

INDUSTRY

STEEL TOWN SHUTDOWN SHATTERS THE 'IRON RICE BOWL'

A company in the capital of Shandong province was once famous for its "hot metal", but the decline of the local industry poses a dilemma for younger employees. **Li Yang** and **Zhao Ruixue** report from Jinan.

To resign, or not to resign, that is the question," said Du Peng, a 36-year-old electrician for the Jinan Steel Group in Jinan, the capital of East China's Shandong province.

For the past two years, Du has only worked at the State-owned company for two days a week. In truth, he has nothing to do at work but sit and chat because since 2013, Shandong's largest steel producer has intermittently suspended production.

Jinan Steel, known as Jigang by its employees, has lost nearly 4 billion yuan (\$616 million) since 2012. Two years ago, it announced plans to lay off 10,000 workers by the end of this year.

The decline in business has also forced the company to cut wages. Du makes about 3,000 yuan a month, about half of what he earned five years ago. "Wages will continue to fall, which will force more workers to quit," he said.

Most of the company's older workers, those within five years of retirement age, can opt to retire and receive their pensions immediately. However, that's not an option for younger and middle-aged workers such as Du. If they are dissatisfied, their only alternative is to quit.

A working community

Du was born into a Jigang workers' family and grew up in the workers' community, which is home to 40,000 employees and 60,000 immediate family members.

He has a 12-year-old son and his wife, who is from a nearby village, is a homemaker. To make ends meet, he works part-time as a taxi driver. His father Du Zufeng retired from his job as a security guard at Jigang five years ago. The 64-year-old is now recovering from a stroke that left him almost blind. Du Peng's 62-year-old mother spent her entire working life as a sales assistant in a shop owned by the steel mill.

Du Peng's hesitation over quitting his job stems from the difficulties he encountered 10 years ago when he tried to obtain an "iron-rice-bowl", a job for life, at Jigang.

After graduating from a vocational school run by the company, he discovered that his childhood friends had become his rivals in the search for work. If he had been born several years earlier, he could have taken a job in the steel mill once his mother or father retired, but the company decided to only employ college graduates, meaning there was no work for him.

Instead, he applied for a driving license and trained as a bus driver. However, before he could start work, Jigang reversed its employment policy and began hiring non-graduates. In 2005, Du Peng passed an entrance exam Jigang arranged for the children of its employees.

"Jigang children have an ingrained mindset; they are born to become steel workers, nothing else," Du Peng said.

Du Zufeng warned his son: "Once you quit the iron rice bowl, you will never get it back. Maybe the government will help like it did before?"

Du Peng thought a government rescue package was unlikely because the company's products and technology have long lagged behind the market. "This time things are different," he said.

In March, the central government announced that it had set aside 100 billion yuan to help workers laid off in the coal and steel industries this year. According to Yin Weimin, the minister of human resources and social security, about 1.3 million coal workers and 500,000 steel workers will lose their jobs.

Decline is inevitable and the company is the architect of its own failure, according to Du Peng. "The most advanced steel-rolling equipment in the mill was a second-hand machine imported from Ukraine in the 1990s. The Ukrainians had used it since the late 1970s," he said. "Who would rely on such outdated machines to restore a business against today's fierce competition?"

Falling output

Jigang mainly produces steel plates, deformed steel bars for the construction industry and screw-thread bars which are used to reinforce small ships.

Its annual output of crude steel rose from about 7 million metric tons in 2000 to more than 12 million tons in 2007, when the government paid special attention to expanding the production capaci-

ties of a number of industries. Last year, Jigang produced just 6 million tons of crude steel.

"It's a pity the company didn't increase investment in the research and development of new products and technology during the good times. It just expanded its production capacity as fast as possible, just as long as its products made money," Du Zufeng said.

Jigang workers often cite the privately operated Rizhao Steel Group as a comparison. The company, also known as Rigang and located in Shandong's Rizhao city, is much smaller than Jigang, but far more profitable.

It has imported advanced equipment from Italy to produce special steel that can be used in the aerospace and aviation industries and in the construction of expressways.

Rigang has a geographical advantage, too, because it is located near Rizhao Port, a large coal and iron harbor on the Yellow Sea. By contrast, Jigang is 300 km from the nearest port and 90 percent of its iron ore is imported by ship.

The world's top 10 steel producers

Unit: 1 million tons	2014	2015
China	822.8	803.8
Japan	110.7	105.2
India	87.3	89.6
US	88.2	78.9
Russia	71.5	71.1
S.Korea	71.5	69.7
Germany	42.9	42.7
Brazil	33.9	33.2
Turkey	34	31.5
Ukraine	27.2	22.9

Source: The World Metal Review

10,000 workers

number of employees Jinan Steel Group plans to lay off by the end of this year

500,000 workers

number of people who will lose their jobs due to a nationwide restructuring of the steel industry this year

"More important, Rigang operates like a modern enterprise, while Jigang runs like a small club," said a retired steel-worker surnamed Rong. "The company provided everything — from daily life necessities to apartments, education to medical care," said the 70-something life-long Jigang employee.

Having joined the company in 1965 at age 19, Rong feels the steel mill is his home. "All of the older workers feel they are the owners of the mill. And we know everyone in each other's families. We will never take the initiative to quit our jobs, but the younger workers only see Jigang as an employer."

Du Peng admitted that he has mixed emotions about quitting. "My feelings about Jigang are complicated because my grandparents were among the first generation of workers, the people who built the mill from zero in the 1950s. My son also grew up here," he said.

In 1958, the Qingdao Railway Bureau transferred his grandparents from Qingdao to help construct the steel mill. Once they arrived in Jinan, they joined tens of thousands of workers from around the country, including a large group from the Anshan Steel Group in Liaoning province, founded in the 1920s by Japanese forces who occupied Northeast China at the end of the Russo-Japanese War (1904-05).

That history is the reason Jigang workers speak in their own distinctive accent, a combination of the accents of Jinan and wider Northeast China.

A family affair

Du Peng has four uncles and an aunt. All of them worked for Jigang in some capacity, with the exception of one uncle. Instead, he was assigned to work as a doctor in Linyi county in Dezhou,



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Du Peng, a 36-year-old electrician with the Jinan Steel Group

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Du Zufeng, a 64-year-old former employee of the Jinan Steel Group



Shandong, during the "educated youths" campaign of the 1970s, when students were sent to "learn from the peasants", as Mao Zedong put it.

"My uncle tried his best to transfer back to Jigang, but now he would rather stay in Dezhou," Du Peng said.

Another uncle, Du Zuguo, was a music teacher at the Jigang Middle School, which is owned by the company. Now, his daughter is a lawyer in Jigang's legal department and his son-in-law is employed by the company as a civil engineer.

"Before, education and medical care were regarded as subsidiary industries. But, after the company's schools and hospitals were opened to students and patients from outside the company they became Jigang's most profitable businesses," Du Zuguo said. "The departments where my daughter and son-in-law work usually take on business and projects from outside Jigang."

Zhang Zhongfa, deputy director of the Jigang Hospital, said outsourcing its services has saved the hospital: "After 2011, the subsidy paid to the group declined rapidly. The doctors had a strong sense of crisis, and reforms were initiated."

Since 2011, the hospital has formed partnerships with 15 clinics in nearby townships, and in 2012 it began offering first-aid services in more than 30 local towns.

Six years ago, the company gave the hospital a subsidy of 40 million yuan, but last year the flow of funds dried up completely. Despite that, the hospital's operating revenue rose to more than 200 million yuan last year from 80 million yuan in 2011. The average number of patients treated annually has doubled to nearly 300,000.

New business, new money

The company's non-steel activities are now its major breadwinners. They include energy resources, natural resources, new materials, engineering technology, information technology, logistics, real estate, modern service sectors and agriculture.

In 2012, the operating revenue generated by these new activities accounted for about 29 percent of the group's total, but now they account for more than 50 percent, according to Jigang's information office.

Gao Xiang, head of the company's property management department, told Shandong Business News the new activities will play a major role in the company's future development: "During the planned economy, we used them to save money. Now, we use them to earn money. The supporting roles will play leading roles in the foreseeable future to win time for the restructuring of the steel industry."

According to Gao, the forced transformation of Jigang's industrial structure will have a beneficial effect on the environment, because as the city's largest coal burner and user of industrial water, the company has long been the largest polluter in the city.

Three years ago, the provincial government announced plans to relocate Jigang to Laiwu, a town to the southeast of Jinan that is home to the Laiwu Steel Group, despite opposition from the employees.

However, the decline of the company's steel business stymied the plan.

"The government should show more foresight in relocating such a big business," said Lin Lin, a third-generation Jigang employee. "Without technological breakthroughs and huge input into environmental protection, relocating the company just means relocating the sources of pollution."

"Beijing moved all of its polluting industries to neighboring Hebei province, but do Beijingers have clean air all year round?" he asked. "Jigang people are also the victims of pollution. The 'cheap' steel China exports is not cheap at all because everyone pays for it."

Lin and Du Peng have been friends and neighbors since childhood and they often discuss their futures. "Technicians can always find a job," Du Peng said. "We are thinking of learning English and going to work in developed countries."

His father Du Zufeng looked at him thoughtfully. "That would be the bigger step our family has taken since your grandfather left Qingdao to come here," he said.

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41,915 48,929 50,306 57,218 63,723 68,528 72,388 81,314 82,281 80,380
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Source: The National Bureau of Statistics ILLUSTRATION BY WANG XIAOYING / CHINA DAILY