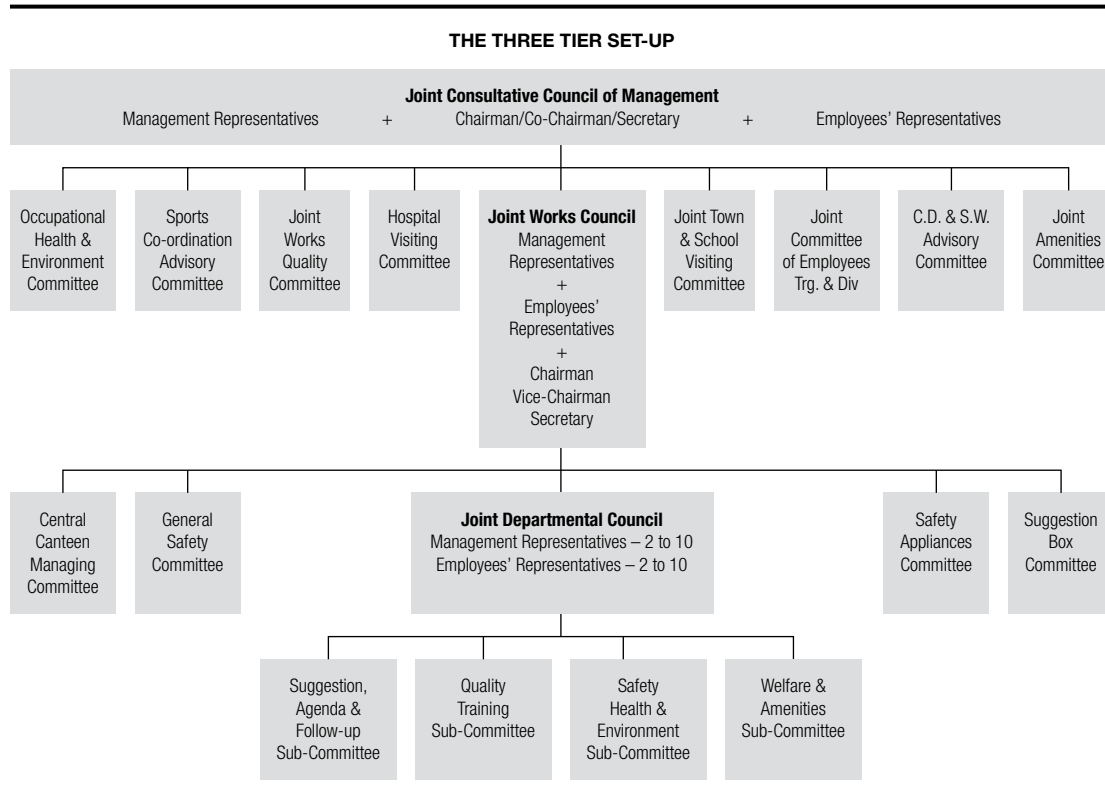
“Wisdom is a weapon to ward off destruction; it is an inner fortress which enemies cannot destroy.”

Thirukkural 421 (200bc)

Tata Steel in India has 38,000 employees of which 34,000 belong to the trade unions (4,000 non-members are from management). Tata has 25 unions at different locations with the largest being the Tata Workers' Union (TWU). The TWU has been recognised by the company since 1920 and has around 17,000 members at the Jamshedpur plant. The TWU uses a check-off system to collect union dues and has established a mechanism in which the union and management both sit together in equal number on a Joint Consultative Council of management. The TWU and management have not had an industrial dispute for over 75 years and not a single day of work has been lost as a result of labour unrest during that period.

Collective bargaining is undertaken as part of a three tier set-up (see Figure 12) and the union can raise issues such as wages, allowances, bonus, hours of work, leave and retirement benefits. All the issues related to these matters are decided unanimously by the representatives of union and management together.

Figure 12: Tata Steel's industrial relations system



Grievances of workers are addressed through collective bargaining at a joint committee forum called a Central Works Committee. This committee consists of equal representation from the union and management side. The grievance system or mechanism in Tata Steel is one of the best in India and goes beyond statutory requirements (Section 3 of the Industrial Disputes Act, 1947) and consists of three different steps: first is a Department Level Grievance Redressal, second a Zonal Works Committee and lastly the Central Works Committee.

The average steelworker starts in the industry at 25 years old and 70% hold qualifications below degree level, 17% of the workforce hold a diploma or trade apprenticeship with just 13% holding a degree or above.

Tata steelworkers are proud to work for the company and Tata's employees are highly respected in society all over India. The per capita annual income in India is Rs 31,998 (US\$ 815) where as the average wage of a Tata steelworker is Rs 3,76,548 (US\$ 9,584) which is 12 times higher than the Indian national average. The standard of living and quality of life for employees of Tata Steel is superior to many others in the country.

Out of the total workforce 21% own a car, 71% own a two wheeler and only 8% of the workforce do not own either. The company also provides accommodation for its workers, the average worker is provided with accommodation which includes a hall, 2 bed rooms and one kitchen, independent toilet/ bathroom, with subsidised electricity and water supply.

Steelworkers have an average of 25 days paid holiday, 15 days paid sick leave, five days casual leave and two days for festivals, there are also five national holidays. In the case of maternity leave women receive pre-natal leave of six weeks and post natal of six weeks.

The average worker stays in the industry for 35 years. If there is a redundancy situation, then provisions are made such as training for alternative jobs, redeployment or an early separation scheme which is the best in India which includes:

- A pension based on 1.2 times the last drawn salary for persons of 45 years and over.
- The pension is payable every month until the employee attains the age of super annuation.
- Medical facilities for the worker, spouse, parents and children until retirement age.
- Interest free repayable loan up to Rs1,000,000 (US\$ 25,454).
- Retain the company house for a period of three years.

The age of retirement for workers is 60 years with a one year extension if found medically fit, and the company contributes to a pension scheme for its employees.

Tata Steel prides itself on the development of its workers through its in-house training centre. Workers are provided with training in their respective areas to enhance their skills and develop their technical and managerial competencies. Tata also sponsors some of its workers to prestigious institutes like the Indian School of Mines at Dhanbad and Birla Institute of Technology at Mesra in order for them to achieve higher qualifications such as degrees.

The company sends employees overseas to see other plants and has developed internal training programmes such as E-Learning, Safety Training, Quality Training and many others relevant to the steel industry. On average 12 days of training are provided to a worker each year.

Accident rates in Tata Steel are at 1.39% per year with the most common accidents being eye injuries, caused by foreign particles, and road accidents. The company provides personal protective equipment to all its workers.

Workers increasingly understand that the steel industry in India is being driven by market forces and that their Government supports the industry by developing infrastructure in the form of roads and by supplying railway wagons to assist industrial development.

The Government has also levied a central tax on the export of iron ore to preserve its raw materials and build up its steel capacity internally. Unions at Tata Steel have seen foreign investment in the industry in a positive manner as they believe it will help increase healthy competition, bring better work practises and facilitate sharing and exchange of best practises.

Union leaders in Tata Steel believe that the management and unions are partners in ensuring growth and prosperity of workers and the organisation at large. The working culture is one of participation and collaboration (joint consultation) and this approach encourages “learning” among the union leadership.

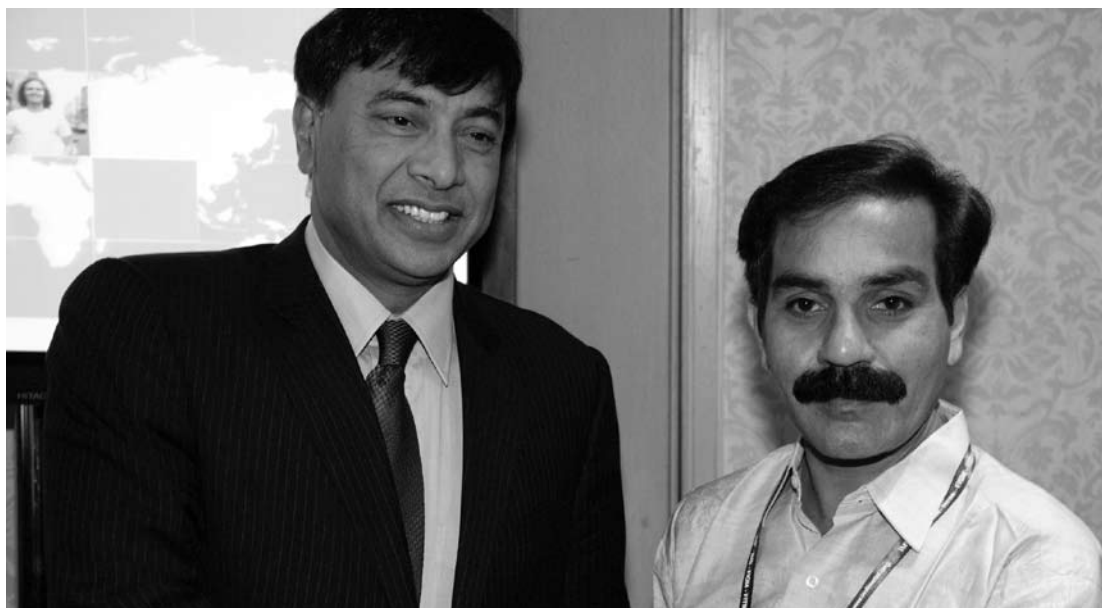
7. Interview with Mr Rajasekhar Mantri

“Where the mind is without fear and the head is held high, where knowledge is free, where the world has not been broken up into fragments...

My father, let my country awake.”

Rabindranath Tagore

Mr Rajasekhar Mantri, General Secretary, Indian National Metalworkers' Federation and General Secretary Visakha Steel Employees' Union (VSEU).



Mr Rajasekhar Mantri (on the right) with Lakshmi Mittal, CEO of ArcelorMittal at the IMF Arcelor Mittal meeting in 2007.

Question: Which plant do you work at?

Visakhapatnam Steel Plant (Rashtriya Ispat Nigam Ltd.)

Q: How long have you worked there?

25 years

Q: What changes have you seen in the last ten years?

- Company reported to the board for industrial and financial restructuring.
- Technological improvements, production and productivity improvements taking place. Now the company has made a net profit for the last 5 years.
- VSEU (INTUC) has fought and secured benefits to the working class and made it possible for them to lead decent lives.

Q: How many workers are there?

Presently 12,000 workers

Q: How many are in the union?

All the workers are unionised

Q: How do you think the steel industry in India will change in the future?

The steel industry in India is poised for major expansion in the future: to 80 million tonnes capacity by 2020. Per capita steel consumption of 35kg is likely to go up due to the Government's efforts on improving steel consumption in rural areas, improving steel cement ratio and reducing timber consumption. India is likely to surpass South Korea, Japan, EU and the U.S. in the next five years in steel production.

Q: Will this be better or worse for the workers?

Contractualisation, outsourcing and downsizing are all issues detrimental to workers interests and will be firmly rooted within the expansion of the steel industry in India. With further increase in ownership by the private sector, migration of workers from organised to unorganised is inevitable. Hence, it will be worse for workers and difficult for unions.

Q: What do you see as the future challenges?

Rising demand for better quality steel, growing competition, shortage of coking coal, and high energy rates are major challenges for the Indian steel industry. Protecting the interests of workers and their welfare will be additional challenge to all concerned.

Q: What other countries do you think will compete with India in the future?

India is expected to surpass production capacities of South Korea, Russia, United States and Japan in the near future. China is the only country that can effectively compete with India, especially so when China increases its steel exports.

Q: Do you think conditions are better or worse than India?

For the present, conditions are no way better than India when the global scenario is taken into consideration. Except for a comprehensive mining policy for iron ore and a shortage of coking coal reserves, India has all the advantages to lead the world in steel production.

8. Summary and Conclusions

The next decade is vitally important for the trade union movement in India. If the IMF and its affiliates can co-ordinate efforts with a clear and concise strategy in order to support the work of the IMF-IC, India's trade union movement will have a major role to play in the future.

A rapid development and expansion program in the steel industry is just one area where India's trade unions can strengthen through a well thought out long-term programme of activities which support union building and developing stronger union structures.

The problems facing workers in the Indian steel industry are many and can be broken into three categories:

Global environment

The global steel industry has been notoriously cyclical and although internal demand is likely to remain high in India for the foreseeable future, overcapacity in the global market place remains a real threat in the next decade. Overcapacity would bring about increased competition and damage or restrict any opportunity for the workers to bargain better conditions. In addition foreign direct investment is likely to slow down and production needs be re-evaluated.

Greater consolidation in the global industry remains highly likely as the major players aim for a larger global footprint. In doing so the companies are pursuing two objectives: to lower their costs and increasing their market share. Acquisitions in India currently appear lucrative with large raw material deposits, lower wages and favourable energy prices but foreign ownerships often signals a change in local customs and the approach to industrial relations.

National issues

Although the Indian steel industry is growing and its share of global steel production is rising, the industry is still being constrained by major deficiencies in fundamental areas. Financing problems mean that although major infrastructure programmes are taking place the amount remain well below Government targets, therefore slowing steel demand.

Power shortages are a regular feature at many production facilities and the Indian government has committed to improving supplies by 2012. Deficiencies have prompted many companies with heavy energy demands to produce their own electricity through generators. India is likely to become the world's fourth largest energy consumer by 2010 and future energy costs will have an impact on foreign direct investment.

India does not have enough raw materials to supply its own steel industry and a considerable amount of materials will have to be imported. Currently India is the world's sixth biggest coal importer and vulnerable to price increases. The rising output of electric steel also means that there is an increase in demand for steel scrap and as the steel capacity grows so will demand for raw materials.

Inefficient transport systems are also a major impediment to economic development. India has a rail network which is twice as extensive as China's but its poor quality constrains the efficient supply of goods. Both the ports and road systems also need major capital expenditures. In the coming years US\$ 150 billion are to be invested in transport infrastructure which offers huge potential for the steel industry.

Extreme poverty in India is still widespread and wealth distribution is fairly uneven, with the top 10% of income groups earning 33% of the income. Poverty is extensive in rural areas and despite government measures the caste system is still widespread through out India.

Trade unions

The low rates of unionisation across India demonstrate the need to develop an organising strategy which helps to build a stronger union movement. Often when workers are organised the structure they go into is weak or inward facing, limiting their ability to bring about real change in the workplace.

Although the union movement remains fragmented the steel industry has some of the oldest and strongest unions within it. If it is possible to get these unions to co-operate more closely, or even merge into one structure, the unions will increase their significance in the industry. Barriers to achieving this will be if the unions refuse to change and political differences prevent building strong union structures.

Future organising activities must take account of the structure that workers are being organised into and be part of a wider initiative to develop a metalworkers' union for all of India. Commitment to this vision on behalf of the IMF-IC is vital and a clear set of milestones should be agreed to demonstrate that this process is taking place. The Indian trade union movement must also develop its ability to become self-sufficient in order that it can represent its members freely on the global stage.

The trade union movement can become a real force for social change in India and in order to do this the IMF will have a central role to play along with the IMF-IC. In particular the IMF-IC and the IMF Regional Office should drive the process for change, by engaging the next generation of Indian trade union leaders in IMF programmes.

External donor funding is a useful tool to assist the Indian trade union movement address these issues but must be coherent with IMF strategy and not build a dependence culture within the India trade union movement. In order to achieve this, the IMF should be transparent and clear on what its strategy is and set out its goals for its Executive Committee and also agree milestones with the IMF-IC. The IMF activities carried out in the region should also be coherent with these goals.



International Metalworkers' Federation

54 bis, route des Acacias, Case Postale 1516

CH-1227 Geneva, Switzerland

info@imfmetal.org, www.imfmetal.org