SAVING THE MILL (AND ABOUT HALF THE JOBS) AT WEIRTON STEEL

by Charles McCollester

Friendly Takeover: How an Employee Buyout Saved a Steel Town
James B. Lieber

In his carefully researched and well organized book, James Lieber tells the story of an atypical corporate restructuring that, while depicting a success story, illustrates the difficulties faced by workers and communities struggling to maintain industrial jobs.

The “friendly takeover” of a large integrated steel mill in Weirton, W. Va., by its employees through the mechanism of an employee stock ownership plan (ESOP) owed more to Wall Street than to Karl Marx. Lieber situates the buyout of the mill in its historical context and skillfully wends his way along the twisting skein of negotiations, deals, and elections that determined the legal, financial, and political structure of the new enterprise. A lawyer in Pittsburgh, Lieber has taken particular pains to reconstruct the sequence and revolving cast of characters involved in shaping the deal. However, as befits his topic, workers’ voices and concerns enliven his narrative to a degree that is rare in the literature of corporate restructuring.

Weirton’s atypical character is rooted in its history. Founded by Ernest Weir, the large complex of furnaces and mills along the Ohio River with surrounding town and neighborhoods formed an archetypal company town. Weir fiercely resisted unionism and Weirton remained aloof when the rest of recalcitrant “Little Steel” companies finally accepted the Congress of Industrial Organizations union in 1941 on the brink of World War II. The Independent Steelworkers Union was designed by the company’s lawyers to be, in Lieber’s words, “ineffective, compromised, and self-lacerating.”

As the workers’ legal representative during the buyout attempt, however, the ISU provided a critical forum for worker debate and involvement in the process. Measures that had originally been taken to keep the union weak (like supplemental pay to officers and stewards that assured competition at union election time and contributed to high turnover and low authority for the union officials) encouraged lively electoral competition and political involvement as the ESOP plan evolved.

The plant’s parent owner, National Steel, had its own motives for transferring ownership to employees. On March 2, 1982 — known locally as “Black Tuesday” — National announced that it would make no further investment in the plant, and rather than shut it down, National favored selling it to employees. The company wished to abandon the declining tin plate business while escaping massive shutdown costs and pension liabilities which threatened to bankrupt it. Weirton’s closing might have entailed National’s demise.

In this peculiar negotiation, the seller had to sell to survive and the buyer had to buy for the same reason. Furthermore, since the union was widely perceived as a “company union,” the buyout was less threatening to the American business community than the takeovers of abandoned mills envisioned by radicals in Youngstown and the Monongahela River Valley in the Pittsburgh district. Weirton was packaged as “worker capitalism,” rather than as insidious socialism.

Despite their symmetry of interests, the Independent Steelworkers Union and National Steel faced a rocky road given the many questions about corporate structure and the nature of shareholder power that had to be resolved. A major factor preventing the relationship between the company and the union from becoming too cozy was the constant legal and organizational prodding done by Youngstown attorney Staughton Lynd and the Rank and File Committee. Through lawsuits, flyers, and public forums, questions were raised about the size of wage concessions, democratic control, equality of shares, voting rights for laid-off workers, and access to key economic information necessary for the workers to make informed decisions. The dissidents succeeded in shaping the deal to a degree, but their influence was effectively counterbalanced by a powerful media and church campaign waged around deep-seated community fears about the economic devastation that the town would suffer if the mill closed.

The Weirton workers preserved their mill and its dependent town by repeatedly backing away from a showdown over power. On January 12, 1984, the purchase was completed to create employee-owned Weirton Steel. Employees became workers by day and shareholders by night. The union became so caught up in the business and the issues of profit, loss, and investment that

Charles McCollester teaches at the Pennsylvania Center for the Study of Labor Relations Indiana University of Pennsylvania. He is also the editor of Fighter With a Heart: Writings of Charles Owens Rice, Pittsburgh Labor Priest (University of Pittsburgh Press, 1996).
workers at meetings questioned whether they “were in the company or in the union hall.” As investors and consultants pushed hard for a public stock issue that would dilute and ultimately dissolve any remnant of workers’ control over the business, Lieber notes, “Weirton seemed less like a steel town than a huge investors’ conference with financial analysts, fund managers, and members of the ESOP administrative committee lecturing constantly to groups of employees on every wrinkle of the upcoming decision.” By the time Weirton Steel stock went public in 1991, power was clearly shifting toward the investment bankers who “have an interest in marketing tightly run companies in a cost-cutting mode.”

Sipping a cappuccino while writing this review in a used book store on Pittsburgh’s South Side, in a block which was once lined by “shot and a beer” bars, I heard a man ask where he might find a book on refrigeration technology. I laughed to myself — Rousseau, Rilke, or religious mysticism maybe, but not refrigeration technology on the South Side anymore, is what I thought. We started talking and he told me he had worked more than 20 years at Weirton Steel and yet had not heard about Lieber’s book.

When questioned about the mill, he talked about constant downsizing, outsourcing, and subcontracting. He said there were only 4,500 union workers at Weirton (out of a total workforce of about 5,600), down from over 7,000 union members who had voted on the ESOP. He indicated that the talk around the mill was that downsizing would continue over the next couple of years and that they might end up with only a finishing mill.

The present union president at Weirton, Mark Glyptis, told me in an interview that the workers now own less than half of Weirton’s stock and that the sense of ownership that the workers felt in the early years has faded. Glyptis is deeply concerned about management’s declining interest in workplace safety. A four-hour union shutdown in the company’s tin mill over toxic emissions provoked a company lawsuit against the independent union.

Jim Lieber ends his book on an upbeat note. Indeed, his lively account of how the workers enthusiastically participated in numerous production committees to improve quality and efficiency shows how seriously workers will get involved in their jobs if given the opportunity. But, the costs of Weirton’s path to survival were high. The Weirton worker’s final words hung in the air of the cafe as the late autumn sunlight slanted across the polished wooden floors. “You know,” he said, “we saved the mill, but most of us lost our jobs.”

Friendly Takeover is an important contribution to the literature on corporate restructuring and the decline of regional manufacturing. Lieber’s study needs to be complimented by an equally meticulous examination of the contemporary attempts at “hostile takeovers” of steel facilities on Pittsburgh’s South Side or in the Mon Valley, which, unlike Weirton, faced an unwilling seller, a skeptical press, and an indifferent political establishment. In any case, Lieber’s book is a fascinating account of the multiple difficulties involved in trying to fundamentally change the relationship between labor and capital in this country even when conditions for doing so are almost ideal.

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**Encyclopedia of American Business History and Biography: Iron and Steel in the Twentieth Century**

Bruce E. Seeley, ed.


by Kenneth Warren

Like its predecessor volume dealing with the 19th century (published in 1989), this encyclopedia will prove an invaluable resource of easy reference for anyone studying the economic and business history of the steel industry. The 250 entries cover its technology, companies, leading individuals — mostly on the managerial side, but including a number of union leaders — major labor disputes, organizations, and industry-wide arrangements such as pricing policy. There are 139 biographical entries. A lucid introductory essay surveys the general course of the history of American steel in the 20th century. It is followed by a few tables charting the annual production of crude steel and steel imports and exports. Similar records for ore, coke, pig iron, and the main finished steel products would have been useful — yearly statistics for all are available.

A few important companies and individuals are omitted. Not very convincingly the editor’s note cites space constraints as the reason for excluding major steel operations attached to other industries, such as those of Ford Motor Co. or International Harvester. On the other hand, the many new companies founded this century and the leading individuals associated with them are covered well. This is the case, as examples, with Armco, the Verity family, and Charles Hook; with Weirton and the highly distinctive character of the company founder and his town, Ernest Weir; and with Inland Steel and the remarkable Block family dynasty. There is no entry for the strange leader of Midvale Steel in the early years of the century, Charles Harrah. The even more important William H. Donner also is not listed. After setting up one of the early tin plate operations in the 1890s, he built the Donora Works in the Pittsburgh district, then went on to an important role at Cambria and at Pennsylvania Steel before establishing the steel company which bore his name and became one of the operations of Republic Steel. Donner lived until 1953.

Price McKinney is mentioned in the article on Corrigan McKinney, but there is no systematic account of the business career of the man who, after building up a major Cleveland steel plant, committed suicide. A handful of the biographical entries are of people whose main work was done in the 19th century (James Gayley and Henry De Bardeleben). Russell Davenport and Robert Linderman, both important in the history of Bethlehem Steel, somehow or other seem to have been lost between the two volumes.

The material so amply provided in the encyclopedia enables the interested reader to trace connections or comparisons beyond the remitment of the authors. For instance, the biographical

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