

Evidence to the Welsh Government, the Economy, Trade and Rural Affairs Committee on the Future of Steel including a focus on decarbonisation and impacts on the workforce and local economy.

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Leeds University Business School, 16.2.2024

European steel is essential for the green transition and is at the heart of European industry providing 310,000 direct, and 2.2 million indirect jobs, in the EU. The current announcement of Tata steel to close the blast furnaces in Port Talbot by the end of 2024 will affect 4000 jobs directly and many more indirectly. Closing down the blast furnaces does not automatically reduce the UK's CO2 footprint because, as Shadow Business Secretary explained, "the loss of the UK's last remaining blast furnaces would mean the country would have to import traditionally made steel from India and elsewhere for the higher grades needed by some manufacturers, with a higher overall carbon footprint." What it does mean is that a region is deprived of a pathway to create green jobs within a green steel industry.

Evidence on the impact of contraction in the steel industry on local economies, those workforces affected, including their support needs, presents a range of issues and policy considerations. Based on our research, we provide evidence on workers', and steelworkers' in particular, views about decarbonising the economy, and in particular the steel sector and their hopes and fears around a transition to a greener economy and green steel. We show workers felt "ready" to work in a 'greener', post fossil-fuel economy and they have a clear understanding of the barriers they do face and what solutions they do see as important to help in work transitions. We also discuss the local implications of downsizing the steel industry.

Concerns of steelworkers

Workers in the steel industry are very much concerned about climate change and feel outraged about climate crisis, more than the average worker in the UK (**REF 14**). In a survey we carried out with steelworkers organised in Community, a quarter of those we asked think

climate change should be addressed with extreme or the highest level of urgency. The level of concern is slightly higher among trade union members and even higher among trade unions representatives. Additionally, members of a union, and union reps in particular, are more hopeful about climate change than the average UK worker. This is most likely because they have a stronger sense of self-efficacy which is extremely important when it comes to dealing with changes and restructuring.

However, steelworkers were already two years ago not very satisfied with their job security, access to training, involvement in decision-making at work or with their employers responding to them. Only 29% compared to 60% of the average UK working population said they are satisfied with job security. They were sceptical that their businesses will be able to decarbonise. Putting the answers of Community members in a comparative perspective, only 34.1 percent of union members asked think that their steel plants will decarbonise when compared to asking UK workers as a whole as to whether these plans will be realised in their workplace 63 percent think so. Workers stressed the need for stronger government support, with government being seen as having the greatest responsibility for addressing the climate crisis. Mostly they were pressing for more investments (REF 14). It is saddening that workers' fears have been found to be justified and they are now facing redundancies now.

Skills for a just transition

Two years ago, thinking about transitioning to green steel, steelworkers were fully aware that they will have to learn new skills, might need to change jobs and maybe even move away to find a new job. From their perspective learning new skills is not a problem, as Community members have regularly updated their knowledge and skills (71.1 per cent state that they have done so). And even more, 95.5 per cent are willing to learn new skills, and 86.8 per cent feel confident about learning new skills (REF 14).

Table 1: How will changes to a "greener" economy affect you? Extremely or somewhat likely

	All workers	Community Union Members
Need to change job	14%	49%

Need to learn new skills	27%	62%
Need to move away to find work	12%	33%
Get a job with better terms & conditions	24%	18%

Source: Trappmann and Cutter 2023, REF 14

Given this outlook and workers' views and expectations two years' ago, the lack of special training initiatives will make workers feel abandoned, as the following written comments from respondents suggested:

- 'Historic well-paid jobs with guaranteed future income will pay the price of green policy and will be lost'
- '(My steel town) is a mono-town. For there to be support from me to drastically change the industry and its effects in the environment, there needs to be strong support from the government, and the introduction of new industry if jobs are not to be lost'
- 'I expect the steel works might close, I will have to switch industries, new houses will not be built and (we) will be forced out'
- 'I run a car as it takes me 2.5 hours to get the 10 miles to work by public transport (walking is about the same as public transport), to a London politician who lives in a taxpayer subsidised flat a mile from work, they won't care about the reality for most'.

When it comes to transitioning to green workplaces, steelworkers want a strong partnership between unions and management to develop restructuring and transition plans. They call for worker and community engagement, and that the knowledge and insights of workers are taken into consideration. Participation in how to manage the change is key. Steelworkers more than the average UK worker place a high demand on a transition policy that is sensitive to the needs of regions already negatively affected by industrial change. This is understandable given that steel communities have already been badly affected by round after round of restructuring in the past.

We therefore asked steelworkers to rate the importance of Just Transition policies, drawing on the most prominent ones suggested by the ILO guidance on Just Transition (2015) or more recent demands from worker organisations in the UK (such as those made by Community, Prospect, Unison, Unite and GMB). Given the exposure of steelworkers to job loss, they are strongly in favour of free access to training, professional support to relocate, a job guarantee or early retirement.

Table 2 Rating of Just Transition Policies, Community members & UK workers

<i>Average score (10-point scale)</i>		
Statements:	Community	UK
Support package to relocate	6.7	6.3
Pension boost to retire early	7.6	5.8
A job guarantee	8.4	6.9
Professional support to relocate	8.6	6.7
New jobs locally	8.9	7.1
Jobs with similar pay & conditions	9.1	7.2
Access to free training to re-skill	9.1	7.3

Source: Trappmann and Cutter 2023, REF 14

Steelworkers think that their unions have a huge role to play in addressing climate change. When presented with the hypothetical case of a worker who is concerned about high emissions at their workplace and about large amounts of waste, steelworkers were much more likely to state that they should try to push for change through their workplace union, (27.7 per cent), whilst only 21.2 per cent think they should raise it with management. Just over a quarter (27.7%) think it is local council/government who should make sure that companies meet high environmental standards through regulation and legislation, another manifestation of the strong belief climate change needs to be (foremost) addressed. This is interesting to note from where workers expect to receive support. In our understanding, it shows that workers feel let down by government. Asked about their views for the future, workers had a good understanding that restructuring of the steel sector is also about the

security of supply chains, the independence of the UK from authoritarian countries and the vitality of the Foundation industries more broadly. They said:

‘The UK needs to produce more of its consumed goods domestically using sustainable materials and best practises in modern manufacturing techniques with regards to reducing carbon emissions and minimising environmental impact, even if it results in goods costing more, rather than continuing the trend of importing cheap goods from abroad and exporting the carbon footprint of its manufacture to other countries’. **(REF14)**

These observations reflect the actuality that supply chain relationships between Foundation Industries and key sectors of the UK and local economies, for example purchase of motor vehicles, aerospace, and construction, are strong. Tata has stated that its restructuring of the Port Talbot works, will also involve other steel processing locations including the closure of a Continuous Annealing and Processing Line **(REF1)**. From local cafes and shops, local tradespeople, to material suppliers, operations with slim profit margins might be pushed out of business. The local spend of contractors working at Port Talbot and other affected sites, will also be lost to the regional economy. The local supply chain effect has been associated with an economic multiplier between 2-4 times the direct contribution in terms of GVA (Gross Value Added: (GVA - <https://www.ons.gov.uk/economy/grossvalueaddedgva>) **(REF2)**. The job multiplier associated with steel industry jobs and the industry’s supply chains, is between 1.22-6. For every steel industry job lost, at least 1.22 is lost in the wider economy **(REF 3/4)**.

The majority of steel jobs in the UK are concentrated in specific geographical locations hence of great significance to the local economies in which they are situated. It has been estimated that Tata is responsible for 3% of the entire Welsh economic GVA **(REF4)**. Of the UKs 39000 steel industry jobs, 123000 are in Wales, 4000 being at the Port Talbot works **(REF5)**. These locations are generally characterised by comparatively depressed local economies with associated social challenges. The Port Talbot Neath area is one of the UKs most deprived areas **(REF6)**. Employment in the steel industry is characterised by generally higher pay than in the surrounding labour market, 56% higher than the regional average for Wales and 43% higher than the UK national average **(REF7)**. Furthermore, employment in Foundation industries tends to be associated with higher levels of training, research and development and

innovation as a proportion of investment, than the UK average (**REF2**). Redundant workers who do, therefore, find work locally, can experience reduced earning power, perhaps substantially and those jobs that are available tend to be less skilled.

Evidence indicates that many individuals, possibly in possession of job specific and non-accredited skills, find it difficult to obtain employment, in some cases having to wait years (**REF8**). Individuals with high level technician level skills might need to migrate out of a locality to find like work. For all these reasons, in already relatively economically depressed regions, the degradation of relatively high skills within a region, if not strategically redressed, an economic equilibrium around a relatively low-wage, low-skill and low added value economy might evolve. Such a situation could act as a barrier to the ability of a region to attract high skilled, high value-added, inward investment.

From a purely human perspective, redundancy is associated with financial stress, mental health issues and family breakdown (**REF9**). Individuals that have experienced redundancy and persistent levels of unemployment, are likely to experience poorer health outcomes and other social problems with resultant increased pressure on a range of social services (**REF10**)

In the context of policy formation, in the context of plant closure and large-scale redundancies, the work of support agencies needs to be co-ordinated rapidly. Ideally before redundancies begin. Following redundancy, counselling, general and financial advice and information are vital, and should extend beyond the redundant worker to partners and family. Support systems should be driven by the needs of redundant workers and their families (**Ref 11/9**)

The loss for local economies of relatively high paid and skilled steel jobs is additionally problematic as compared to the UK average, the composition of the Neath/Port Talbot local labour market is biased away from skilled and professional jobs (**REF 12**). Retraining programmes from multiagency task force type initiatives, will need to ensure that training provision is strategic and focused (**REF 13/11**). Retraining redundant workers for employment outside the steel sector will inevitably be necessary.

In addition to £100M funding for a Transition Board that includes the Welsh and UK governments, Tata has committed to a £130M support package for redundant workers (**REF 1**). This is clearly a positive development. Research on the closure of MG Rover in Birmingham,

however, points to the importance of strategy for dealing with large scale job losses needing to act at a local level but also looking beyond region and sector. The construction of a broad coalition of economic and social stakeholders, established for the long term, is deemed highly important. **(REF13)**.

The MG Rover research analysis connects to the idea of broader but regionally anchored industrial strategy. The retention of Foundation industries such as steel, is, we would argue, a key component of a regional strategic approach to business and industry. Research suggests that Foundation industries, are crucial to the health of what has been termed the 'Industrial Commons.' An Industrial Commons acts to nourish and sustain business environments that embed and connect knowledge, technology, engineering skills, manufacturing competencies, R&D, hence innovation. An arguably crucial component for a greener economy **(REF 2)**

It is clear that the greening of industry will only be successful with sufficient investments. The Inflation Reduction Act in the US has set an example of how large the investments need to be and that government funding should be conditional on the preservation or creation of good industry jobs. Countries like Germany have just agreed to support green steel production with 7 billion EUR.

European trade unions have warned the last years about the risks of selling European strategic industrial assets to non-European competitors who refused to provide solid guarantees for the maintenance of long-term production activities at European sites. The current crisis around Tata and Liberty Steel proves trade unions right that Europe' autonomy in steel production is at risk. The UK has experienced the costs of deindustrialisation in the past, and the current political climate makes it not only a social risk to prosperity and workers lives but also a national risk of sovereignty; it should not afford to deprive itself of such strategic assets. Global excess capacities also need stronger regulation and protection of local jobs.

As the president of industrieall Europe has said:

“The decarbonisation of the steel sector must be a success story for Europe, because if it isn't, the backlash will cost us dearly. It will lead to deindustrialisation. The longer we delay, the

higher the cost of inaction. We need a European industrial and investment strategy for the steel sector now, steel workers are not prepared to wait any longer!" (Judith Kirton-Darling).

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