



Cornell University
ILR School

Labor Research Review

Volume 1 | Number 2

The Crisis in Steel: Jobs, Profits, Communities

Article 5

1983

Some Notes on Labor Costs

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Some Notes on Labor Costs

Abstract

[Excerpt] In the past year the steel companies have mounted a tremendous publicity campaign to get the public to believe that labor costs are at the root of the industry's problems. No aspect of the companies' argument is trickier than their presentation of "the facts" on this subject.

It has taken MCLR a while to disentangle the facts from the tortured interpretations put on them by the companies, interpretations which have been thoughtlessly repeated by the media. We are preparing a comprehensive analysis of labor costs and productivity in the steel industry for the next issue of Labor Research Review. In the meantime, we present here some brief notes on some of the companies' tricks.

Keywords

MCLR, labor costs

Some Notes on Labor Costs

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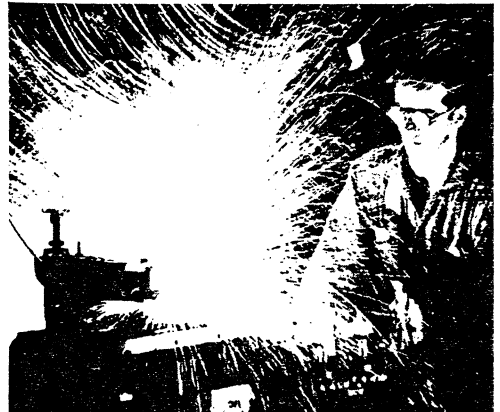
The following letter-to-the-editor was printed in the November 1, 1982, issue of the Wall Street Journal. It was written by MCLR member Sam Rosenberg.

Steel Wages

The section 2 article Oct. 6 on negotiations between the United Steelworkers and the major steelmakers exaggerates the extent and impact of steelworker wages. Employment costs, broadly defined, do comprise about one-third of total production costs. However, included therein are both the hourly wages of unionized steelworkers and the salaries of nonunion clerical workers and managerial personnel.

As unionized steelworkers have borne the brunt of layoffs in the industry, the share of hourly wages in total wages and salaries has declined over the past decade. Now, hourly wages account for two-thirds of total wages and salaries. Allocating two-thirds of total employment costs to employees receiving hourly wages suggests that the labor costs of unionized steelworkers account for at most slightly more than 20% of total production costs.

The article also asserts that labor costs have risen at a somewhat faster rate than the price of steel. A more correct



comparison would be between wage employee cost (including fringe benefits) per ton of steel and the price per ton of steel. From 1973 to 1980, the price per ton of steel rose at a faster rate than did wages per ton of steel.

It is easy to blame the union for the problems facing the steel industry today, as your article seems to do. However, the crisis in steel was not caused by steelworker wages and will not be solved by wage concessions.

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