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#### LABOUR PROBLEMS AT UKRAINIAN INTEGRATED STEELWORKS

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##### Summary

The paper examines the labour problems at Ukrainian integrated steelworks, taking the country's largest steelmaker, the Azovstal Integrated Steelworks Open Joint-stock Company, as the example.

Azovstal began operations in the mid-1930s, producing rails, sections and flat rolled products. It reached design capacity by the late 1970s, with the commissioning of the converter shop. For the next 10 years, its annual raw steel output was within the range 6.4-7.1 million tonnes. The labour force during this period totalled 25,400-27,000 people, and productivity was 234-274 tonnes of steel per worker, a level fully consistent with Central European standards for integrated steelworks.

Since Ukraine's independence, steel production at Azovstal has almost halved, while the labour force has not declined, but has actually expanded slightly. The expansion is attributable to the inclusion within the company of a number of subcontracting enterprises performing repair work. The result has been that productivity has fallen to 137-150 tonnes of steel per worker per year.

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There are two reasons why the size of the workforce does not match the level of productivity. The first is that no part of the works has been shut down: productivity has fallen, but the full cycle of steelmaking operations has been maintained with the same number of workers as before. The other, no less influential reason is twofold: the continuation of the social protection system from the socialist era, which prohibits sharp cuts in employment, and the adoption on 19 February 1997 of the Privatization of the Property of State Enterprises Act, which bans the dismissal of workers from enterprises awaiting privatization and does not allow new owners to lay off staff until six months after the transfer to them of ownership rights.

Privatization of Ukrainian steelworks has now been under way for four years. It is not known when the process will be completed or, therefore, when works managers will be able to revise the size of their labour forces. This notwithstanding, steel output at Azovstal has begun to rise in the past two years and the management plans to cut the labour force by 20%.

The ban on job cuts has not merely caused productivity at Azovstal to fall; it has also led to a rise in the average age of the workforce, which now stands at 46-50. In addition, the workforce now includes 5,361 pensioners whom the law does not allow to be dismissed.

Although Azovstal's employees are well educated (15.4% have a higher education, 24.6% specialized secondary education and the remainder general education), the excessive size and high average age of the workforce are holding back the restructuring of the enterprise.

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