

AK Steel locks out 2,700 Ohio workers and hires replacements

By Jerry Isaacs
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AK Steel Corporation, a major US steelmaker, locked out nearly 2,700 union workers Wednesday morning at its flagship plant in Middletown, Ohio, a city of 51,000 people located halfway between Dayton and Cincinnati.

The company is attempting to maintain production with management personnel and newly hired replacements who are being housed inside the factory. It is demanding job cuts and sweeping concessions, including higher out-of-pocket health care contributions, a freeze in pensions and the elimination of job classifications.

Even before the contract expired at midnight Tuesday, management ordered workers to clean out their lockers so they could be used by replacements, and escorted workers out of the plant before their shifts ended.

“Managers that we’ve worked for more than 10 or 15 years escorted us out,” John Green, a crane operator at AK for the past 10 years, told the *Middletown Journal*. “Instead of just letting us go home, they treated us like we’re a bunch of criminals.”

Green added, “We are AK. We made this all happen. We put the profits in their pockets.”

The six-year contract between AK and the Armco Employees Independent Federation—the union which has represented steelworkers at the Middletown mill for 63 years—expired March 1, and negotiators failed to reach a new agreement. Two decades ago, in 1986, the mill’s former owner, Armco, locked out workers in Middletown for five days in the first strike or lockout at the plant in a century.

In 1999, when AK acquired Armco Incorporated, it locked out 600 members of the United Steel Workers of America (USWA) at Armco’s Mansfield, Ohio mill for 39 months in a bitter contract dispute that was resolved in late 2002. Having imposed a humiliating defeat on the Mansfield workers, who were left isolated by the USWA, and then gaining cost-cutting contracts from the USWA at several of its other facilities, AK Steel is determined to achieve similar labor cost reductions at its largest mill.

The Middletown mill, which first opened in 1901, employs 40 percent of the company’s total hourly work force of 6,100.

AK Steel, which was formed in 1989 as a joint venture between Armco and the Kawasaki Steel Corporation, is a major producer of flat-rolled steel products for the auto, appliance, construction and manufacturing industries. The Fortune 500 Company, which employs more than 10,000 workers at major plants and offices in Ohio, Pennsylvania, Indiana and Kentucky, posted record sales of \$5.7 billion last year.

Despite the company’s recent financial turn-around, CEO James Wainscott has said repeatedly over the last two years that AK needs “new era” labor contracts that will allow it to be competitive against larger rivals. Behind the company’s demands are the efforts of the entire steel industry to slash so-called legacy costs, i.e., the health care and pension payments owed to hundreds of thousands of retired steelworkers and their families.

Since the late 1990s, more than 50 US steel producers have gone into bankruptcy, including such giants as Bethlehem, LTV, Republic, National and Wheeling-Pittsburgh. More than 100,000 retired steelworkers have lost health care benefits funded by the companies and tens of thousands have seen their retirement benefits slashed after these companies dumped their under-funded retirement plans onto the federal government’s Pension Benefit Guarantee Corporation.

Over the last few years the weaker dollar has boosted US steel exports and lowered imports significantly, while the decades-long destruction of steel-making capacity, coupled with a growing demand for steel products, has led to rising prices and profitability. As a result, steel companies have once again become an attractive buy for wealthy investors, particularly if they are able to sharply reduce legacy costs by tearing up existing labor agreements and jettisoning their pension obligations, through bankruptcy or other means.

AK Steel is widely considered by investment analysts to be a possible candidate for acquisition if it can sharply lower the more than \$3.2 billion in legacy costs it faces for its 32,000 retirees. AK’s shares recently rose sharply on speculation it would be taken over.

While the company claims there is no money to pay decent wages or maintain medical insurance and pensions for workers who labored decades in the mill, it has doled out millions of dollars to top executives.

The company's two top former executives—CEO Richard Wardrop and President John Hritz—were in line for \$63 million in severance and retirement benefits when they left the company in 2003, although their final settlement with the company was never disclosed. That same year AK Steel lost hundreds of millions of dollars and laid off about 20 percent of its salaried work force. AK's current CEO, James Wainscott, took in \$1.68 million in salary and bonuses last year, in addition to his company stock holdings worth \$1 million.

The company had sufficient cash to attempt the takeover of bankrupt steelmaker National Steel in 2003, while making it clear it had no intention of assuming National's pension and retiree health care obligations.

Shortly before the lockout, AK Steel mailed out 3,500 videotapes of CEO Wainscott arguing for the necessity of the concessions. Wainscott pointed to the recent takeover of the Weirton Steel mill, which was followed by the announcement of 1,000 job cuts. Suggesting a similar outcome if workers did not accept his demands, Wainscott added, "Weirton's costs were simply too high... keeping [it]

open was not a good financial decision."

Over the last two years the company has cut 400 hourly jobs and imposed speedup and long hours of overtime on its workers. The workers say many employees routinely work up to 80 hours a week, resulting in mounting safety and health risks. These conditions have contributed to the widespread anger among workers and the overwhelming vote by the rank-and-file two weeks ago—by a margin of 2,424 to 56—to authorize a strike.

Chuck Brewer, 56, of Monroe, who has worked in the mill 33 years as a truck driver, told the *Cincinnati Enquirer*, "The rank-and-file feels like we've been lied to so much by the company that you can't really trust anything they say.

"They promised us profit-sharing and we got it about three times out of all the years they promised it to us. They've come up with different ways, in my opinion, to beat us out of it."

Younger workers on the picket lines Wednesday said the struggle was not only about their own futures, but also the preservation of pensions and rights for which steelworkers had fought in the course of decades.

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