

SCHNITZER STEEL INDUSTRIES TO CUT SEVERAL HUNDRED JOBS



Schnitzer Steel Industries is a name that many of you may not know. After all unless you have a lot of need for heavy metals in your life why would you? So for those of you who are not familiar with the company here is a look at how they have chosen to [describe themselves](#), "Founded in 1906 as a one-man scrap metal operation, Schnitzer Steel Industries, Inc., has become one of the nation's largest recyclers of scrap metal, a leading provider of used and recycled auto parts and a manufacturer of finished steel products. With an extensive national and global reach, the company achieved \$2.3 billion in revenues in fiscal 2010 and was ranked #863 in the 2010 Fortune 1000 list of companies. Schnitzer Steel common stock is traded on the NASDAQ Stock Market under the symbol SCHN. With corporate headquarters based in Portland, Oregon, the company represents the complete cycle of reuse through its three integrated operating segments, the Metals Recycling Business, the Auto Parts Business and the Steel Manufacturing Business." Sadly the company has made an announcement that is bad news for their current workers. The company has decided to take on a substantial restructuring, one that will impact [several hundred jobs](#), "The completion of these initiatives is expected to yield higher earnings and to increase shareholder returns by further integrating our Metals Recycling and Auto Parts Businesses, streamlining our corporate functions, and reducing organizational layers. These initiatives are expected to lower annual operating costs by \$25 million and be substantially complete by the end of the first quarter of fiscal 2013. Total restructuring charges are expected to be approximately \$12 million, with \$5 million of that amount expected to be incurred in the fourth quarter of fiscal 2012. Of the remainder, approximately half is expected to be incurred in the first quarter of fiscal 2013, with the balance by the end of the fiscal 2013. The restructuring charges primarily represent costs connected with the elimination of approximately 300 positions, or 7% of our current workforce, and contract termination costs, including from the consolidation of certain administrative offices. More detailed information will be provided during the Company's fourth quarter earnings call in October." These kinds of job losses are almost certain to end up in a mass layoff action. For those of you who are not familiar with the idea of a mass layoff action here is a look at how the federal government [defines](#) the term, "The **Mass Layoff Statistics (MLS)** program collects reports on mass layoff actions that result in workers being separated from their jobs. Monthly mass layoff numbers are from establishments which have at least 50 initial claims for unemployment insurance (UI) filed against them during a 5-week period. Extended mass layoff numbers (issued quarterly) are from a subset of such establishments—where private sector nonfarm employers indicate that 50 or more workers were separated from their jobs for at least 31 days." Under the terms of a mass layoff action the company must give several weeks of advance notice in order to give workers, and the community at large, time to prepare for the loss of income. The company recently released its most recent fiscal data, which shows why the company is getting ready to cut back on so many jobs. Here is an excerpt from [that release](#), "Schnitzer Steel Industries, Inc. (NASDAQ:SCHN) announced today its market outlook for its fourth quarter of fiscal 2012. In early June, export sales prices for ferrous metals, net of freight, dropped approximately \$70-80 per ton from May levels, largely driven by slower global growth rates, economic uncertainty, and the stronger US dollar. Export sales prices remained relatively flat for the remainder of June and July before increasing slightly in August for September shipments. During the quarter, the supply of scrap continued to be constrained by low US GDP growth, and was further impacted in the fourth quarter by a lower price environment and unusually hot weather. As a result of these conditions, average inventory costs were not able to decline as quickly as cash purchase costs for raw materials. Average inventory costs are expected to adversely impact consolidated operating income by approximately \$25 million compared to the third quarter, with approximately two-thirds of this impact affecting our Metals Recycling Business."