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Industrial Restructuring: the Case of Ostrava Region

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INDUSTRIAL RESTRUCTURING – THE CASE OF OSTRAVA REGION

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Industrial restructuring

The Czech steel industry has been living under an illusion for a long period of time, thinking that it will not be necessary to radically reduce and restructure. They have forgotten that is, that the market as well as the EU will not accept the Czech Republic's 7 - 10 million tonnes of steel yearly, the old-fashioned production structure and the unclear ownership relations in companies. The present state of affairs in metallurgical works is the result of inefficient privatisation in the past whereby metallurgy was divided during the coupon privatisation into smaller parts, with some parts privatised by managers while other parts were not privatised at all. The consequences of this means of privatisation are visible up until today. All future steps to be taken must take into account the reality of the necessity to seriously and radically take restructuring steps along with, among other things, significant decreases in the number of employees.

1. The Macroeconomic conditions for restructuring of enterprises

Ranking amongst the most important general conditions for restructuring in transition countries are:

- Clarification of ownership relationships
- Legislation
- Social dialogue
- Ethics, in particular business ethics

Without **clarification of ownership relationships** optimal restructuring of enterprises will not take place. Coupon privatisation undoubtedly brought with it rapid changes in ownership from the state to private bodies, but failed to bring about expected change in terms of greater advocating of the practice of ownership laws and their projection into the running of enterprises and their restructuring. Enterprises have found themselves in an "ownership vacuum" where owners existed but did not have a decisive influence on the management of the enterprises, on hiring of key employees and management decisions. Restructuring was put off until a later time period. Labour hoarding existed in enterprises, with forced waiting on restructuring or with attempts on the part of management to cover up badly, whether on purpose or not, management of enterprises. The consequences for employment thus did not have a shock character, but preserved ineffective employment in enterprises of certain branches of industry, without clear perspectives for their employees. Restructuring was postponed, inactivity existed the part of management, vague approaches were taken on the part of the government, "bank socialism"¹, all of which led to the fact that unemployment was on one hand low, but at the price of putting off problem-solving on microeconomic levels.

The above-mentioned ownership relationships, work legal relationships and other legal relationships are conditioned by quality **legislation**. If and when legislation is not ahead of, or is not at least in step with, reality and the needs of the economy, it is not able to fulfil its role in a democratic society. It is not sufficient to have introduced basic and related regulations. These regulations must

¹ This is a closed circle where banks lend money to large enterprises wherein the state was either the majority or a significant owner, which were also in debt. The banks, under normal conditions, would not lend the enterprises more money. The state, however, was the majority owners of most of the larger banks up until the end of the 1990's and was not interested in allowing these large enterprises to go bankrupt.

also be respected, adhered to and there must exist effective retrievable law. Cultivation of law does not bring about the desired effect due to the low level of legal consciousness among citizens and in our case employees and employers also within the arms of work legal relationships. An amendment to the law which has defined more clearly and made stricter the approach of employers to large-scale dismissals has occurred at a time when the majority of large employers have already released the major part of their employees. The role of labour offices and unions was thus weakened in terms of protecting the interests of employees in cases of unsubstantiated or even illegitimate measures on the part of employers.

A significant part of the decision making is **social dialogue** on all levels. It is applicable to institutional arrangements (tripartite) and for procedures involving direct dialogue and negotiations between social partners. Within the arms of the dialogue on the tripartite level a common position should be reached for negotiating problems, for group communication of principles and goals. The result should be recommended social partners and public (executive) organs responsible for the relevant area.

Numerous situations exist which influence relations between employees and employers, forming the work climate and the problem solving techniques which can also be solved outside of the legislative area, in the **ethical area**. Cultivation of relations has a close connection with the value systems which a company accepts as its own. The reality of Czech society is negatively influenced by deformation of community life caused by decades of the influence of the morals of the communist system along with primitive pragmatism. This is in evidence is the inability to bear personal responsibility for oneself, or for the company which is owned or managed or for the individuals which work there. At the same time people have lost respect for both formal and natural authorities and for ownership.

2. Microeconomic conditions for restructuring of enterprises

Ranking amongst the most important conditions for restructuring of enterprises are:

- The long-term economic situation of the company
- Legislation and enterprise legal regulations
- Social partnerships and collective bargaining
- The level of human resource management

The **economic situation** in enterprises is the basic presupposition for restructuring. Restructuring in transition countries usually occurs due to the poor economic situation, with outdated production programmes, low capital equipment, under-financed enterprises, where the qualification structure of workers as well as management does not coincide with the demands of the new production programme. Consequently, participation on the part of the state is essential in the form of indirect, that is to say, formation of a softer budget environment, selection of appropriate privatisation methods, creation of conditions for inflow of capital, or in the form of direct support for restructuring of key or major enterprises.

In connection with the societal transition to democracy, the number of **legal regulations** in general increased in atypical fashion; they are more complex and strongly mutually connected. This resulted in, along side of other causes, the fact that the lack of knowledge of law including labour law is enormous, both on the side of employees, as well as with employers. This corresponds to the attempt by employers, as well as employees, to abuse the complexity, lack of thoroughness, lack of knowledge or gaps in the laws for their own benefit without a view to the overall final effects. An example is the unjustified dismissals of employees, mobbing, evoking an atmosphere of fear in enterprises, acts on the part of employers against the establishment of unions in companies². In addition, there exists a tendency to worsen the position of unions in companies and reduce their state

² An example could be an incident in the company BOSCH Jihlava, wherein the initiators of the founding of a union organisation were attacked.

to merely consultation and information. In a significant number of foreign companies, hundreds of employees do not have unions, and the possibility to elect a council of employees is not even made use of. Czech managers are the supporters of these negative steps or negative behaviour and atmosphere in relation to unions, their attitude to which has been formed by lack of knowledge of the problems and low managerial skills, reminiscent of the former period with its apathetic attitude toward the law. This situation therefore exists in many new, purely Czech companies, in particular with young staff whereby low motivation on the part of employees to work collectively is taken advantage of. On the other hand there are companies where a very healthy dialogue exists between the company and union organisations, with a clear conception of negotiations with unions, fully making use of all the possibilities for the given legislation and sometimes even beyond their framework.

Employers have a tendency to dominate over their employees, over their subordinates. Employers often fail to understand their responsibility for the company, for their fellow employees, while on the other hand employees often look out for their short term interests at the expense of the stability and prosperity of the employer, thus endangering in this fashion not only the employer, but also their own future in the company. Negotiations, in other words, **collective bargaining**, is at present the responsibility of the employer in relation to union organisations. Unfortunately, dialogue is often viewed and limited in this manner by both sides.

Human resource management (HRM) is an essential requirement for long-term trade strategy, planning production development and business activities in general. HRM is a reflection, as well as a fellow-creator, of the company organisation, organisational strategy and the culture of communication between employees reciprocally. The level of human resource management is directly apparent in the level of quality communication between partners on both the horizontal and vertical levels. Management should gain maximum support in the framework of social dialogue for their operational steps and undoubtedly for planning restructuralisaton of the company.

3. Regional Restructuring of Czech Metallurgy

The Moravian-Silesian region in which the Ostrava and Karvina areas are located is situated in the northeast of the Czech Republic with the border with Poland to the north and the border with Slovakia to the east. It is a densely populated area, with 612,000 inhabitants on 562 km² of land. The afore-mentioned areas are made up of the districts of Ostrava, Karviná and Frýdek-Místek, which rank among the most industrialised in the Czech Republic. As of the year 1991, employment in industry was 54 % in Ostrava and 61 % in Karviná. In the past the region was heavily dependent on the coal mining and steel industries the tradition of which goes far back. As early as the first half of the 19th century this region produced 89 % of the black coal and 90 % of the steel in the whole Czech Republic.

The area was a typical example of a region with a significant concentration of heavy industry which created an enormous dependence on the part of the regional economy and employment on a small number of large enterprises. For the purposes of our analysis two principal metallurgy companies are of decisive importance: Vítkovice a Nová Huť, who have always had a distinctive position in the region. These companies traditionally trained their own employees and provided them with a wide range of services, for example, housing in company flats, loans for construction of homes, facilities for child care, recreational facilities as well as medical care in their own hospitals and rehabilitation centres. The importance of these industrial plants for this region is however even greater than imaginable as the above-mentioned two companies were interlinked with a whole range of other companies the existence of which was either directly or indirectly dependent.

Up until the year 1989 this region had a definite privileged position in the framework of the Czech Republic due to precisely the high concentration of heavy industry. In the year 1989 production of steel in the Czech Republic had reached a total of more than 10 million tonnes, 90 % of which was produced in Northern Moravia. The new government sharply reduced investments as well as other subsidies and advantages for the steel and mining industries. In addition new companies lost their traditional outlet on the markets of the CMEA and were forced to look for new markets. If we were to

compare the situation in the two branches of industry, that is to say mining and steel production, steel was in a better position as after the revolution it had a relatively safer position in the national economy while mining began to gradually move toward a relatively significant decline. At this point let us investigate the individual companies in more detail (see in more details in Appendix).

Czech metallurgy is going through a deep recession the second in a row since the year 1989. The first crisis was connected with the collapse of the CMEA market and was characterised by a drop in production of steel from 10.7 million tonnes in the year 1989 to 6.8 million tonnes in the year 1993. A minor increase in production followed up to 7.2 million tonnes of steel in the year 1995. The worldwide crisis in the steel market which began in the year 1997 was in evidence in the Czech Republic as a decrease in production from 6.75 million tonnes in the year 1997 to 6.5 million tonnes in the year 1998. This decline did not come to a halt in the year 1999 either, wherein only 2.8 million tonnes were produced in the first half of the year in comparison with 3.5 million tonnes produced in the first half of 1998.

Development in the number of employees in Czech metallurgy

Year	1989	1992	1995	1998	2000	2001	2002	2005	2010
Number of employees in thousands	136.6	104.7	77.1	58.4	43.5	30.6	29.8	26.6	23.7

Note: The decreasing number of work positions over the past years also includes the process of externalising a number of activities. The predictions are only reference points. Other sources (for example, Roland Berger or Eurostrategy Consultants) present higher numbers of redundant employees.

Source: Causal report of the accompanying social programme for the steel industry

Metallurgy of iron as a branch of primary processing of raw materials is still of major importance for the Czech economy. The total income amounted to approximately 5 % of industrial production in the Czech Republic in 1999. The percentage of the total amount of the labour force is around 4% of all economically active employees in industry, while the percentage from all of those fit for work in the population was 1.1 %. The Czech iron industry ranks, in the same manner as with EU and the majority of industrially advanced countries, among the most sensitive branches of the economy. In the case of Czech metallurgy this sensitivity is intensified by the fact that significant decreases in work positions in this branch are taking place and in the region which, along with other factors, is a cause of high unemployment.

Development in the number of employees in Ostrava metallurgy (in thousands)

Industry, company	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Metallurgy, machinery and electrotechnical industry	67.5	58.0	55.5	50.4	48.4	47.4	45.1	42.7	40.4	35.2	31.8	30.1
Of which metallurgy	*	*	*	*	*	*	38.8	36.3	34.0	30.2	26.7	23.9
Vitkovice	36.0	30.4	29.3	25.1	22.9	21.2	19.1	16.9	15.3	12.0	8.9	6.6 ¹
ISPAT Nová Hut'	23.0	21.1	21.0	17.8	17.5	17.7	17.0	15.0	14.4	13.1	12.6	12.3

¹ Vitkovice, a.s. + Vitkovice Steel, a.s., Source: Employment Office of Ostrava

Amongst the first considerations for the realisation of plans for restructuring including its impact was first and foremost the importance for the Ostrava-Karviná region. One of the important factors was the reality that strong groupings of steel producers are in existence in close proximity to the Czech producers in Poland, Slovakia, Austria and Germany. An analysis of the state of the Czech steel industry, which was carried out within the arms of preparation work for international co-ordination of restructuring, focused on five basic areas:

- A basic decline in non-productive capacities
- The development of perspective technologies for production of a competitive product
- Rectification of ecological damage and an ecological approach to other production

- A social programme
- Support for research and development.

The actual process of restructuring of metallurgy in the Ostrava region began around the middle of the 1990's. It was founded upon an unclear and incomplete ownership basis and consequently the steelworks, in addition to other reasons, got itself into serious economic problems. In view of the fact that these problems were only concentrated in three districts of the region, serious danger of disruption to the social peace in the overall population centre emerged which were and still are burdened by high unemployment. As a result the government of the Czech Republic became involved in the whole process through passing by-law no. 310/2000 concerning certain measures connected with restructuralisation of the steel industry. The so-called "Comprehensive project with an accompanying social programme for carrying out restructuring of the Czech steel industry" began to be put into practice the realisation of which consisted of, in particular, provisions of financial contributions to certain dismissed employees.

In the year 2001 the government approved of a programme for restructuring of the Czech steel industry and connected with it an "Accompanying social programme for the steel industry" at the beginning of the year 2002 (in the future referred to only as the Programme). The fundamental difference with the new programme is the fact that it contains further measures which will comprehensively solve the problem of redundant employees from the steelworks. It is concerned with programmes which will focus on both the supply and demand sides (more detailed information about the individual activities later). This programme should be implemented over the years 2002 to 2005.

A work group was appointed with the task of working out a proposal for the Programme. This work group, made up of representatives from the Ministries, steel companies in the region, regional offices, directors of labour offices and regional employment agencies, was given the task of co-ordinating the overall Programme.

Amongst the most important steps within the framework of the Programme was the establishment of Regional employment agencies (under the management of the Ministry for Local Development) as well as the subsequent company occupational agencies in individual metallurgy companies. At present 6 agencies are operating, in ISPAT Nová Huť Ostrava, Vítkovice, Třinecký ironworks, Sheet-rolling mill (VP) Frýdek-Místek, ironworks and wireworks (ŽD) Bohumín and Jäkl Karviná. The Regional employment agency in Ostrava is part of a private organisation involved in regional and information consulting.

4. The Accompanying social programme for the steel industry

As stated earlier, the accompanying social programme will build upon already existing activities focused on providing contributions to redundant employees from metallurgy companies. The main activities include running and co-ordinating the Regional employment agency in Ostrava (further only RZA). The reason for founding RZA was to create an institution which would be able to co-ordinate the work of various regional bodies, ensuring flexible communication with Ministries and flexible dealings with clients.

The chart displays the links between individual bodies within the framework of the creation and realisation of the Programme. Most important are the links of RZA and respectively PZA (Company occupational agency) and clients = employees classified amongst the redundant in the metallurgy company, as well as other employees who have decided to leave. RZA clients also include other people, besides dismissed steelworks employees, who come to RZA individually and want to make use of certain services provided by RZA. The company occupational agencies are in-house departments³ founded to provide services for redundant employees, while at the same time making use of the methodology of RZA for work with clients. Informing 100% of the employees about the PZA

³ In the Třinec ironworks PZA is an external agency founded by the Třinec ironworks in co-operation with the city of Třinec and unions.

services is the first step in encouraging clients. The goals include: fully, effectively and timely available information about the offered services, carrying out initial group training, information leaflets for individual companies, provision of information on the activities to the company press and provision of information to union organisations. Employees are offered individual interviews with the aim being to work out an individual profile for further work with the client in the RZA.

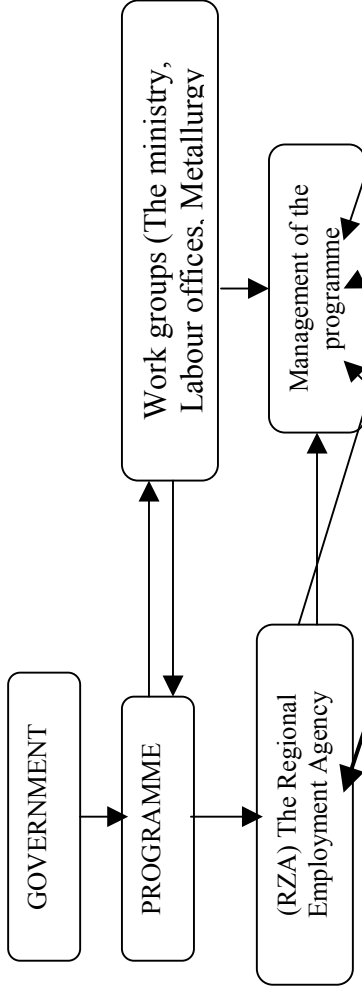
RZA has arranged retraining courses according to the needs, conditions and ascertained market demands in co-operation with labour offices and retraining institutions. PZA and the labour offices have arranged a uniform approach for co-financing retraining. Retraining takes place prior to planned redundancies or outside of this time period. After completing the retraining course the clients either find employment or are registered in the labour office records. Most of them become RZA clients and are placed into further activities such as courses for effective techniques in looking for employment, courses for beginning entrepreneurs or active and motivational courses. The overall work programme with the clients is based upon an individual assessment of client potential which is a part of the individual personal diagnostic consulting. At present approximately 20 – 40% of the employees placed into the redundant work category become RZA clients.

In addition to direct activities and services for clients, RZA also provides additional activities the aim of which is to supplement the Programme with activities supporting the demand side. At present this involves providing information about the actual and predicted demand on the part of companies for employees through the help of research into the labour market. Research is carried out, in co-operation with labour offices and Czechinvest, on demand in existing companies as well as in domestic and foreign companies who are planning on doing business in the region in public institutions. Areas of activities are predicted, respectively companies with development potential in the Moravian-Silesian region—machine engineering, supply lines of business for the automobile industry, textile industry, food processing, construction and wood processing have been defined as priority areas. The results of the research are significant sources of information for updating of catalogues for requalification, for updating information about demand for professions in the RZA information system, in publication of the information bulletin “Employment agencies provide information” (the internet webpage www.rza.cz is in operation) and of course for updating information about free work positions in the Moravian-Silesian region.

Directly for employers exist services for employers. This involves not merely direct mediation of work through choosing applicants in reaction to demand, but also assisting employers in carrying out job competitions, provision of information to employers by means of service manuals, seminars, internet and via television. Co-operation with Czechinvest makes possible wider involvement on the part of foreign investors. At present through Czechinvest the results of the project “Industrial Clusters” can be made use of which was a project for determining perspective companies and branches of industry. The establishment of a Club of employers should lead to improved personal communication, and exchange of ideas and services between RZA, PZA and employers in co-operation with the council for development of human resources within the arms of the Moravian-Silesian region.

Improvements in the level of the actual work of the agencies, advisors and lecturers is a significant part of the activities. Tools to help bring this about include an editorial plan of manuals for advisors and lecturers, improvements to the didactic tools for work with redundant employees, and the establishment of libraries of methodology and training materials. An additional part will be specialised research stays for advisors and lecturers in agencies in EU countries focused on solving the social consequences of restructuring of industrial regions and branches of industry (in co-operation with Scotland, Germany and Spain).

Chart



ACTIVITIES + SERVICES		INSTITUTIONS	RZA	CLIENT	EMPLOYMENT OFFICE	METALLURGY COMPANIES + PZA	OTHER FIRMS	THE REGION	CZECH INVEST	RETRAINING INSTITUTION	OTHER PROGRAMMES
MEDIATION	1. Mediating work – placement to j.		x	0	x	x	x				
ADVISING	2. Information about vacancies		x	0	x	x	x				
	3. Information about RZA and PZA		x	0		x					
	4. Initial group training		x	0		x					
	5. Creating an individual profile		x	0							
	6. Retraining programmes		x	0	x	ox				x	EQUAL
	7. Course for effective techniques for looking for work		x	0		x					
	8. Business advising		x	0							
	9. Active and motivational courses		x	0							
	10. Individual personal diagnostic advising		x	0							
	11. Specialised preparation		x	0							
	12. Manual of services										
	13. Cooperation with Czechinvest		x						0		
	FOR EMPLOYERS										

	14. Activities outside of steelworks	x			0	0						
INFORMATION	15. Employers Club	x		0	0	x						EQUAL
	16. Labour market survey	x	x	0	0		0					
METHODICAL	17. Information bulletin	x	0		0		0					
	18. Manuals for advisors	x0			0							EQUAL
	19. Foreign stays	x0			0							EQUAL
	20. Establishment of training centres	x								0		EQUAL

Note: x = the body carrying out the activity, service; o = the effected, influenced body. Clients are individuals dismissed from the steelworks as well as other individ. who have contacted RZA.

5. Newly proposed programmes for redundant employees in metallurgy

The biggest weakness of the present Programme could be seen as the fact that it does not contain direct growth-promoting activity supporting the emergence of new work positions in the Moravian-Silesian region. It does of course contain activities for creating conditions for an influx of investors and for development of human resources, but does not contain direct activity along with defined financial resources for the affected region. Consequently new distinctive programmes have been proposed for redundant employees from metallurgy companies.

The programme **Labour Pool (Metal)**, provides employment for a defined period of up to two years for redundant employees from the steel industry. The agency also provides other employment as compensation for employees for the pursuance of their profession while at the same time providing them with requalification skills. At present the programme is running within the framework of the normal activities of the employment agencies. Financial co-participation on the part of the state is expected in addition to funds from the PHARE programme in the year 2003. Also anticipated is the use of the PHARE programmes for additional concrete accompanying social programmes over the years 2002 – 2005. In particular this would involve the programme **EQUAL** titled **RESTART** - an integration programme for redundant employees during the period of restructuring of the steel industry over the years 2002 up to 2005. The main goal of the project is to minimize the negative consequences of the restructuring of the steel industry in the region through assisting in development of partner services for employees threatened with loss of employment (note the activities of EQUAL in the chart).

At the same time the use of the **Compensation programme** is also expected for cases of retirement outside of economic activity prior to the period when the individual has earned the right to their old-age pension. This would involve creating a list of occupations with age limitations and a fixed length of time for performing the occupation. These would be non-systematic measures apart from the old-age pension system.

Apart from the above-mentioned plans, a number of other programmes exist, or are in the process of preparation, which are however focused on support of employment throughout the whole region. They exist within the framework of state-wide programmes, the aim being to increase financial resources and make advantageous in this way these activities after the restructuring of the effected regions. These programmes consist of the following:

- Programmes of the Ministry of Industry and Trade for support of development of industrial zones (greenfields)
- A programme for regeneration of unused property (brownfields)
- A programme for an active policy of employment – increasing subsidies for companies for establishing new work positions by 50% and even up to 85% in special cases
- Programmes for supporting small and medium sized businesses – subcontractors in selected regions and those ranking among developing companies (see Industrial Clusters)
- Programmes for supporting regional development – subsidies for municipalities for infrastructure
- Programmes for small and medium sized businesses aimed at creating new work opportunities

6. The role of Czech metallurgy enterprises and unions in restructuring

It can be stated that the following relations and rules are valid:

- a) The worse the economic situation in the company, the more important the role of the state during the restructuring process
Companies are not able to deal with the inherited problems, in addition to new growing problems, on their own. The poor economic situation in Czech metallurgy, with poorly carried out privatisation, weak management and a bleak economic environment with high unemployment in the region all call for the need for a significant role on the part of the state.
- b) The economic situation of the company should be negotiated with unions, the union organisation representative should participate in company management meetings, analysing the management. Management should set an amount and the number of large scale dismissed employees and

negotiate the related measures with the unions, management should make available information on the intended structural changes and organisational measures.

There should exist mutual interest in co-operation between social partners, not confrontation. Nevertheless, confrontation does occur in certain steel companies within the framework of collective bargaining about growth in wages, occasionally about other problems (privatisation, restructuring connected with decreases in employment)

- c) The company must contribute to the financing of retraining prior to dismissal. Companies should supply, in principle, the retraining which the labour offices refuse to provide, at present approximately 20 – 30 of all the costs for retraining.
- d) The company should create conditions for the establishment and the work of company employment agencies.
- e) The company should lead a dialogue with union organisations and the results should be agreed on in a collective agreement. Development of employment in the company is a part of the collective agreement.
- f) Unions and companies should actively contribute to the work of work groups of the Programme.

7. Conclusion

Restructuring of metallurgy in Czech enterprises was unsystematic and slow up until the end of the 1990's. This restructuring was initially socially neutral in light of the fact that other sectors were able to absorb most of the dismissed employees and in addition because many activities which were originally provided within the framework of the metallurgy companies were externalised. These newly founded companies usually tended to hire employees rather than dismiss them. During the period of recession in metallurgy and after the relatively positive conditions on the labour market came to an end, a tense economic political situation emerged which culminated in the creation of the Programme, strongly supported by the union, metallurgy enterprises and regional structures. The Programme began its activities in a period when restructuring and dismissals of employees in Vítkovicé was at a height, in Nová Hut' and in other metallurgy companies it was still in the beginning phases. The situation and future for certain enterprises such as for example Jákl Karviná is unclear.

Companies, in and of themselves, have not had, and do not have, sufficient financial, organisational and know-how resources so as to be capable of carrying out socially responsible restructuring of their enterprises on their own. Certain metallurgy enterprises are also facing irresponsible pressure from unions regarding growth in wages during the present preservation of employment in a situation prior to or in the course of final privatisation and restructuring.

The establishment of regional employment agencies and work groups under the management of the Ministry of Labour and Social Affairs for carrying out the Programme has made possible co-ordination of approaches to work within the framework of the accompanying social programme in metallurgy in the Moravian-Silesian region.

The initial experience demonstrates that the system does work effectively, registering 100% of the dismissed employees from metallurgy enterprises and offering redundant employees a wide range of services. The fundamental weakness of the overall system is the lack of newly created work positions in the region. Growth-promoting programmes supporting the emergence of new work positions are insufficient up until the present, are not focused on the specific requirements of the region and strongly decrease the effectiveness of the already functioning accompanying social programme.

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Appendix

Profiles of two of the most important metallurgical companies in Ostrava

Vítkovice

The company Vítkovice hut' was founded in the year 1828. It was originally focused on production of malleable iron. Soon after its founding, Vítkovice expanded its field of activities into the area of engineering production. In the 1920's Vítkovice was the largest metallurgy enterprise overall in Czechoslovakia and had dealerships in around 60 countries of the world. The registered trademark of the company was known world-wide and respected, in particular during the period prior to the arrival of the Communist regime.

In the year 1992, Vítkovice was transformed into a joint-stock company with most shares held by the National Property Fund. After this transformation the company went through a restructuring process. The general management unit and 11 enterprise units were restructured into a much smaller general management unit and three divisions. The first division, Hut' (Steel Works), includes all steel production. The second division, Strojírenství (Engineering), includes all machine building and the third division, Podniky (Enterprises), comprises all subsidiary units. The plan was to externalise most of the subsidiary company units, by either selling them or renting them to smaller companies. Some of these smaller companies have already been privatised.

Poor management in the company came to a climax at the end of the year 1999 when company debts exceeded the amount of 14 milliard CZK and the equity capital of the company significantly dropped below its own basic value. A government ruling in the year 2000 stabilised the cash flow, over the short-term time period, by means of a tooling operation with the company OSINEK, a.s.. Over the course of the year 2001, the board of directors and supervisory board approved a range of strategic documents which aimed at stabilising the company and transforming it into a holding type company. At present the majority of the production of the company remains within the Czech Republic, while the rest is exported to a range of countries of the world. 67.4 % of all exports go to the European Union, while other European countries make up 25.5 %. 1% of exports go to the USA and Canada while other countries take up the remaining 6 %. The biggest customers overall are Germany 44 % and Slovakia 8 %.

In the first phase of restructuring, employment in the company was reduced from almost 40 thousand employees in the year 1989 to 28 thousand in the year 1993 and 25 thousand in the year 1995.

Over the following years further decreases in employment have occurred in Vítkovice. Over the years 1990 – 1993 employment decreased throughout the whole region by 14 %, while the state-wide drop was only 10%. Parallel with the process of restructuring and externalisation, the activities resulted in a reduction in the number of employees. At first employees who had reached retirement age left the company and their positions were not filled by new employees. The major part of the dismissed employees were not key workers from the main production, but usually employees from subsidiary units of the company. In the year 1990 a requalification centre for employees whose work was to be discontinued was founded as well as for employees who agreed to relocation within the framework of the company. A department for human resources was founded in the year 1992 as part of the company reorganisation with the task of solving personnel issues. At present it focuses on development of productivity of employees and employee motivation.

ISPAT Nová Hut'

Nová hut' is a relatively young company founded in the year 1950. While Vítkovice had along side of steel production additional strong machine engineering production, Nová Hut' originally specialised on steel production exclusively in which area 87 % of its employees worked. From its founding Nová Hut' achieved higher work productivity than Vítkovice, as it made use of more modern and more effective production technology. The loss of its traditional sales outlet on the markets of the CMEA countries led to a production crisis in the years 1990 and 1991. The second reason was the insolvency of its domestic customers. During this period, a decrease in employment in the company from 23 thousand in the year 1990 to 21 thousand employees in the year 1991 took place. Nová Hut' tried to introduce a progressive marketing strategy and made efforts to expand or even relocate its activities to the Far East as well as to the markets of Western Europe.

In the year 1991 the company was transformed into a joint-stock company, with the state remaining as the major shareholder (FNM) while at a later point the top management of the company also became a major owner which over the next few years proved to be less than beneficial for the company. Within the arms of privatisation the companies NOVÁ HUŤ, a. s., which were various plants and production shops, earlier a part of the joint-stock company NOVÁ HUŤ, were made into independent trade companies, with the status of either subsidiary or associate companies, such as for example, JÄKL Karviná, a. s., NOVÁ HUŤ Zábřeh, a. s. (1993), VYSOKÉ PECE Ostrava, a. s. (1996), as well as companies founded in partnership with foreign partners, amongst which were MG Odra Gas, company. s r. o. (1992) which produces technical gases amongst other things. Now is major shareholder is Duch LNM Holdings N.V.

Worthy of note as a crucial technological change and essential rationalisation step from this time period was the transition from ingot steel casting to 100 % continuous casting. At the end of the year 1999 the company was also able to close the pit furnace, the blooming and billet mill and fully transfer over to new technology characterised by significantly higher steel yield and significantly decreased energy demands. A no less significant rationalization step was the construction of new rolling-mills for production of wide hot rolling steel strips. Their core is the rolling mill line STECKEL, made up of two reversible four-high rolling mills and one vertical mill. The complex of new rolling mills referred to as a "progressive mini-steelworks" is fed by liquid steel from the already existing steelworks with tandem furnaces.

Developments in production for the basic company after the year 2000 should be focused on two main directions. One is the replacement of the steelwork tandem furnaces with flexible electric arc furnaces, and the second a higher level of final treatment of the products, in particular with the steel strips. A decisive factor for further development, however, will be without doubt the approach to the privatisation of the company and the expected entrance of a strategic partner.

Development in number of employees in Ostrava metallurgy

