Corporate social responsibility in Arcelor / Usinor

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The European Foundation for the Improvement of Living and Working Conditions has produced 12 case studies around enterprises in four European countries which set out to analyse the extent and practice of corporate social responsibility (CSR). The project aims to reveal in what way European companies are developing models of best practice around the issue of working and employment conditions. In France the enterprises examined were Acome (electric cables), Arcelor (iron and steel), Chèque-Déjeuner (financial services) and Continental-Teves (automotive).

Preliminary remarks

When the panel of undertakings for this study was selected, Usinor was chosen under both headings that were being examined - restructuring and employment, and subcontracting and working conditions. Since then, the ARCELOR complex has been created by the merging of Usinor, Arbed and Aceralia, which brought about considerable changes within the undertaking, followed by the announcement of restructuring operations. These changes greatly delayed the work of the case study.

Consequently, this study offers:

- the initial findings on Usinor’s policy on restructuring,
- the initial findings on the question of subcontracting, which are confined to the works at Fos-sur-Mer; shortage of time has made it impossible to provide more than a rough sketch of the comparative and transnational aspect deriving from a similar type of analysis of the works at Liège (Usinor/Cockerill Sambre).

Usinor and its restructuring policy

Usinor is one of the world leaders in the iron and steel industry and has long experience of restructuring operations, which it is well known to have approached in a spirit of social responsibility. In this context, it seemed preferable to analyse how that responsibility functions overall at group level, rather than confining the discussion to a single example.

At present, the group is operating under multi-year agreements entitled ‘A cap 2000’, signed in 1990, and ‘Cap 2010’, signed in 2000. This latter agreement, signed by four of the five French union organisations represented within the group, is defined as ‘a mechanism for implementing a global social project, participating in the cohesion of the group companies, in what is now a decentralised organisation’. Within this complex, commitments relating to restructuring operations and their effects on employment are included in a chapter entitled ‘Management and guarantee of employment’, which comprises five sections:

1. reducing the average age and renewal of skills;
2. recruitment policy;
3. pre-employment;
4. adaptation of the level of employment in the event of a redundancy programme;
5. special case of major restructuring operations.
Restructuring is thus seen as forming part of a broader framework - that of employment management - and the last two subsections, devoted to restructuring:

1. first specify that 'the group companies hereby undertake to use mechanisms more favourable to the workforce than those required by national law',

2. and secondly list the ‘measures and rules’ that the group companies are to take into account, which are: transfers to part-time working; progressive early retirement; collective reduction in working hours; the vocational support mechanism (which allows a period of paid employment during which the employee can undertake retraining); and specific schemes for the oldest employees.

These arrangements are backed by use of the services of a professional retraining company (which was created by the group 20 years ago, but in which it now has only a minority holding), with a particular responsibility for making valid employment offers to employees undergoing retraining.

From the standpoint of the mechanism applicable in the event of restructuring, it will be noted that it is similar to that described in the ‘Continental Teves’ case. Similarly, and although no mention is made of it in the agreement, the group considers that it has a responsibility, in the case of major restructuring, to help to re-create, in the relevant employment pool, a number of jobs equal to that which it is shedding, by participating in the creation of a new economic fabric.

What emerges from the French case study, then, is a consensus to the effect that, in the event of restructuring, corporate social responsibility means trying to reduce the number of dismissals. Where dismissals are inevitable, CSR means participating in the reactivation of the employment pool and the retraining of employees, using a mechanism whose tools and overall architecture are known and easily described.

**Discussion of the case in connection with the restructuring operations**

A number of points are worth emphasising:

1. The scope of application of the agreement comprises all the French affiliates. The social responsibility of the group is therefore geographically limited. This does not mean that no responsibility attaches to the implementation of decisions producing effects outside France, but there are no formal arrangements for that area.

2. The tools for implementation are two in number: one that acts as a depository for specific retraining know-how (Sodie, Société d’aide à la reconversion des salariés et des territoires), and a group task force comprising lawyers and human resources officers. However, these two ‘tools’ are available to the usual chain of command, those generally responsible for the affiliates concerned being required to take responsibility for the operations. The objectives of the operation are incorporated into the current reporting of the units concerned; and the extent to which objectives are achieved is monitored. The whole operation is conducted as a project (planning of the objective, formation of a dedicated team, finalised organisation of resources).

3. The group’s commitment in the field of restructuring arises from a commitment by central management, the stated philosophy of which was ‘not to leave anyone stranded’. The group is thinking about incorporating the framework defined by corporate social responsibility, but has not yet decided to do so.
4. If agreements are concluded between the social partners (trade union organisations and group management), the French public authorities are notified accordingly, particularly since they are financing some of the measures. At present, the public authorities are withdrawing and the group management faces the problem of knowing where the limits of corporate social responsibility lie.

5. Finally, in the field of regional planning, the group is active but has no established consultation structure. A committee made up of local elected representatives exists for cases where facilities are shut down, but it is informal.

**Subcontracting and working conditions in Usinor**

**Presentation of the Usinor/Sollac installation at Fos-sur-Mer and the Usinor/Cockerill Sambre installation at Liège**

**Fos-sur-Mer**
The Sollac works at Fos is, like that at Dunkerque, among the more recent (1973) ARCELOR (formerly Usinor) group sites in France, a factor common to both being their location by the sea, which has been a favoured strategy of the group for some time. Specialising in flat products for the motor industry, among others, the Sollac-Fos works employs about 2,900 people, to which may be added 1,500 subcontractors’ employees on site, in other words employed within the Sollac works itself.

A large proportion of maintenance work, and some aspects of operations, have always been subcontracted since the factory was commissioned. At present, the distribution of internal production costs is as follows: 30% of the total, 70% subcontracted (€149 million in 2001).

**Liège**
Cockerill Sambre is now a wholly owned affiliate of Arcelor and has two major sites in Belgium - Charleroi and Liège - and several important affiliates. The company produces about 1 million tonnes, especially for the motor/construction sectors and industry, and employs about 10,000 people, of whom between 5,000 and 6,000 work at Liège. It is currently experiencing economic problems, notably:

- substantial losses in 2001 (turnover of € 2,000 million), and probably again in 2002;
- a cost-cutting campaign, of which one third, relating to labour, is currently under preparation; this should be largely dealt with by an extensive early retirement plan and the outsourcing of some activities to affiliates.

CS subcontracts much less than Arcelor-Fos (one third as much, 15/50) and applies this policy only to ‘obvious’ tasks (industrial cleaning, etc.) and a few peripheral industrial jobs.

**A centralised voluntary work safety policy**
Safety at work is one of the essential corporate values of Usinor/Arcelor. Thus:

- in Usinor’s corporate charter, adopted in June 2000 under the aegis of the former Chairman, Francis Mer, ‘giving unconditional priority to the safety and health of our workforce and all those working on our sites’ is stated as the first principle of management activity;
furthermore, full control of safety is one of the criteria of the group’s purchasing policy, which is broken down by ‘families’ of operations in the form of guidelines, known as ‘OPTIMUS’, which take the form of:

- a supplier selection grid;
- a system for evaluating services and contracts, where several social criteria are taken into account, including safety, which is assessed by indicators relating to compliance with the rules, the wearing of protective equipment, the condition of equipment and tools, and training and organisational capabilities;
- human resources and technical management, assessed in terms of the general competencies of management, the state of equipment and tools and the long-term management of skills.

The significance of subcontracting at Fos: situation, problem, approach

The situation at Fos

Subcontracting has been on the increase since the 1980s. The relevant characteristics today are as follows:

- 80% of maintenance is subcontracted;
- 60% of mechanical activities are subcontracted;
- only 30% of electrical activities are subcontracted.

In addition, a not insignificant proportion of internal energy supplies, maintenance and some aspects of the operating process are subcontracted.

This subcontracting, primarily in maintenance but also in operations, is organised on four levels:

- force-account working (essentially provision of labour, now greatly reduced);
- schedule (specific and repetitive task);
- level 1 contract (clearly defined operation with a known duration and advances to be achieved);
- level 2 contract (broad sector of activities devolved on one area, long-term duration and advances to be achieved).

Over the years, the undertaking has reduced the number of subcontractors and has structured its main operations around some twenty enterprises which, in both maintenance and operations, now perform nearly 80% of the total subcontracted (in euro).

Subcontracting and safety problems at Fos

Following a major strike, which related to the corporate management style, working conditions and social conditions in general, an active safety policy has been conducted since the 1980s with a view to reducing the number of on-the-job accidents, which had reached alarming levels. This policy has been notable for numerous voluntary schemes which have greatly reduced the number of on-the-job accidents (with a slight increase again from 1999). Thus, the on-the-job accident rate at Sollac has for some years been fluctuating between one and four. At the same time, the situation with regard to subcontractors’ safety at work was giving serious cause for concern (numerous fatal and serious accidents at work, irregular hiring practices, etc.) which prompted the company to adopt, from 1986 onwards, an active policy with regard to the work safety of on-site subcontractors.
Thus, as a result of numerous initiatives, in relation both to its purchasing policy and to its strictly health/safety-based policy, the undertaking has succeeded in reducing the rate of on-the-job accidents among subcontractors to well below its 1980s levels; it has now fluctuated between four and seven for several years. Even so, this represents a ratio of 1:3 to the accident figures for Sollac’s own employees.

**Sollac’s instruments for subcontracting and safety at work**

These comprise:

- A combined figure for on-the-job accidents involving Sollac personnel and on-site subcontractors. This figure is included in the works’ overall performance figures, and the director is accountable for it to head office.

- An obligation for the company to introduce a safety action plan - referred to below as the safety/environment action plan - before taking any action, setting out:
  - its mode of operation and the risks assessed;
  - the resources to be employed;
  - the measures the company favours for achieving an optimum level of safety.

- Safety audits relating to the provision of subcontracted services (audit conducted on site) as well as safety system audits which relate to the subcontracting undertaking’s safety policy as a whole and are carried out at its premises.

- An annual safety challenge and annual safety meetings involving Sollac’s 130 subcontractors.

- The drafting of a safety charter covering both Sollac and its main subcontractors, laying down seven general principles relating to safety and working conditions.

- The creation of a ‘Corporate Safety Club’, bringing together ten of the main subcontractors, which provides a common forum for the managements of Sollac and its subcontractors to consider aspects of safety at work.

In addition to all the above, there is the role of the health, safety and working conditions committee, which at Sollac-Fos is structured around six separate committees for the various divisions of the works plus a coordinating committee. In addition to its general role of putting forward opinions and proposals regarding the corporate health and safety policy, it undertakes:

- inspections of installations and construction sites for which Sollac and its subcontractors are responsible;

- a regular review of the prevention plans;

- a warning system, activated when employees’ or subcontractors’ working conditions involve a significant level of risk (a warning being given which may cause work to be suspended in cases of serious danger).

**The emergence of a problem at Liège**

**Subcontracting at Cockerill-Sambre**

The issue of subcontracting/outsourcing became a significant problem at Cockerill-Sambre (CS) only recently. Much of it takes place in the form of force-account working (leasing of man-hours for specialised workers), and it was to be gradually replaced by more sophisticated practices.
At present, in the context of the undertaking’s restructuring operations, this policy of replacement is becoming more vigorous, either through projects (already implemented or ongoing, in some cases) to outsource operations to affiliates or share control of operations - or through outsourcing or the use of subcontracting for fewer peripheral tasks than formerly.

In the course of the ‘Delta’ cost-cutting plan, for example, the social partners were informed that outsourcing would be practised for activities not forming part of the ‘core business’, on the basis of the following list of criteria: the outsourcing must be in the company’s economic interest; the partners must have genuine know-how; they must respect workers’ rights within the spirit of the company; and the relocation of operations must be socially acceptable. A document has been prepared, but has not been signed by the union delegations, which are refusing to endorse outsourcing as such.

**The approach to safety issues at Cockerill-Sambre**

The issue of safety at CS is one of the management’s priorities. Results have been improving for three years, but are still not as good as Arcelor’s highest standards. One of the problems is that the accidents that occur are very serious, hence the drawing-up of very strict action plans on this issue. In particular, there are plans to introduce information campaigns of the type already tried out at Sollac. They will prioritise the solving of internal problems at the plant and the achievement of an ‘exemplary’ position before addressing that of co-contractors and subcontractors.

CS is already beginning to establish relations with its co-contractors based on various criteria including safety results, with the possibility of withdrawal in the event that these are unsatisfactory (making allowance for the fact that a company may be good at one site and bad at another). In addition, and in the wake of a fatal accident that occurred on the premises of an electrical subcontractor, specific schemes are to be organised with undertakings in this sector, stressing quality of management, on-site presence, audits and risk assessment studies. Finally, CS says that information will be provided on any accident occurring on its site from now on.

**Discussion of subcontracting and safety at work**

A great many of the measures and instruments employed by Sollac-Fos fully comply with the definition given in the Green Paper, since many of them are voluntary and go beyond - in some cases far beyond - the provisions of any legislation or agreements. That said, however, there are many questions that the company might be asked. By contrast, the issue of responsible subcontracting is just beginning to arise at Liège, against the difficult background of the restructuring of Cockerill-Sambre and the formation of the new Arcelor group.

**The question of on-site contracting and purchasing**

Although a purchasing policy exists for all the group’s activities, it is notable that:

- the question of socially responsible practices essentially relates to on-site maintenance and operating activities, on the one hand, and almost exclusively to issues of safety at work, on the other;
- other aspects of the supply chain are less involved, if at all, such as the purchasing of raw materials and distribution and logistical activities;
- social criteria other than those relating to security are virtually never mentioned or do not extend to the working conditions of ore suppliers in the southern hemisphere countries (Brazil, Mauritania, etc).
The question of interference with subcontractors
CSR and subcontracting raises a fundamental issue that has arisen from the discovery of practices that go beyond the law. The principle that governs subcontracting is partly that of freedom of enterprise and partly that of contractual freedom. However, the practices developed by Sollac-Fos with its subcontractors involve some degree of ‘social’ interference with legally separate undertakings. Interference as such is nothing new: other forms it has taken include the numerous audit and quality certification procedures. But this form of social interference is quite exceptional. It may even go to the lengths of applying a number of penalties, such as exclusion from contracts, exclusion from invitations to tender and even the discontinuation of ongoing services. It will be instructive to note whether this occasional practice becomes general within Arcelor, beginning with Cockerill-Sambre, and whether it develops within other groups. On the other hand, it should be noted that non-interference is also sometimes equated by the public or the courts with culpable indifference.

The question of indicators
One of the issues raised by the Usinor/Arcelor policy is that of the instruments used to quantify the health and safety at work.

First, the reliability of counting accidents at work is controversial. After all, a subcontractor’s accident rate is the accident rate he is willing to admit to. The staff representatives at Sollac/Fos are questioning this method and saying that a significant number of subcontractors’ accidents are not reported, thus enabling the undertakings in question to appear to comply with their specifications and so continue to work for Sollac. As far as the Sollac management is concerned, if such phenomena do exist they have no evidence of them and regard them as marginal.

On the other hand, it is striking to note that only the on-the-job accident indicator is taken into account: the occupational illness indicator is disregarded. The company’s management says, on this point, that the on-the-job accidents reported to it are those that have definitely taken place on the company’s site, whereas an occupational illness may have been caused when providing services for other customers, since Sollac’s subcontractors are not bound to it by an exclusive arrangement.

The question of the audit
Audit procedures at subcontractors’ premises are conducted jointly by representatives of Usinor/Arcelor and of the service undertakings. Bearing in mind the conflict of interests that may exist, how objective can the results of these procedures be? Not only that, but they are at present conducted without any prior or subsequent consultation or information of the representatives of the workforce, who have not succeeded in becoming involved - although they have recently claimed the right to do so.

The question of social dialogue
Subcontractor safety policy is essentially a managerial policy, both as regards the provision of the instruments, which are almost all devised by the group, corporate or works management alone, and as regards the implementation and evaluation of that policy. At Liège, the unions have not signed the document put forward by management.

There is a contradiction between the determination to go much further than the law requires in inter-company relationships and a desire to restrict the social dialogue to those areas where legislation requires it. It is interesting to note that this situation is undoubtedly changing, as the management are imposing the implicit condition that the staff representatives abandon their mistrust and structural refusal of subcontracting. One
crucial point remains: most subcontracting undertakings, because of their size or their history, have no social
dialogue structure or, if they have one, it is very weak. Extending the powers of the employees’ representatives
at Sollac to include subcontracting would address only one aspect of the question; they have neither the
authority nor the capacity to replace the representatives of the subcontractors’ workers.

**The question of the dissemination of good practices in the environment of Sollac-Fos**
The difference between practices at Fos and Liège is significant, and cannot be explained solely by the
difference in the volume of work subcontracted. The challenge of the dissemination of ‘good practices’, which
has already arisen at Usinor, is becoming even greater at Arcelor. Furthermore, are Sollac’s actions at Fos
producing a local dissemination effect and spreading among the subcontracting companies, and more
particularly the SMEs of the Marseilles region? It would seem that the more significant of them have moved
from a passive position to an active one on the issue of safety at work. However, others regard the constraints
imposed by Sollac as primarily ‘bureaucratic’, which are doing nothing to change the way they think and act
on safety issues.