USWA BARGAINED AND STATE ORIENTED RESPONSES TO THE RE-CURRENT STEEL CRISIS

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Introduction

As the manufacturing casualties of the 1983 recession began to mount, Donald Barnett, Chief Economist at the American Iron and Steel Institute (AISI) made the prediction that the United States integrated steel industry would either “continue to perform poorly, with bankruptcies and facility closures, or it will restructure radically, boosting productivity in order to regain international competitiveness” (1983, 283).¹ Paradoxically, more than two decades later Barnett’s prophecy turned out to be both right and wrong. In the first few years of the 21st Century the American steel industry was more efficient, cost-effective, technologically sophisticated and productive then it had been in almost a century (AISI Reports 2002; World Steel Dynamics Steel Strategist #26, 2002; Mangum and McNabb 1997), but it was also “on the brink of collapse” (Steel Labor 2001, 15).

Testifying before an emergency meeting of the House Congressional Steel Caucus, then USWA President George Becker and the CEOs of select steel companies described an industry at death’s door. However, the alarming message of impending industry marginalization, was less provocative than what the union and company executives implied was the solution to the problem. As explained by USWA Basic Steel Industry Council (BSIC) Secretary Tom Conway, “This crisis can’t be solved at the bargaining table with individual steel companies, or even the entire industry.” Conway then offered a shocking assessment of the industry’s troubles; “In this market, our members could work for nothing and it wouldn’t do a bit of good (2001, 15).”

It is the plausibility that the cost of domestic labor is no longer the leading or even a primary cause of American steel’s economic woes that underscores the thesis of this
paper. Since the first serious penetration in 1959 of imported steel into national markets, industry analysts (Mangum and McNabb 1997; Hoerr 1988; Barnett and Schorsch 1983; Hogan 1971.) have, without exception, cited high union-negotiated compensation rates as a comparative disadvantage with emerging steel producers in Europe, Japan and South America. But as the nation’s steel firms experience yet another wrenching round of bankruptcies and closures, USWA leaders are confronted with the extraordinarily difficult task of bargaining job security for their members after at least twenty years of coping with modest (by post-WWII standards) industry wage gains, impressive labor-saving technological improvements, significant job attrition and world-leading productivity gains.

This paper poses and offers an answer to the question of “How does a union conduct collective bargaining in a shrinking market or crisis environment?” It also reveals how the USWA’s bargaining approach toward the industry has been driven by a profound reconsideration of the value of state oriented political action. Crisis bargaining has meant reconfiguring the union into a more national political negotiator, and in turn, has reshaped its relationship with the membership.

The steel industry is the sectoral case examined, because the de-industrialization that has occurred has been savage. For instance, the U.S. Commerce Department reported in 1985 that more jobs had been lost in steelmaking than in any other industry (Bensman and Lynch 1987). What follows then is the story of how the USWA has responded to the industry’s severe market failures.

The paper begins with a brief history of the causes of “Big Steel’s” loss of world market dominance, represented by the first wave of mill closing, heretofore referred to as
“Crisis I”, in the late 1970s and early 1980s. This section is followed by an account of how steel labor interpreted the industry’s problems and how the union attempted to negotiate answers for both their employers and their members. A third section will pick up the story with the industry’s latest crisis, heretofore referred to as “Crisis II”, ignited by the 1997 Asian economic collapse. Distinguishing between two different but related periods of crisis is important to understanding how the USWA continued to search for ways to be relevant during the industry’s troubled times. The second crisis would produce a USWA political response that was strongly reminiscent of the union’s 1940’s corporatist bargaining recommendations.

The paper closes with a brief review of the social, economic and political changes that have occurred during Crisis II that may enable the union to politically salvage an industry where workers once believed, that “you’ll never get rich…but you can make an honest living (2001,8).”

Crisis I: From Price Maker to Price Taker, 1983-1997

Until at least the late 1960s, the domestic steel industry had been described as an autarchic and oligopolistic industry. It is also an industry that has received near obsessive attention from the federal government. Presidents from Truman to George W. Bush have interjected themselves into the industry’s investment strategies, pricing efforts and labor relations. Over the long haul government policy has served to undermine the interests of the domestic steel industry, but for at least a brief period it assisted steel makers in becoming the backbone of the nation’s industrial economy. Lead by the U.S. Steel Corporation’s ability to administer prices to insure sectoral-wide profits during slack times, and the industry’s technological and labor-force superiority, domestic steel
producers were the country’s preeminent manufacturers for roughly two-thirds of the 20th Century (Cockerill 1974; Bain 1956). The American steel industry also benefited (although the companies rarely acted like it) from the revolutionizing influences the USWA had on worker wages, working conditions and productivity (Metzgar 2000; McColloch 1987; Federal Trade Commission 1977).

In light of the industry’s performance from 1940 until the late 1970s, how do we explain Barnett’s brutal contention, offered from the vantage point of thirty years of hindsight, that from the mid-1950s the “American steel industry has been transformed from a symbol of industrial might into a symptom of industrial blight?” While identifying causes for the industry’s precipitous decline is subject to diverse emphasis, there is no denying that the “blight” was real and massive (See Table 1) (Metzgar 2000).

| Table 1. Employment in the U.S. Steel Industry |
|---|---|
| Year | Average number of production workers |
| 2000 | 99,750 |
| 1999 | 104,060 |
| 1998 | 116,600 |
| 1997 | 117,450 |
| 1996 | 120,100 |
| 1995 | 120,800 |
| 1994 | 125,618 |
| 1993 | 127,192 |
| 1992 | 139,664 |
| 1991 | 146,140 |
| 1990 | 163,338 |
| 1989 | 168,853 |
| 1988 | 168,898 |
| 1987 | 163,338 |
| 1986 | 174,783 |
| 1985 | 208,168 |
| 1984 | 236,002 |

** Data from Department of Labor, Bureau of Labor Statistics, SIC 331 Blast Furnaces and Basic Steel Products, Production Occupations
The rough consensus for what brought about Crisis I in steel can be summed up as a failure of corporate investment strategy (Mangum and McNabb 1997; Barnett 1983; Hiestand 1974; Business Week 1963), labor relations (Ahlbrandt, Fruehan and Giarratani 1996; John Hoerr 1988) and government policy (Stein 1998; Kefauver 1965). The result of this failure was a growing import sector and the expansion of efficient, largely non-union domestic mini-mill operators, like Nucor Steel (Barnett, and Crandall 1986), which ultimately did what the federal government never had the willingness to do and the Supreme Court refused to do: break up the oligopolistic quality of the steel industry. Where in 1960 major integrated firms had controlled 95 percent of the U.S. steel market, by 1982, they had seen their market share reduced to 60 percent. Accompanying the severe drop in market clout was the loss of an all-important pricing power. No longer could U.S Steel Corporation set the price for the entire industry, regardless of actual demand and supply. Now the industry would have to be conscious of real costs and adjusting production so that it was not at a comparative cost disadvantage.

**Crisis I and USWA Response: New Direction Bargaining**

In 1983 the USWA gave major concessions in their bargaining with the six remaining large integrated steel companies. The primary justification for the industry average $2.65 an hour in labor-cost reductions (from the 1982 standard of $22.05) was the rising tide of foreign imports. While the 1983 contract represented the first time the union had made cost-saving sacrifices for the industry, it was the following set of negotiations that initiated the steelworkers’ strategic and creative approach to “crisis bargaining.” Beginning in 1986, the union under Lynn William’s leadership undertook a comprehensive plan to fully understand the market related condition of each steel
company. The USWA strategy was to offer targeted cost reductions to companies based on their full disclosure of financial records. In effect, the union’s “New Directions Bargaining Program” emphasized the stake that employees had in the success of the companies and that the long term survival of the industry would be dependent on a shared union-management decision-making process.

Along with a decidedly less adversarial tone, the 1986 bargaining round produced separate agreements with LTV, National, Bethlehem, Inland, Armco and US Steel, which cut the standard $23.35 hourly employment costs from $1.51 to $3.15. In abandoning uniform industry wage rates the union sought to preserve uniform employment costs among all companies. While not as desirable as standard wage rates, the focus on employment costs was a critical and highly controversial step in dealing with each company’s varying health care and pension liabilities. The following negotiations in 1993-1994 however, proved extremely productive. Pattern agreements were reached with all major producers except Armco and Wheeling-Pittsburgh. The combined result of four successive bargaining rounds focused to a large degree on cost-savings, technological upgrades, the shuttering of obsolete plants, work-rule flexibility and enlightened joint decision making, raised employee output by 40 percent, increased utilization rates to 90 percent, and for only the first time in ten years, in 1993 generated $1.8 billion in net income.

The USWA’s plan to use the collective bargaining process, as a way to save the domestic steel industry, had apparently worked. But steelworkers had made sizeable sacrifices during Crisis I. What did they get in return? The record of union concessions
from 1983 to 1997 is testament to both the limitations and possibilities of union bargaining in a crisis industry.

The cumulative record of negotiations since 1983 demonstrates considerable bargaining success and most importantly, reveals a union attempting to reshape the way it represents its members within a radically changing industrial sector. The USWA achieved impressive gains in corporate governance and workforce deployment decisions, as well as recouping earlier wage and benefit losses. Industry survival was tied to increased productivity and lower labor costs, but the union had, in BSIC Secretary Tom Conway’s terms, “figured out exactly what a wage concessions was worth.” If the companies wanted a $3.00 an hour “give back,” they would have to exchange it for a degree of union influence in how the industry used that new vein of capital. It was a fundamental tenet of USWA strategy that bargaining would become a mechanism for gaining influence over “management prerogatives.”

One thing the union insisted on was the right to place one of their representatives on the companies’ board of directors. Union representation was eventually negotiated on all of the major integrated steel firms (e.g., LTV, USS, Bethlehem and Inland) and on numerous second tier companies (e.g., Jones and Laughlin, Sharon Steel, Acme Steel, Colorado Fuel and Iron, and Northwestern Steel and Wire) Board influence gave the union, among other “upstream” items, an opportunity to debate corporate investment options. With board representation also came access to “full financial disclosures.” By attaining an impressive degree of corporate transparency the union was in a better position to translate any concessions into a dollar value that they would demand be later returned to the membership. Union concessions were also temporarily traded for the right
to insist that millions of dollars of labor savings be reinvested back into company
modernization plans.

Protecting jobs was a primary objective of the union’s bargaining and while it is
undeniable that labor conceded significant labor flexibility to management by eliminating
many stringent work rules and job classifications, the union also carved out new forms of
restraint. The principal advancement was language incrementally developed throughout
the 1980s on “contracting out.” Prohibitions against contracting out included limiting it
to where new construction was being done, or in those cases where management could
pass a “consistency” test, showing that it had subcontracted the work over a period of
years. If the firm passed this first hurdle there were then eleven non-cost factors that had
to be considered to show that it was more reasonable to allow the work to be done by an
outside vendor. Steelworker protections of the incumbent labor force were further
advanced by prohibiting layoffs during the term of the contract and a provision
guaranteeing 40-work hours per week for every member with at least one year of service.
Finally, where job losses occurred, the companies were obligated during periods of
increased demand to recall one laid off member for every job eliminated.

As reported above, steelworkers made deep financial sacrifices during the 1983
contract round. But by 1989 the union had already recouped through “recovery” wage
plans nearly the entire dollar denominated contract givebacks. Negotiating concessions,
however, signaled that the wage demands of the pre-Crisis I period would have to be
moderated if the domestic industry were to regain competitiveness with foreign steel
producers. Once again the union’s strategy was to be moderate in their hourly wage
demands while opening up new compensation streams.
Expecting that wage concessions would help to bring the steel firms back to profitability, the USWA negotiated gain sharing and profit sharing plans. The union also negotiated hourly pay rates based on a mixture of percentage wage increases and flat bonus payments that would escalate as a firm’s profits reached an established threshold. The specter of job loss also challenged the union to raise the cost of company shutdowns and employment dislocation. Early retirement packages based on a worker’s years of service and age was agreed to, and in some cases “severance funds” were made available to all laid-off workers.

Despite the 1983 concessionary bargaining round and the lackluster corporate performance throughout the 1980s (except for 1987), the union managed to incrementally improve on members’ wages and benefits. Unlike, however, the wage-price inflation characteristic of bargaining in the 1970s, the union and management had now reached an understanding on the long-term relationship between wages and productivity. As the early 1990s brought about improved company performance, it appeared that the union had smartly navigated its bargaining responsibilities through a deeply troubled time. After ten years of coping with modest industry wage gains, impressive labor-saving technological improvements, significant job attrition and world-leading productivity gains, the USWA emerged as a still relevant labor organization (See Tables 2 - 4). Domestic companies were now lean and mean, and U.S. workers were the most productive in the world. Then Crisis II hit.
Table 2. Labor Productivity of Steelworkers by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Hours Worked Per Ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>United States</strong> (improvement since 1980 equals 174%)</td>
<td>3.7</td>
</tr>
<tr>
<td>Canada</td>
<td>4.2</td>
</tr>
<tr>
<td>S. Korea</td>
<td>4.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>4.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>6.9</td>
</tr>
<tr>
<td>C.I.S.</td>
<td>16.6</td>
</tr>
<tr>
<td>China</td>
<td>19.8</td>
</tr>
</tbody>
</table>

** Data from World Steel Dynamics, Steel Strategist #26, July 2000

Table 3. International Steel Industry Capital Outlays, 1995-1999 (Billions of U.S Dollars)

<table>
<thead>
<tr>
<th>Region</th>
<th>Outlays (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other W. Europe</td>
<td>$1.0</td>
</tr>
<tr>
<td>Oceania</td>
<td>$1.9</td>
</tr>
<tr>
<td>Canada</td>
<td>$2.2</td>
</tr>
<tr>
<td>India</td>
<td>$2.5</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>$3.3</td>
</tr>
<tr>
<td>Other Asia</td>
<td>$4.8</td>
</tr>
<tr>
<td>Russia</td>
<td>$5.6</td>
</tr>
<tr>
<td>Africa</td>
<td>$5.6</td>
</tr>
<tr>
<td>Latin America</td>
<td>$13.3</td>
</tr>
<tr>
<td>S. Korea</td>
<td>$20.9</td>
</tr>
<tr>
<td>European Union</td>
<td>$24.7</td>
</tr>
<tr>
<td>Japan</td>
<td>$26.4</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td><strong>$35.5</strong></td>
</tr>
</tbody>
</table>

** World Steel Dynamics, Steel Strategist #26, July 200.
### Table 4. Employment Cost Per Hour, 1993-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment Cost Per Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$36.00</td>
</tr>
<tr>
<td>2000</td>
<td>$36.32</td>
</tr>
<tr>
<td>1999</td>
<td>$35.40</td>
</tr>
<tr>
<td>1998</td>
<td>$34.56</td>
</tr>
<tr>
<td>1997</td>
<td>$34.75</td>
</tr>
<tr>
<td>1996</td>
<td>$34.03</td>
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<td>1995</td>
<td>$34.50</td>
</tr>
<tr>
<td>1994</td>
<td>$33.71</td>
</tr>
<tr>
<td>1993</td>
<td>$32.30</td>
</tr>
</tbody>
</table>

** Data from American Iron and Steel Institute Reports

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**Crisis II: Return to the Past, 1998-2003**

By March of 2003 thirty-seven steel companies had filed for bankruptcy, including the third largest Bethlehem Steel and for the second time, the second largest producer LTV Steel (See Table 5). The industry was operating at a fourteen year low of less than 65 percent of capacity and steelworker job-loss exceeded 75,000 (*Locker Associates Report*, January/February 2003; “Facts on the Steel Crisis,” 2003). Since the end of 1999 roughly one-fifth of the nation’s steelmaking capacity with the means to produce 25 million raw tons of steel was idled. Crisis II had hit like a neutron bomb; “killing off” worker jobs while leaving the steel facilities undamaged and abandoned.
<table>
<thead>
<tr>
<th>Number</th>
<th>Company</th>
<th>Capacity</th>
<th>Segment</th>
<th>Employees</th>
<th>Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Al Tech Specialty</td>
<td>0.1</td>
<td>Specialty</td>
<td>790</td>
<td>USWA</td>
</tr>
<tr>
<td>2</td>
<td>Acme Metals</td>
<td>1.2</td>
<td>Steelmaking</td>
<td>1,700</td>
<td>USWA</td>
</tr>
<tr>
<td>3</td>
<td>Laclede Steel</td>
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<td>Steelmaking</td>
<td>1,475</td>
<td>USWA</td>
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<tr>
<td>4</td>
<td>Geneva Steel</td>
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<td>2,600</td>
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<td>5</td>
<td>Worldclass Proc.</td>
<td></td>
<td>Processing</td>
<td>350</td>
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<tr>
<td>6</td>
<td>Qualitech Steel</td>
<td>0.6</td>
<td>Steelmaking</td>
<td>350</td>
<td>Non</td>
</tr>
<tr>
<td>7</td>
<td>Gulf States Steel</td>
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<td>Steelmaking</td>
<td>1,906</td>
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</tr>
<tr>
<td>8</td>
<td>J &amp; L Structural</td>
<td></td>
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<td>275</td>
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<tr>
<td>9</td>
<td>Vision Metals</td>
<td></td>
<td>Processing</td>
<td>610</td>
<td>USWA</td>
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<tr>
<td>10</td>
<td>Wheeling-Pittsburgh Steel Corp.</td>
<td>2.2</td>
<td>Steelmaking</td>
<td>4,800</td>
<td>USWA</td>
</tr>
<tr>
<td>11</td>
<td>Northwestern Steel &amp; Wire</td>
<td>2.4</td>
<td>Steelmaking</td>
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<td>USWA</td>
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<tr>
<td>12</td>
<td>Erie Forge &amp; Steel</td>
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<td>Specialty</td>
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</tr>
<tr>
<td>13</td>
<td>LTV Corp.</td>
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<td>Steelmaking</td>
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<td>14</td>
<td>CSC Ltd.</td>
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<td>15</td>
<td>Heartland Steel</td>
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<td>16</td>
<td>GS Industries</td>
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<tr>
<td>17</td>
<td>American Iron</td>
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<td>Distribution</td>
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<td>18</td>
<td>Trico Steel</td>
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<td>Great Lakes Metals</td>
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<td>21</td>
<td>Freedom Forge Corp.</td>
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<tr>
<td>22</td>
<td>Precision Specialty</td>
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<td>23</td>
<td>Excalibur</td>
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<td>Processing</td>
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<td>USWA</td>
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<tr>
<td>24</td>
<td>Edgewater Steel</td>
<td>.04</td>
<td>Specialty</td>
<td>140</td>
<td>USWA</td>
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<tr>
<td>25</td>
<td>Riverview Steel</td>
<td></td>
<td>Processing</td>
<td>60</td>
<td>USWA</td>
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<tr>
<td>26</td>
<td>GalvPro</td>
<td></td>
<td>Processing</td>
<td>60</td>
<td>Non</td>
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<td>27</td>
<td>Bethlehem Steel</td>
<td>11.3</td>
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<td>Metals USA</td>
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<td>Sheffield Steel</td>
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<td>USWA</td>
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<td>30</td>
<td>Action Steel</td>
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<td>Processing</td>
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<td>31</td>
<td>Huntco Inc.</td>
<td></td>
<td>Processing</td>
<td>553</td>
<td>-</td>
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<td>32</td>
<td>National Steel</td>
<td>7.0</td>
<td>Steelmaking</td>
<td>9,283</td>
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<td>Calumet Steel</td>
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<td>USWA</td>
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<tr>
<td>34</td>
<td>Birmingham Steel</td>
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<td>Cold Metal Products</td>
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<tr>
<td>36</td>
<td>Bayou Steel</td>
<td>0.58</td>
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<tr>
<td>37</td>
<td>Kentucky Electric Steel</td>
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<td>Steelmaking</td>
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</tr>
<tr>
<td></td>
<td>Total</td>
<td>48.3</td>
<td></td>
<td>75,197</td>
<td></td>
</tr>
</tbody>
</table>

How did everything go so bad after ten years of creative labor-management relations had seemingly stabilized the “backbone of industrial America”? A rough consensus has a risen identifying six causes for Crisis II that set it apart from the industry’s inefficient market–behavior of Crisis I. Those causes evenly divide between low-cost competition from foreign producers and an indifferent U.S. economic policy towards manufacturing.

First, foreign producers had illegally “dumped” steel. Steel imports had more than doubled from 1990 to 2001. In 1997 steel imports rose to over 40 million net tons before “falling” back to a still record high 36 million in the early spring of 2001 (Locker Associates 2001). During the third quarter of 1998 alone, 12.4 million tons of steel entered the country. At an annualized rate of nearly 50 million tons this figure represented close to 40 percent of the national market and established the U.S. as the largest importer of steel in the world. While foreign penetration of domestic markets was nothing new, the severity of below-market rate practices of foreign producers was quantitatively different and more damaging (Blecker 2002). Among numerous findings in a U.S. Department of Commerce report on the steel industry, was an acknowledgement that “the thirty year history of repeated unfair trade actions [i.e., steel sold below cost and closed national markets] is symptomatic of underlying market-distorting practices in the global steel market” (Global Steel Trade 2000).

Second, the annual costs of retirees’ benefits (i.e., “legacy costs”) placed the U.S producer at a competitive cost disadvantage. In the 1970’s collective bargaining had raised the total cost of “fringe” benefits by 577%. Business and labor relations writer John Hoerr argued that the dramatic and steady improvement in worker’ benefits became
a millstone for the industry because bargaining regularly failed to relate “compensation to
the quality of work and productiveness of the workplace itself (1988, 81).” Further
handicapping American producers is the fact that the United States is the only major
industrialized country where employee healthcare costs are not in part subsidized by the
government. Judith Stein (1998) has noted that with the exception of the U.S. “no steel
industry managed the transition…to the new global market without state aid (208).” The
domestic integrated steel industry is now heavily burdened by overwhelming retiree
pension (i.e., roughly $12 billion) and health costs. Throughout the industry legacy costs
consume approximately 14 percent of the weighted average price of a ton of steel.

Third, domestic producers are “burdened” with regulatory costs (i.e., health and
safety, labor and environmental laws) that are virtually nonexistent in most non-U.S.
producing countries. While European, Canadian and Japanese’s producers have extensive
regulatory rules for operating, Brazilian, Korean, Russian and Chinese steelmakers have
virtually no such restraints, and these latter countries represent expanding production
markets. China, for example, has not yet adopted workplace standards for hours of work
or for safety and health (Xia 2004), and Brazil only implemented in 1998 a law that fines
polluters for environmental standards violations (Schwartzman 2004). As the USWA
argued during the congressional debate over granting China permanent normal trade
relations, the predatory practices of any foreign producers makes a shambles of the
concept of a fair, global economic playing field.

Fourth, U.S. economic policy was inattentive to the busting bubble economy of
the Far East. During the 1997 Asian-induced world economic slowdown, an
overcapacity in the global steel industry emerged. In early 1998 the USWA warned
policymakers that crashing Asian markets and the collapse of the Russian economy would lead to a “flood of imported steel.” But the warnings went unheeded and with the U.S. economy in the midst of an historic long running post-war expansion, foreign surpluses were unloaded in a relatively robust U.S market. Unlike, however, earlier periods imports during Crisis II were not demand-driven, but instead displaced a great deal of domestic production.

Fifth, since 1997 every major steel-producing county in the world devalued its currency against the dollar from 7 to 49 percent. For example, when South Korea devalued its currency in 1997, its “exports to the United States became 40 percent cheaper.” The result of a persistent strong dollar was that U.S. imports rose from the pre-Crisis II period total of 23.5 percent of domestic steel consumption to 27.1 percent in early 2001. And world steel prices tumbled accordingly. Prior to the Asian economic troubles, prices stood at $420 per ton, but by March 2001 they had fallen to $290. By March of 2002 they had tumbled an additional 22 percent (Locker Associates, 2002).

Finally, the Federal Reserve System kept interest rates in the U.S. far higher than comparable international institutions kept European or Japanese rates. For most of the Crisis II period, American steel producers had to borrow money at 3 to 7 percentage points higher than their foreign competitors. As the profit margins of steel operators shrunk and the national economy entered another wave of “de-industrialization,” equity and debt markets “effectively abandoned” the steel industry (USWA Rapid Response 2001). According to Standard & Poor’s, from January 1997 to March 2001, steel stocks lost nearly half of their value. In the hypersensitive words of the USWA, “the steel industry has become the leper of Wall Street” (American Steel Crisis, 2001, 2).
Crisis II: Union Response to the “Parade to Oblivion”

Crisis II has happened in a drastically restructured and reordered basic steel market. In order to find answers to the industry’s Crisis I problems, the USWA focused primarily on bargaining with the companies. But Crisis II is different. Where within the bargaining relationship are there answers to the present struggle? If “working for nothing” is not enough to save jobs, what is? LTV’s bankruptcy redux and Bethlehem Steel’s financial troubles serve as a telling indicator of the severe Crisis II limitations of collective bargaining. In an environment where the largest steel producers are declaring bankruptcy, USWA representational efforts are fiercely focused on industry wide and company reorganization, and out of necessity characterized by state-oriented action.

Bargaining Reorganization

In 2001, LTV declared bankruptcy for a second time and demanded more than $1.3 billion in concessions from working and retired steelworkers. The opening gambit was summarily dismissed by the union and according to a BSIC representative aimed “to gut our contract from cover to cover.” LTV’s demands were indeed draconian and if accepted, would have completely wiped out all of the union’s creative gains made in exchange for the cost savings provided throughout Crisis I. But when a new agreement was finally constructed and approved by the bankruptcy court, the company had once again fallen considerably short of attaining the cost savings it sought. The union had put forth its own corporate reorganization plan that unlike LTV’s proposal, actually contained a capital improvement provision calling for a minimum investment of $35 per ton of capacity for four consecutive years (Modified Labor Agreement, 2001). In what
turned out to be a decisive blow to the company’s position, union negotiators successfully out maneuvered their counterparts and persuaded the Unsecured Creditors Committee to “negotiate a new contract with the USW” (Union Labor Report 2001). By a margin of 89.4 to 11.6 percent the agreement was ratified and thousands of jobs were temporarily saved. Although the union did win agreement limiting LTV’s purchases of imported steel and steel-related products, the Crisis II problems of legacy costs and imported steel were impervious to a bargaining solution LTV eventually sold its steel making operations to a union-brokered firm, International Steel Group (ISG) Inc. (LTV Press Release 2002).

Union leaders had actively sought out future ISG head Wilbur Ross. Ross had been running an old fashion venture fund and he had experienced some success in turning around distressed companies. When the steelworkers approached Ross they had exhausted their efforts in trying to convince LTV and other domestic steel producers that LTV ‘s plants were viable and profitable. LTV not only rejected the union’s proffers but said that it would take more than a billion dollars to reopen their facilities and had already agreed to a time table for demolishing the mills. USWA staff then organized “squatter” teams at each company site and blocked demolition contractors from entering the mills. While the union’s ranks were displaying an old fashion form of workplace resistance, USWA lawyers were filing numerous restraining orders against allowing the plants to be destroyed. The leadership also continued to privately meet with Ross and his “steel guy,” Rodney Mott about the wisdom of purchasing LTV in anticipation of the government raising import duties on foreign steel products. Ross liked the lean managerial structure that the union had proposed and was convinced that with some temporary relief from steel imports the domestic industry could make money. Over what was, according to
BSIC chair Tom Conway, “essentially a handshake deal” Ross agreed to buy LTV and the USWA set out to immediately restart operations. Under a revised labor agreement with ISG, job loss was high and while active workers maintained their health care, the deal eliminated all coverage for retirees and over stern union objections transferred $5 billion in pension obligations to the government’s Pension Benefit Guaranty Corporation (PBGC) (Arendt 2003; Matthews 2002; USWA Press Release 2002a).

Negotiations with Bethlehem Steel went much the same way as they did with LTV (Bethlehem Steel Press Release 2001; Steelworkers Update 2001). But in this case, the USWA was pursuing a revised end-game strategy. The goal was to negotiate a reorganization plan with the company that would serve as a model for other basic steel firms. The union intended to bring this model to the industry and in effect demand that they accept the terms or risk a complete erosion of the value of the companies’ physical assets. Under the Bethlehem deal the union pushed for the elimination of inefficient excess capacity and the maintenance of the wage and benefit standard, in exchange for labor cost reductions.

Saving Bethlehem was important, but the terms agreed upon would have far greater significance than how union members fared at the company. Bethlehem was the foundation for a larger consolidation plan for the steel industry. No less than ten years ago the industry had as many as 76 individual steel producers and during times of low demand the steel manufactures exhibited very little pricing discipline. Falling prices would then continue even when the market heated up, significantly reducing the firms’ ability to earn profits. The end result, as Tom Conway colorfully noted was that a “feeding frenzy” ensued for steel markets. Steel’s problem was that because the industry
was heavily burdened with fixed capital costs the shops could not effectively cut production and they would instead attempt to lower prices to retain market share (something Big Steel was reluctant to do during Crisis I). Battling over prices then generated a downward spiral, which at the end of the day left the union and the companies with a reduced ability to make the kinds of capital expenditures that were required to raise productivity.

The USWA recognized that the domestic industry would devour itself unless dramatic consolidation occurred across firms. The union was aware that while two-thirds of Europe’s annual production came from six companies, the same percentage of output in the U.S. originates from 12 companies. The union’s concerns about steel fragmentation are buttressed by noting that the top five largest steel producers in the world account for only 15 percent of all steel output, compared to 44 in aluminum, 55 in appliances, 57 in automobiles, and 74 percent respectively in tires (Locker Associates, October 2000). Steelworker president Leo Gerard understood the rippling effect of overcapacity and falling market prices: “Companies cannot turn a profit, cannot earn their cost of capital, cannot get financing, and consequently cannot make the investments in the new technologies necessary to keep America in the forefront of steel productivity” (Daily Labor Report 2001, 344). In the union’s analysis the mechanism for inverting this vicious downward spiral was to create one or two large (not including the mini-mills) privately held domestic steel companies.

Lead initially by negotiations with industry leader US Steel, the union constructed a comprehensive plan for consolidating domestic steel making. The plan would require the acquisition of up to five existing steel companies, including Bethlehem, by US Steel.
In doing so US Steel would not only be granted a near monopoly of old-line domestic firms, but also become much closer in size to its largest foreign rivals. To win the concurrence of US Steel chief executive officer, Thomas Usher, the plan also included roughly $13 billion in government aid to cover the employee retirement benefits of approximately 150,000 workers and 600,000 covered retirees. While discussions with US Steel never produced a deal, a new buyer emerged in ISG. The upstart acquisition firm agreed to purchase all of Bethlehem’s operating assets and to heavily reduce the seller’s “bloated management bureaucracy” (USWA Press Release 2003). US Steel however, did contribute to industry consolidation when it purchased bankrupt National Steel Corporation and agreed to the labor terms negotiated at ISG. Coupled with a call for significant foreign tariffs to prop up prices and other government measures to protect the domestic industry for a period of years, including an unprecedented waiver of anti-trust laws from the Bush Justice Department, the steel consolidation measure comes as close to adopting a corporatist (i.e., government-capital-labor control) arrangement as has been developed in the United States since the end of WWII (Wayne, 2002).

Bargaining had now evolved beyond the familiar forms into a two-staged corporatist model. The USWA wanted the industry to consolidate and was willing to use bargaining and political pressure to make it happen. Since 1996 the union’s political program has been one part membership education and mobilization, and one part political lobbying.

Political Education, Action and Policy Development

With the effectiveness of conventional labor-capital bargaining now significantly circumscribed, the USWA focused its efforts on state centered protections. By looking to
governmental action to provide what has, in the American context, been historically the
purview of a private welfare arrangement, the USWA has become much more policy
oriented. Educating the members about the need for governmental policy was the first
order of business.

The education program was built around a “Rapid Response” communication
network that allowed the union leadership to directly reach every union member with
information related to legislative or regulatory action. According to USWA records, on
trade-related issues with implications for the steel industry, the program generated an
impressive rank-and-file response. In 1997 163,000 personal letters were written to
members of Congress urging opposition to NAFTA. In 1998 another 170,000 notes were
mailed to representatives and senators considering “Fast Track” authority. Rapid
Response Coordinators followed up their trade authority opposition action by delivering
72,212 letters to President Clinton, requesting that he stop the illegal dumping of foreign
steel (USWA Rapid Response 1999). Subsequent pressure on the Bush White House to
impose restrictions on imported steel resulted in union members writing 185,000 “steel
crisis” letters to members of Congress and the President.

In addition to letter writing campaigns targeting members of Congress, in 1999
the union organized 1,000 members to participate in daily rallies and teach-ins at the
World Trade Organization meeting in Seattle. Membership mobilizing occurred once
again in 2001 as hundreds of active and retired union members converged on Washington
D.C. and erected “Steel City Camp Solidarity.” Steelworkers traveled to the nation’s
capital in order to dramatize the plight of the steel industry and the need for immediate
government relief (Save Our Steel 2001).
Grassroots action continued in early 2002 with the formation of the “Steel Crisis Action Campaign.” The campaign featured a major late-February White House rally attended by nearly 30,000 USWA and union members coming from as far away as Tyler, Texas and northern Minnesota. While the Washington demonstration attracted national media coverage, the centerpiece of the membership drive was the organization of approximately 40 community meetings and rallies attended by over 25,000 people throughout steel towns in states politically critical to President Bush’s re-election hopes, like Pennsylvania, Ohio and West Virginia. In the Keystone state meetings were scheduled in union halls and social clubs from Harrisburg to Scranton (USWA Steel Crisis Community Meetings 2002). Invited guests were welcomed with written talking points about the steel crisis and suggestions for acting politically. Perhaps in response to the community outreach approach, the Pennsylvania General Assembly with the Governor’s concurrence passed a resolution encouraging President Bush to “take any and all necessary steps to rebuild a strong and globally competitive United States steel industry” (USWA Press Release, 2002a). Similar measures were also passed in Alabama, Illinois, Indiana, Ohio, Maryland, Utah and West Virginia.

The steelworkers had done the electoral math from the razor-thin 2000 presidential race. According to voter analysis, had President Clinton granted the industry import relief, enough West Virginia votes would have shifted into the Gore column to change the presidential outcome (Greenhouse 2002). Likewise, Bush’s thin winning margin in Ohio and Gore’s in Pennsylvania were closely tied to how the Democratic candidate’s message on trade was interpreted by manufacturing workers. With Commerce Secretary Donald Evans and Treasury Secretary Paul O’Neil, advocating for
higher tariffs in exchange for strategic votes, the USWA’s political efforts were designed to critique the global market place and to exploit political realities. William Klinefelter, a lobbyist for the union, suggested the political payoff inherent in “saving” the domestic steel industry by admitting that, “If things work out, the president can go back to those states and say, “This is what I did” (Wayne 2002).

While political action around NAFTA, the World Trade Organization, Permanent Normal Trade Relations (PNTR) with China, and “fast-track” authority were unsuccessful, the union’s political activism proved enormously important to constructing a coalition of labor and environmental groups, against passage of a trade bill called the “Free Trade Area of the Americas (FTAA).” FTAA greatly expanded NAFTA provisions across the entire western hemisphere, and was strongly opposed by the AFL-CIO (Reyes 2001). The union further reinforced its anti-WTO position by gaining the signatures of one hundred House of Representative members on a fair trade resolution titled “Maintain United States Trade Law” (USWA Press Release 1999). In addition, within six months of the start of the new Bush Administration, the Commerce Department found that five countries had illegally dumped stainless steel bar into U.S. markets (Labor Relations Week 2001). The union won an important political victory when the International Trade Commission (ITC) ruled that domestic steel makers had “been seriously injured by the flood of low-priced foreign imports” and that there was sufficient cause for the Bush Administration to impose a tariff remedy for the injury suffered (Message from Pittsburgh 2001).

In testimony before the Senate Finance Committee in mid-February of 2002, USWA head Leo Gerard called on President Bush to impose the stiffest tariffs on foreign
steal products. Gerard claimed that any lesser measure against the “predatory practices” of “our trading partners” would launch “a parade to oblivion for virtually every American steel maker” (Senate Finance Committee Testimony, 13 February 2002). Despite Gerard’s warnings, the president chose to order a much less severe range of tariff relief measures than those advocated by the union. In addition, the USWA was troubled by the White House’s willingness to grant liberal “exclusions” to foreign producers on a wide number of steel products (Daily Labor Report 2002a; USWA Press Release 2002b). Nonetheless, sections of the “remedies” package were viewed by the USWA as offering at least a stage for revitalizing the domestic industry (USWA Press Release, 2002c). More importantly, it is unlikely that even a mild set of tariffs would have been tolerated by administrative “free-traders” like Trade Representative Robert Zoellick, without the union’s unprecedented and sustained political pressure, including 353,915 handwritten letters mailed to Washington officials (USWA Letter to All Local Union Presidents 2002). Union success however, in creating a space for the domestic industry to regain its footing was cut short fifteen months ahead of schedule when President Bush lifted the tariffs in December of 2004 (Henwood 2003).

The efficacy of steelworker political action can also be judged by individual member congressional voting on trade issues. It is worth noting that on the China PNTR vote, in the ten congressional districts where the USWA has the largest number of members, eight representatives voted “no.” Second and third tier districts (i.e., next ten) produced identical 6-4 “no” advantages (Message From Pittsburgh 2001). Cumulatively, representatives serving in steelworker districts cast 10 percent of the votes against PNTR. USWA political activity was also on display in the 2000 presidential election. A survey
of manufacturing members in Pennsylvania, Ohio, Indiana and Illinois revealed that over
two-thirds cast a vote for the International’s endorsed candidate Al Gore. More
importantly, over three-quarters of the surveyed members considered trade issues to be
important in influencing how they voted.3

Steelworker opposition to government trade policy has also taken the novel form
of a constitutional legal challenge. In United Steelworkers of America v. United States
(1998) the union argued that the constitutional provision (Article II, Section 2, Clause 2)
on ratification of treaties was violated in the passage of NAFTA. By a 61 to 38 vote the
trade bill was approved by the U.S. Senate. The union, however, argued that NAFTA
was a treaty and therefore required a two-thirds vote of the upper chamber before being
implemented. Union representatives defended their legal standing by pointing out “The
framers of the Constitution understood that the word ‘treaty’ is not confined to
agreements relating to war, peace and the military, but includes ‘treaties of commerce’”
(NAFTA Lawsuit: Plaintiffs’ Legal Position 1998). The U.S. Supreme Court ultimately
determined that it had no standing to determine whether the president and Congress had
the constitutional authority to enact NAFTA and the USWA’s legal challenge was
unsuccessful (Save Our Steel 2001).

As Crisis II continued to unfold, the principal long-term means for preserving
steelworkers’ jobs was embodied in an omnibus congressional bill titled, “The U.S Steel
Revitalization Act” (Steel Revitalization Act of 2001). Sponsored by members of the
House Steel Caucus, the multi-titled bill (known as H.R. 808) provides a federal blueprint
for addressing import restraint, legacy cost relief and the industry’s need for access to
capital. The bill is divided into five titles. Title I originally proposed a 5-year import
quota that would force back foreign steel penetration to the pre-Crisis II period (President Bush’s ITC order has, however ineffectively, nullified this item). Title II establishes a 1.5 percent surcharge on the sale of all steel products in the U.S to create a “Steelworker Retiree Health Care Fund.” The fund was modeled after the government mandated health plan implemented in the coal industry. Revenues in this fund would be used to offset up to 75 percent of steel firms retirees’ healthcare costs. Title III would increase the current authorization for the Steel Loan Guarantee program from $1 billion to $10 billion, and increase the government’s exposure of the loan to 95 percent, from 85 percent. Finally, Title IV creates a grant program established by the Department of Commerce to encourage consolidation of struggling companies in order to save domestic steel production capacity (Steel Revitalization Act of 2001). However, in early 2004 when the final version of this paper was submitted for publication, the political climate for additional steel relief was nonexistent and consequently, the measure was not under active consideration.

Early in 2003 the USWA was able to get a bi-partisan legacy relief bill introduced into both the House and Senate. The bill would have provided health coverage to retirees who lost coverage due to trade-related shutdowns. The measure however, was withdrawn after falling six votes short of defeating a Republican-led Senate filibuster (Daily Labor Report 2002b; Daily Labor Report 2002c; Murray and Wall 2002). While the USWA had no realistic expectations of moving the full Revitalization bill forward they remained committed to enacting legislation centered on retiree health care benefits.

**Conclusion: USWA and Political Bargaining**
Industry relief bills represent the essential piece in the union’s recent strategy to bargain on behalf of its members and underscore the shift in USWA orientation. This focus on state behavior has had a rippling affect, on not only the union’s external behavior, but also on its relationship with its members. Prior to the job loss created by Crisis I and II, steelworker material gains were made primarily through bargaining during periods of economic expansion. Union officers and attorneys appearing before labor boards, arbitration panels and Congressional hearings settled labor disputes. When talking did not suffice - and it did not fairly often - workers walked a picket line.

This halcyon period of unionism produced some heady results, but most of it was done without having to politically mobilize the ranks. But Crisis I and II has changed how the union operates. It is no longer sufficient to use economic weapons and sophisticated arbitration arguments to protect union members’ jobs. The USWA continues to be a dynamic representative in the marketplace, because it has decided to mobilize its members to act against an indifferent and at times, hostile state. As the union’s membership in steel sectors dwindles to less than half its total, each remaining steelworkers’ ability to communicate with his or her elected leaders is critical to the USWA’s relevance. Additionally, by prioritizing its relationship with governmental actors, the union has demanded that the membership be politically educated and take a larger stake in their bargained outcomes. In effect, crisis bargaining has meant internally mobilizing the rank-and-file and shifting from a classic servicing to an organizing model of unionism.

Bargaining of course still produces valuable contracts and resuscitates ailing steel companies. Current deals with ISG and US Steel are very innovative in adopting
groundbreaking incentive plans based on actual hourly rates and a quarterly profit-sharing payment tied to earnings per ton. The new agreements also include self-directed work teams that reward workers for production innovations. In addition, the union demanded and won unprecedented management staff reductions of over 40 percent. But in a wildly unstable and decentralized globalized steel market, the deal-breaking issues are being determined at the level of state behavior. The current labor agreements with ISG and US Steel are predicated on at least short-term government trade relief, significant assistance from the PBGC and the ability to consolidate the industry without government objection. The end result of state-aided consolidation however, may allow the union to move away from firm-level bargaining and return the process to an industry-level focus. A domestic steel industry characterized by large-scale operations may also prove a more viable political and market strategy to follow in an international “free trade” environment.

Ironically, the times may be ripe for negotiating with the state. And not just for the steelworkers. The diminished market power of most private sector unions has dramatically increased the importance of membership political mobilization. Unions from the Communication Workers of America to the Hotel Employees and Restaurant Employees have used public policy and electoral issues to advance their bargaining power (Katz, Batt and Keefe 2003). Many of the conditions, which in the past deterred political unionism, have either changed or been removed. First and foremost, is that the American steel industry no longer operates with limited international competition. With 300 million tons of overcapacity in the global steel market, fears of an inflationary oligopolistic industry are completely unfounded. Secondly, the most extreme phobias of
the Cold War, which limited labor union political creativity, crumbled with the Berlin Wall.

Third, the steel industry and other domestic manufacturing industries are facing unparallel economic threats. Fourth, a decade of labor-management partnerships and narrow profit margins has dampened the adversarial nature (with the exception of AK Steel) of steel labor relations. Fifth, there has been, at least since the “Seattle Rebellion,” a convergence of international and domestic forces opposing free-trade policies. Finally, while labor and management understand that collective bargaining can save companies and union jobs, it unfortunately offers limited and diminishing returns.

The USWA is insisting on a social insurance fund and national industrial policy for steel producers and their workers. While dramatic and sophisticated, the steel union’s political salvaging efforts have been hamstrung by on-going industry bankruptcy filings that reshuffle the deck chairs of an apparently sinking ship. Union bargaining no sooner ends than another date in bankruptcy court is set. Under these conditions collective bargaining is reminiscent of C.S Lewis’ (2001) reference to God as a “smooth incline upon which nothing sticks.” Yet, as bargaining over industry reorganization reveals, the steelworkers remain committed to a national solution. Perhaps they will also need to pursue new international union coalitions and multinational bargaining solutions. Without these measures, it is hard to imagine what bargaining during Crisis III will look like.

Notes

1. The integrated steel industry refers to large or “basic” steel companies which process their own raw materials (i.e., coke ovens and blast furnaces), make steel (i.e., open hearths, basic oxygen or electric furnaces) and roll semi-finished
products (i.e., slabs, billets and blooms) in primary mills and finished products (i.e., flat rolled sheets, wired rod and bars) in finishing mills.

2. Quote is taken from a letter written by an out of work member that was printed in the “Having Our Say” section of the International USWA magazine, *Steelabor*.

3. Results are taken from an unpublished survey of 5,000 members on trade and political mobilization, conducted by the author in the Spring of 2001.
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