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The fight to save an industry and middle class jobs from imports

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CLEVELAND, Ohio - The United States is losing middle class jobs; but those in the fight to limit steel imports are hoping they will be able to offer an example on how to save them.

At its core, the effort to limit steel imports is part of a much bigger effort to save American jobs. Not just any job, but "decent-paying" and "family supporting" jobs, to draw upon the chants of organized labor.

"The steel industry is important to the U.S. economy," said Robert Scott, director of trade and manufacturing research at the liberal Economic Policy Institute, or EPI, in Washington, D.C. "It directly supports more than a half-million jobs. Those jobs are in imminent danger."

Scott made his comments at a recent news conference about the study he co-authored on domestic steel jobs being at risk because of imports. The report says nearly 34,000 workers in Ohio are at risk of losing jobs because of steel imports. The figure ranks Ohio fourth for the number of workers in danger of displacement. (Texas was first with 59,800.) The report was done by EPI and the Law Offices of Stewart and Stewart.

The report said displacement has already occurred. Nearly 4,200 steelworkers in eight states have been certified for Trade Adjustment Assistance, given to workers who lost jobs because of international trade. It said about another 1,000 jobs have been lost in the first quarter of 2014.

On the surface it is a fight about trade. U.S. Senators Sherrod Brown, Democrat of Ohio and Rob Portman, Republican of Ohio, are among those leading efforts to get the U.S. Commerce Department to impose a duty on tubular steel imported from South Korea, which is often used in shale gas exploration. They say that country's steel producers are dumping the product in the United States, meaning it is being sold for less than what it costs to produce. Those supporting imposing a duty say foreign governments often offer subsidies to their steel producers aimed at unfairly undercutting American manufacturers.

Fundamentally, it is a fight about jobs, as a recent rally urging the Commerce Department to impose a duty showed. The members of the United Steelworkers union, among about 150 people who attended the May 5 rally at U.S. Steel's Lorain Tubular Operations plant, don't want to be included in the job loss statistics. Attendees also included elected officials and the Washington, D.C.-based Alliance for American Manufacturing, which is holding such rallies throughout the country.

But it was the steelworkers who stood out. It wasn't just because many were dressed in bright orange uniforms with matching hardhats. They stood as a testament to Northeast Ohio's blue-collar legacy, albeit faded by decades of manufacturing losses, often due to a global economy.

They also stood in juxtaposition to strikes and demonstrations that would occur several days later in front of fast-food restaurants across the country. Those workers were trying to attain what the steelworkers were so desperately trying to hold on to: decent-paying jobs with benefits.

Did the Lorain rally represent a glimpse at America's past, when being middle class was more easily in the grasp of the average worker? Did the fast-food strikes represent its future, where low-wage jobs will become more common?

Recent research about America's labor market suggests a diminishing middle class. For example, an analysis of federal data by the nonprofit National Employment Law Project found that lower-wage industries accounted for 22 percent of employment lost during the recession, but 44 percent of job growth over the past four years. Median hourly pay in lower-wage industries ranged from $9.48 to $13.33.

Mid-wage industries, where median hourly pay ranged from $13.73 to $20, accounted for 37 percent of job losses during the economic downturn, but only 26 percent of employment gains in the last four years.

Will a duty on steel imports save jobs?

Relying on tariffs to save jobs is misguided, said Dan Ikenson, a trade economist at the libertarian Cato Institute in Washington, D.C, which champions free markets. He said little could be done to strengthen the domestic steel industry, short of consolidating mills in the hopes of increasing competitiveness. Such consolidation, along with increases in technology would probably lead to job loss.

Instead of trying to save the industry, efforts should be directed toward job growth in emerging industries, Ikenson said. This doesn't mean steelworkers would be doomed to the lower-wage jobs that are proliferating. He said the creation of decent-paying jobs is possible if industry could be "unshackled" from what he deemed over-regulation.

"I don't think we should look to the steel industry as a source of massive employment anymore because it is not going to happen," he said.

Brown sees it differently. Even though manufacturing job losses have not returned to pre-recession levels, the sector has led Ohio's economic recovery. Additionally, such jobs still offer the fastest on-ramp to the middle class for a worker with only a high school diploma. Despite the losses over the decades, manufacturing still remains an important segment of Ohio's economy.

At issue for Brown, and others pushing for a duty, are Oil Country Tubular Goods, or OCTG, which are manufactured at the U.S. Steel plant in Lorain, where the rally was held.

Last July, U.S. Steel became one of several steel companies that brought an antidumping petition before the Commerce Department. The steel producers said South Korea and eight other nations, including India and the Philippines, were dumping OCTG in the United States.

In February, the department made a preliminary finding requiring duties, of varying amounts, on imports from eight countries. Tubular products from South Korea did not face a duty. This was disturbing to many in the steel industry because South Korea is by far the largest importer of such goods, amounting to $818 million in 2013, according to Commerce Department figures. India ranked a distant second place, importing more than $174 million.

The Commerce Department will announce its final determination in July. The preliminary finding was based on documentation supplied by the foreign countries or companies to show that they were not dumping. The final decision will be based on the Department verifying the documentation as well as considering other information, including that submitted by the public.

Brown and Portman lobbied their colleagues to sign the letter the recent letter to Commerce Secretary Penny Pritzker urging her department to make a determination that South Korea was dumping. The issue of jobs was at the center of the letter signed by 57 senators, including Brown and Portman.

"Steel produced for the U.S. energy market, such as OCTG, accounts for approximately 10 percent of domestic steel production, and U.S. OCTG producers employ nearly 8,000 workers across the country," the letter stated. "Each one of those jobs, in turn, supports another seven jobs in the OCTG supply chain. U.S. demand for OCTG products has been rising, but our U.S. producers are increasingly losing sales to foreign competitors."

Ikenson said such efforts don't represent a quest to save American jobs, but a support for protectionism. He said limiting imports would actually lead to more job loss. Without foreign competition, domestic steel prices would most likely increase. Ikenson said this would harm "downstream," producing industries that use steel, such as car and appliance manufacturers. He said higher prices would increase production costs, putting jobs in these downstream industries at risk.

"My argument is let's have cheap steel because steel is an input for a lot of down stream industries," he said.

"Any reforms need to take into account the impact of restrictions on downstream industries, so that protecting U. S. steel producers doesn't come out of the hides of auto producers and appliance producers," Ikenson said.

He said more expensive tubular steel would increase costs for the oil and gas exploration industry, which could also result in layoffs. Like steel, this industry - as well as those in the auto and appliance sectors - tend to pay good wages.

Do foreign steel companies now have an unfair advantage?

At the news conference about the report, Brown said since the oil and gas exploration was lucrative, that industry could absorb an increase in prices. Besides, current prices were made artificially low by unfair competition.

"It is a little bit like arguing that it is OK for people to buy stolen TVs just because they are cheaper," he said of the imported steel. "They are breaking international law by their dumping of steel."

The report's co-authors focused on how they believed foreign steel producers were getting an unfair advantage.

Elizabeth Drake, partner at the law firm that did the report with EPI, said the foreign producers often enjoy public subsidies, such as below market rates on loans from government owned banks as well as being able to buy land and energy at below market rates.

"There is an enormous amount of state involvement and state support for the steel industries in other countries," she said at the news conference. "Over half of the largest steel makers are state owned."

Because they are subsidized, these companies keep producing steel even when demand is lowered because of an economic downturn. They can avoid layoffs and a drop off in profits. She said these foreign producers know there is a place they will always be able to off load the excess production.

"The U.S. market, because it is so large, and because it is so open, becomes a prime target for this excess production when global capacity peaks," Drake said.

The report said steel imports increased 12.3 percent between 2011 and 2013. The first two months of 2014, they were up 24.5 percent over the same period in 2013.

Supporters of the duty on South Korean steel are determined to keep pushing for the duty right up to the Commerce Department's July 8 decision date.

"One of the last lines of defense that the steel industry and workers have are trade laws," said Scott Paul, president of the Alliance for American Manufacturing, at the news conference.

"Unless these trade laws are effectively and aggressively enforced, America will see job loss and will see a diminished capacity and a diminished market share."