EMCC case studies

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This case study is available in electronic format only
The European Foundation for the Improvement of Living and Working Conditions has produced 12 case studies of 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 the United Kingdom the enterprises examined were Corus (iron and steel) and Tesco (marketing).

About Corus

The bulk of the UK iron and steel production is undertaken by Corus plc which was formed in October 1999 by a merger between British Steel plc and Dutch steelmaker Koninklijke Hoogovens. (British Steel paid $2.4bn for the Dutch company.) British Steel had been the privatised company born out of the de-nationalisation of the former British Steel Corporation in 1988. The merged company is one of the world’s largest steel manufacturers, particularly of carbon steel. Major customers include the automotive, aerospace, rail, packaging and construction industries, including construction machinery.

Internationally, the steel market has continued to suffer from over-capacity and over-production. This has substantially depressed the steel industry in the UK and many other countries in recent years. Total turnover for Corus for 2001 was £ 7,699m, compared to £ 9,509m in 2000. If the effect of the deconsolidation of its stainless steel operations (Avesta Sheffield) during this period is taken out, this represents a 5% decrease. The operating loss for 2001 was £385m, compared to £1,033m in 2000. Losses are largely put down to exceptional costs including provisions for redundancy, decreasing steel prices, increasing costs of raw materials and consumables and the continuing strength of sterling. Trading conditions have been further hit in recent months with the proposed increases of US tariffs on imported steel, and the future remains difficult for the company.

In 2001 the workforce was 55,600, compared to 64,700 in 2000, a decrease of approximately 14%. About 50% of the workforce are employed in the UK, 23% in the Netherlands, and the rest mostly in other Western European countries, the US and Canada. The level of losses has put substantial pressure on Corus management to cut expenditure and undertake major restructuring.

Corus maintains a policy of social responsibility, which is mainly concerned with environmental issues, such as issues surrounding decommissioning of Corus sites affected by restructuring. To a lesser extent, it covers educational projects, such as producing curriculum support materials in schools, and also employee issues, with the focus being on health and safety of its workforce.

The difficult market conditions facing the UK steel industry have led both to full and partial plant closures (such as at Ebbw Vale and Llanwern in South Wales), and substantial restructuring elsewhere. The part of Corus that deals with construction and industrial steels is centred at the two large works of Scunthorpe and Teesside both located in the north of England. Together these works employ over 8,000 personnel. Restructuring has entailed a 15% reduction in personnel here, together with a major reorganisation of work and the introduction of teamworking.

The restructuring process at the Scunthorpe and Teesside sites

The management of these two works agreed that the reduction in manpower would be sought by means of voluntary redundancies if at all possible, rather than resorting to compulsory redundancies. The management also pursued a policy of devolving the task of identifying areas for employment reduction to departmental level, rather than seeking to identify areas for cutbacks centrally.
The focus of attention in this study is the way in which work patterns were analysed and conclusions drawn on where job cuts might be achieved, and how work might be reorganised to accommodate the reduced employment. While this practice was fairly new in the UK steel context, it bears some comparison with the process that would be required in the Dutch context, where the employer is legally obliged to consult over restructuring and potential redundancies, to a much greater extent than in the UK.

This process was undertaken separately in each department at the two UK works (covering 28 departments in all), and in each case was handled by a joint union-management team. This process, known as key task analysis (KTA), involved:

- A detailed study of all tasks within a specified area, including plant operations, unplanned work arising, breakdown-related tasks, routines (e.g. inspection) and maintenance.
- Identifying how these tasks were currently configured, who held responsibility for them, how long the different tasks normally took and what skills were required for the different tasks.

This research by the joint management-union team then formed the basis of an analysis to ascertain:

- How tasks might be more effectively organised and distributed within a new team structure.
- How many personnel would be needed to accomplish the work.
- What training requirements (and any capital expenditure) would be needed to achieve the new work organisation.

Typical departmental KTA reports ran to over fifty pages of analysis and conclusions, with the whole process taking several months to complete. In the course of this activity all, or a substantial majority, of departmental employees were consulted by the KTA team to establish the precise nature of activities, and the time and skills required to undertake them. The resulting reports were produced to a high quality, with separate sections on objectives, methods, analysis of core and ancillary activities (including utilisation of available personnel, configuration of tasks, extant skills and training), together with proposed reconfiguration of jobs and plant, team composition, skill and training requirements, and work rotas.

Subsequently these documents formed the basis of negotiations between management and unions for the setting up of teamworking structures. Negotiations over teamworking at both works were conducted at two levels. Separate works-wide enabling agreements were signed by management and unions at the Scunthorpe and Teesside sites. The KTA process was followed by departmental negotiations and agreements on teamworking, concentrating specifically on teamworking structures and the earnings levels for team leaders and team members. The KTA process also formed the basis for matching identified areas for personnel reductions with volunteers for redundancy; and identifying any training requirements where this matching involved retained employees being transferred into new work areas.

The KTA process was not viewed or discussed in the terminology of corporate social responsibility (CSR). Within the company this expression, if used at all, is largely confined to external responsibility, such as to the environment. However, what nevertheless makes this example of social dialogue particularly useful for the present CSR discussion is that:
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1. the recommendations for restructuring were the result of a detailed and joint analysis by a team of management and unions at local level, these groups in turn consulting widely within the different departments on ways of restructuring jobs.

2. this enabled a joint identification of areas for job reduction rather than cutbacks being identified more centrally by management, as had occurred elsewhere in the past.

3. the KTA activity in turn facilitated subsequent negotiations over work restructuring without compromising these negotiations, particularly important from a union point of view (as evidenced by the lengthy negotiations which occurred over earnings levels).

Internal views of the process

From a series of interviews and discussions held with departmental managers and union representatives involved in the KTA teams at the two sites, the majority reaction to the process was positive.

- Most viewed the process to have been a cooperative and open one.
- Having both managers and union representatives in the KTA teams was widely seen to have encouraged a higher level of employee participation in the process than would have been the case if it had been organised more as a 'work study' exercise conducted by management.
- Managers in particular commented on the extent to which the KTA analyses facilitated subsequent negotiations over teamworking. In particular, the KTA broadly identified the team structures, leaving the negotiations to concentrate primarily on earnings issues arising from the changes in the grading structure.
- Both managers and employees gained a greater knowledge of the taken-for-granted activities of the department.
- The process generated a large number of ideas about reconfiguring the tasks.

As several of those interviewed commented, the key factor making for a positive atmosphere during the KTA analysis was the knowledge that adequate numbers of volunteers existed to prevent employees being made compulsorily redundant as a result of any work restructuring recommendations by the KTA teams.

Not all reactions were positive in each department, however. The two main areas of criticism (both expressed by union representatives) were the following:

- In a small number of cases not enough emphasis was given to communicating the purposes of the KTA, leading to suspicion on the shop-floor and employees seeking to protect their positions by not cooperating fully with the KTA research.
- In a minority of cases, the report did not form the basis of subsequent teamworking negotiations. Instead further personnel reductions were sought by management than had been identified by the KTA analysis.

Overall, however, both managers and union representatives viewed the process as a successful joint activity for accommodating the need for workplace restructuring with the involvement of union representatives and employees in identifying ways of effecting the restructuring.
External views of the process

In addition to the interviews and discussion with those involved in the KTA analyses, comments were also sought from managers and union representatives elsewhere in the company where restructuring had not been undertaken via the use of KTA teams. These comments expressed a number of both positive and more critical views of the KTA activity at Scunthorpe and Teesside.

Summarising the positive comments:

- Both union representatives and managers saw how the KTA activity eased the negotiations over teamworking - negotiations which at other plants had spread over a much longer period than was the general norm within the Scunthorpe and Teesside departments.

- In addition, union representatives commented on the role that KTA gave the unions in drawing up proposals for work reorganisation, rather than having these imposed by management.

This union role was also seen as a potentially negative aspect of the process, however, with the threat of unions losing their independence if they had been part of the activity from the outset. Other criticisms of the KTA were:

- that it could be a lengthy activity to identify what was already known (i.e. the nature of current work activities).

- that it was often the case that not enough time was available for the KTA activity prior to job restructuring decisions being taken.

- that the KTA at Scunthorpe and Teesside worked well only because there were sufficient volunteers for redundancy. In the absence of this, cooperation from employees would have been much less and any union involvement in the whole process made much more problematic.

Conclusions from the Corus case

Reflecting on both the comments made by those involved in the process at the two sites and those comments from other plants where KTA had not been used, a series of concluding points can be made.

1. KTA appears to be a good practice in industrial restructuring via joint activity, seeking optimum ways of restructuring work and matching work reorganisation and job reduction with skill and training requirements.

2. The absence of the threat of compulsory redundancy was critical to the success of the activity.

3. Having sufficient time to undertake the process fully was critical to its success.

4. Communicating what the process’ objectives were, and what was entailed in terms of the research activity, was also critical. In those instances where this was not communicated fully, suspicions were evident, resulting in a partial and less accurate analysis.

5. The willingness of management to act on the results of the joint activity was critical. In those minority of instances where management sought to impose a different structure than that recommended in the KTA report, this created considerable disillusionment on the value of the joint process.