A Letter to the President of the United States

January 18, 1946

Hon. Harry S. Truman
President of the United States
The White House
Washington, D. C.

Dear Mr. President:

Your proposal to me in Washington last evening that the wage demand of the United Steelworkers of America-CIO be settled on the basis of a wage increase of 18½ cents an hour, retroactive to January 1, 1946, cannot, I regret to say, be accepted by the United States Steel Corporation for the reasons set forth below.

As you must be aware, your proposal is almost equivalent to granting in full the Union's revised demand of a wage increase of 19½ cents an hour, which was advanced by Philip Murray, the President of the Union, at our collective bargaining conference with the Union in New York a week ago today. In our opinion, there is no just basis from any point of view for a wage increase to our steel workers of the large size you have proposed, which, if put into effect, is certain to result in great financial harm not only to this Corporation but also to users of steel in general.

As I have tried to make clear to you and other Government officials during our conferences in Washington over the past few days, there is a limit in the extent to which the Union wage demands can be met by us. We reached that limit when we raised our offer to the Union last Friday from a wage increase of 12½ cents an hour to one of 15 cents an hour. This would constitute the highest single wage increase ever made by our steel-making subsidiaries. Our offer of 15 cents was equivalent to meeting 60% of the Union's original excessive demand of a $2 a day general wage increase. Our offer met 75% of the Union's final proposal of a wage increase of 19½ cents an hour. A wage increase of 15 cents an hour, such as we offered, would increase the direct labor costs of our manufacturing subsidiaries by approximately $60,000,000 a year. That is a most substantial sum, and does not take into account the higher costs we shall have to pay for purchased goods and services, when large wage increases generally become effective throughout American industry, as is inevitable after a substantial increase in steel wages.

As you know, collective bargaining negotiations with the Union broke down at the White House yesterday afternoon, because Mr. Murray then refused to budge from his position that a country-wide steel strike must take place, unless steel workers are granted a general wage increase of 19½ cents an hour. Our offer of a wage increase of 15 cents an hour was again rejected by the Union.

The Union threatened to go ahead with its program for a national steel strike at midnight next Sunday, although such a strike will be a clear violation of the no-strike provision contained in our labor contracts with the Union, which continue by their terms until October 15, 1946.

From the outset, we have recognized how injurious a steel strike will be to reconversion and to the economy of this whole country. Most industries are dependent upon a supply of steel for their continued operations. We have done everything reasonably within our power to avert such a strike. If a strike occurs, the responsibility rests with the Union.

When the Government at the eleventh hour informed us about a week ago of its willingness to sanction an increase in steel ceiling prices, we at once resumed collective bargaining negotiations with the Union. Such price action by the Government was a recognition by it of the right of the steel industry to receive price relief because of past heavy increases in costs, something which the steel industry for many months has unsuccessfully sought to establish with OPA.

I should like again to point out some pertinent facts relative to the wages of our steel workers.

Since January 1941, the average straight-time hourly pay, without overtime, of our steel workers has increased more than the 33% increase in the cost of living during that period, recently computed by Government authorities. Steel workers' wages have kept pace with increased living costs. Such average straight-time pay in our steel-producing subsidiaries was $1.14 an hour in each of the months of September, October and November 1945, excluding any overtime premium and any amount for correction of possible wage inequities. An increase of 15 cents, in accordance with our offer, would raise such average straight-time pay to $1.29 an hour, placing such pay among the highest today in all of American industry.

Under our offer of a 15 cent increase, the average weekly take-home pay of our steel workers for a forty-hour week would amount to $51.60, assuming that no overtime is involved. This figure is only $4.54 less than the actual average weekly earnings of these employees, including overtime, in the last full war year of 1944, when the average work week was 46.1 hours. The difference is really less, because we will undoubtedly continue to have overtime in the future, just as we have at the present time. In November 1945, overtime premiums to our steel workers aggregated more than $1,300,000. Such reduction of $4.54 in weekly take-home pay is the natural consequence of a shorter work week of forty hours, and therefore one of lower production.

Much as we desire to avoid a steel strike, we cannot overlook the effect both on this Corporation and on our customers and American business in general, of the 18½ cent an hour wage increase, which you have proposed. Such a wage increase must result in higher prices for steel than have previously been proposed to us by the Government. Great financial harm would soon follow for all users of steel who would be obliged to pay higher prices for their steel, higher wages to their employees, and still have the prices for their own products subject to OPA control. Such a high and unjustified wage scale might well spell financial disaster for many of the smaller steel companies and for a large number of steel fabricators and processors. The nation needs the output of these companies. Increased wages and increased prices which force companies out of business can only result in irreparable damage to the American people.

In our judgment, it is distinctly in the public interest to take into account the injurious effect upon American industry of an unjustified wage increase in the steel industry.

After a full and careful consideration of your proposal, we have reached the conclusion above stated.

Respectfully yours,

BENJAMIN F. FAIRLESS,
President,
United States Steel Corporation

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