

Why did the USW's total assets increase as tens of thousands of steelworkers lost their jobs?

Evan Winters
21 June 2021

Over 4,500 striking or locked out workers, members of the United Steelworkers (USW), are currently represented including 1,300 striking steelworkers at Allegheny Technologies (ATI) in Pennsylvania and several other states, 2,400 striking Vale miners in Ontario, Canada, 2,500 strikers at ArcelorMittal in northeastern Quebec, and 650 locked out oil refinery workers at ExxonMobil in Texas. In each case, workers are forced to live on savings and wholly inadequate strike pay, as low as \$150 per week.

Many workers, including those who have paid into the strike fund for decades, are asking themselves where their money has gone. A look at the finances of the USW paints a picture of an organization whose welfare is entirely divorced from the well being of the workers it nominally represents. As it oversaw the decimation of steelworkers' livelihoods, the USW's assets have risen more than 600 percent since the year 2000 to over \$1.5 billion.

In 1979, the United States employed an annualized average of 242,747 workers in iron and steel foundries, according to the Bureau of Labor Statistics (BLS). The US produced much of the world's steel and the majority of the workforce was represented by the USW. By 2019, iron, steel, and ferroalloy manufacturing employment had fallen to 85,668, a decline of 65 percent. This figure includes the growing number of workers at non-union mills.

This decades-long jobs massacre was the desired result of deliberate policies employed by Democrats and Republicans alike, with the indispensable aid of the labor police force known as the USW. As US capitalism faced increased industrial competition from Europe and Asia and stagnating profits at home, the Carter administration in the late 1970s began its frontal assault on the working class, which accelerated under Reagan in the 1980s. At the same time, the nationalist trade unions sought to prop up the profitability of "their" companies by driving down the living standards of the workers they claimed to represent, pitting American workers against their brothers and sisters in Asia, Mexico, and Europe in a race to the bottom.

Precisely at the peak of steel employment in 1979, Paul Volcker was appointed by USW-endorsed Democratic President Jimmy Carter to head the Federal Reserve, the US central bank. Under the banner of "fighting inflation," Volcker raised interest rates to above 17 percent in 1980, deliberately inducing an international economic recession, ultimately raising interest rates as high as 21 percent in 1981. This recession caused a wave of steel mill closures, throwing 30,000 steelworkers out of their jobs by the end of 1980.

The incoming Reagan administration launched its war on labor in 1981 with the PATCO strike by firing 11,359 striking air traffic

controllers. This would not have been possible without the complicity of the AFL-CIO, including the USW, which refused to call a single member out on strike in defense of the air traffic controllers.

Meanwhile, steel mills continued to close at a rapid pace, with all organized resistance defused by the pro-company USW, which attempted to sell cuts in wages and benefits to its members under the guise of improving corporate competitiveness to "save jobs." Militant struggles in opposition to concessions were isolated and betrayed.

Then and now, the root of the betrayals of the USW like unions across the United States and internationally is unyielding support for capitalism and the nation-state system on which its rests. When US capitalism dominated the world market, workers were able to win some gains through the USW.

However, with the advent of globalization, enabled in part by rapid advances in computer and telecommunications technologies, this nationalist approach became untenable. The old trade union tactic of putting pressure on manufacturers or national governments to grant concessions to workers loses its leverage if companies can move their factories anywhere in the world. The USW and the rest of the unions were forced to choose between a struggle to unite workers across national borders and pro-capitalist nationalism. They all chose the latter, from the US to Europe to Latin America, Asia, and Africa. From pressuring the corporations for higher wages, the unions became organizations that cut workers wages in the name of shoring up the competitive position of "their" capitalists.

In the 1980s, the USW sabotaged and betrayed a series of militant strikes against concessions including the bitter strike by nearly 3,000 Arizona Phelps Dodge copper miners. In 1983, the miners, represented by the USW, struck against company demands for job cuts and concessions. Although the miners persevered for nearly three years, enduring savage repression by police and National Guard troops, the USW refused to call sympathy strikes or even send meaningful financial support.

The intransigent, socialist-minded doctor, Jorge O'Leary, led the strike. Instead of supporting the brave Phelps Dodge strikers, the USW International attempted to bribe O'Leary with \$175,000 (\$417,000 in 2021 dollars) to call off the strike. He turned the money down and asked them to put it in the strike fund. The USW refused.

Ultimately, all striking miners lost their jobs when scab miners were allowed to de-certify the union local in a vote that was upheld by the National Labor Relations Board in February 1986.

Throughout this period, the steel industry assault on workers' jobs continued with full force. Bitter strikes at Wheeling Pittsburgh in 1985

and US Steel in 1986 were isolated and betrayed by the USW. In western Pennsylvania, the 1980s saw the closure of the Duquesne Works, the Homestead Works, and de-industrialization of Monongahela Valley, as well as the decimation of Youngstown-Warren and Cleveland in Ohio, Chicago-Gary, IN, Buffalo NY, Allentown-Bethlehem, PA as well as steel-producing communities of Philadelphia, PA and Baltimore, MD. By the end of 1986, more than 110,000 steelworkers had lost their jobs, nearly half the peak workforce.

The 1990s and 2000s saw a wave of bankruptcies and restructuring schemes in the steel industry, in which companies such as LTV Steel, Jones & Laughlin, Bethlehem Steel, and others used bankruptcy courts to rob their workers, and particularly their retirees, of wages, benefits, and pensions won through decades of struggle. The USW was largely able to contain workers' opposition throughout this period using the same pro-company argument that the only way to save jobs was to accept concessions.

Instead of fighting these looting operations, the USW sought a piece of the action. In 1996, the USW hired investment banker Ron Bloom to work closely with then-USW president Leo Gerard to improve the "competitive" position of steel companies in the US. Bloom later orchestrated the Obama administration's 2009 restructuring of the auto industry, which cut starting pay in half. With guidance from Bloom and others, the USW actively pushed for mergers in the steel industry. Hailing these efforts, the *Pittsburgh Post-Gazette* noted in a March 4, 2007 article that these measures included "sacrificing thousands of jobs."

The USW bureaucracy was rewarded handsomely for these "sacrifices." In the 2000s, the USW began allowing companies to offload retiree health obligations through a Voluntary Employees' Beneficiary Association (VEBA). The USW would agree to allow the company to wash its hands of retiree health care obligations by paying less than it owed into a fund that the USW would administer. In this way, steel companies such as Cleveland-Cliffs and International Steel Group (now ArcelorMittal) were able to outsource the job of cutting retiree health benefits to the USW. In exchange, the USW was able to provide well-paid wealth management jobs to its executives, partially making up for the dues revenue the union lost as it allowed companies to axe its members' jobs.

Another strategy the USW pursued to maintain its apparatus of at least 993 salaried union officials was mergers and acquisitions of smaller unions. In 2005, USW membership in the United States rose by over 40 percent, from 535,461 to 754,978, due to the acquisition of the Paper, Allied-Industrial, Chemical and Energy Workers International Union. As a result, USW receipts have remained at roughly \$500-\$700 million per year since reporting began in 2000, with the exception of a spike in 2005-2006 coincident with the large merger. Expenditures have always tracked receipts to within a few percent, according to federal LM-2 filings.

It may come as a surprise to steelworkers that the USW's total reported assets have grown from \$263 million in 2000 to over \$1.5 billion in 2020. Total liabilities over the same period have risen from \$225 million to \$723 million. Thus, although the USW has overseen decades of job cuts and concessions in the steel industry and beyond, it now reports a massive \$790 million in net assets.

The bulk of USW's assets, \$1.1 billion dollars in 2020, are now invested in the stock market. This means that the USW has a direct material incentive to suppress strikes and wage increases in order to keep profits strong and stocks rising.

The USW also holds \$169 million in cash (11%), \$104 million in US Treasury Securities (7%), and \$121 million (8%) in "Other Assets." The latter likely include joint union-management training facilities and other real estate.

Although the USW nominally exists to help workers fight for improved compensation and conditions, the union spent only \$19 million in 2020 on strike benefits, or 2.4 percent of its net assets. The same union spent \$10 million on political gifts and lobbying, \$84 million for catch-all "Representational Activities" (largely payments to staff), and \$113 million on purchase of investments and fixed assets, selling \$35 million for a net of \$78 million dollars. Thus, while the union put up \$19 million to fund starvation rations for its striking members, the USW took in more than four times that much trading stocks and securities.

These financial records illustrate what many steelworkers already know: The USW is a business. More precisely, the USW is a combined investment vehicle and cheap labor contractor, controlled by a parasitic bureaucracy whose interests are entirely divorced from and in fact opposed to the welfare of the workers they claim to represent.

Striking and locked out workers at ATI, Vale, ExxonMobil, and ArcelorMittal must draw the necessary conclusions. You have many allies across the working class in North America and beyond, but as long as your struggle is confined within the USW straitjacket, you cannot win. Just as steelworkers in the 1930s rebelled against the conservative American Federation of Labor to form the USW, workers must build new organizations of struggle, rank-and-file committees, democratically controlled by their members.

Such committees must reach out as broadly as possible to their brothers and sisters across steel manufacturing, petrochemical refining, mining, and globally, rejecting the poisonous nationalism of the USW. These committees must fight for what workers need, regardless of what the companies say they can afford. Demands must include an end to layoffs, the restitution of all concessions granted by the USW, a return to the 8-hour day, and at least \$900 a week in strike pay.

Virginia Volvo workers are leading the way, having formed a rank-and-file committee that led workers to twice vote down the UAW's sellout contracts. We urge all workers who agree with this perspective to contact the *World Socialist Web Site* and the Socialist Equality Party today.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact