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Steel Workers Demand Higher Pay as Tariffs Lift Profits

Workers at two top U.S. steelmakers are demanding higher compensation as tariffs on foreign metal push prices and profits to their highest point in years.

By Bob Tita

Workers at two of the biggest U.S. steelmakers are demanding higher compensation as tariffs on foreign metal push prices and profits to their highest point in years in a buoyant economy.

Leaders for some 30,000 members of the United Steelworkers union say United States Stee MMXMMl Corp. and ArcelorMittal SA aren't passing those benefits to their workers, who have gone without raises

in recent years even as wages have started to climb more broadly.

President Trump has said the 25% tariff his administration placed on steel imports earlier this year aimed to bring back good-paying blue collar jobs."The steel industry is one of the great things to be talking about," Mr. Trump told a crowd in North Dakota last week. "The manufacturing jobs are back."

U.S. steel companies are some of the clearest beneficiaries of the Trump administration's tariffs on foreign goods. The trade action has enabled them to raise prices in a strong economy that has boosted orders for steel.

The union's demands could put a damper of the sector's newfound fortune. Higher costs for wages and benefits would pressure steelmakers' profit margins that are only beginning to improve after many years of being squeezed by cheap imports

U.S. manufacturers in general are facing rising costs, even as they benefit from lower corporate taxes. Higher input prices, including for steel, have weighed on their business. Also wages are rising across the U.S. workforce as factories compete for a shrinking pool of available labor. Inflation is also picking up after years in low gear, putting pressure on employers to pay workers more.

"We feel we need some recognition and to share in the profits of the company," said Michael Young, president of the union local for U.S. Steel's Midwest Plant in Portage, Ind.

The United Steelworkers union is in a contract standoff with both companies. Workers have authorized union leaders to call a strike against U.S. Steel, and say they could do the same at ArcelorMittal if an agreement isn't reached soon. Contracts for both companies expired Sept. 1.

U.S. Steel said it doesn't anticipate a strike. "Talks are ongoing, and we continue to work diligently to reach a mutually agreeable conclusion," the company said. ArcelorMittal declined to comment on the strike threat.

U.S. Steel and ArcelorMittal account for 40% of the U.S. production capacity for flat-rolled steel used throughout manufacturing for products ranging from tin cans to car doors. The price of steel has risen by more than 30% this year, as the Trump administration's tariffs on foreign steel have taken effect.

U.S. Steel has forecast a more-than-60% increase in adjusted pretax income this year, compared with 2017. ArcelorMittal, which has mills throughout the world, doesn't issue a profit forecast for its U.S. operations.

A strike at either company could push domestic steel prices even higher, putting pressure on equipment and vehicle manufacturers—such as Deere & Co. and Winnebago Industries Inc.—that have already raised prices this year to cover higher costs.

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Industry analysts say U.S. Steel already has higher labor expenses and older, more complicated production processes than competitors such as North Carolina-based Nucor Corp., where the workforce isn't unionized.

The contract negotiations give U.S. Steel executives an opportunity to restrain rising benefit costs, such as health insurance coverage, and align pay more closely with profits and demand, said Philip Gibbs, an analyst at KeyBanc Capital Markets.

"U.S. Steel wants and needs more labor flexibility to deal with the volatility in the industry," Mr. Gibbs said.

U.S. Steel workers agreed to forgo raises for three years when the recently expired contract was negotiated in 2015. The Pittsburgh-based company had been losing money amid a slump in the steel industry.This year U.S. Steel has proposed a six-year contract with a raise of 4% in the first year and 3% in each of the next two. Annual raises would drop to 1% in the last three years, with the addition of new bonuses pegged to pretax profit. The lowest annual base wage, excluding profit-sharing and other variable pay, would rise to $71,726 in 2024 from $63,516 this year.

Union negotiators want U.S. Steel to provide bigger pay increases or drop a demand that workers pay part of their health-insurance premiums and higher copayments.

"They can use the windfalls of the tariffs and current industry climate we helped to create to pay themselves even more and then turn to us with dramatic cost shifting and wage packages that are far below what we've earned and deserve," the union wrote last week to its 16,000 members at U.S. Steel.

The union said ArcelorMittal's wage offer is also too low. The Luxembourg-based company offered a three-year contract with pay increases of 2% and 1.5% in the final two years. The union, which represents 15,000 ArcelorMittal employees, said the company also is seeking concessions on health insurance and other benefits that would cost workers more than their pay raises would provide.

"ArcelorMittal clearly intends to test our solidarity," the union said Friday in an online update on the negotiations.

Write to Bob Tita at robert.tita@wsj.com