SHUTDOWN IV

Unions, communities wage uphill battle against plant closings

By David Moberg

WORKERS AT THE OLD Glidden paint factory in Ohio had been worried that their plant might be shut down. The SCM conglomerate had bought the parent firm, and the work force was shrinking. But when they went to management in 1974 with bargaining proposals to cover that possibility, the boss was reassuring. "Hey, you know us. We've been here since 1885," he said, as local union president Nick Kostandaras now recalls. "This is our main headquarters. We're not going to shut down. We're not going to go." Two years later, in January 1976, the plant was shut down, throwing out of work the 119 workers who remained out of the original 220 employees.

In their newly opened Cleveland office, the founders of the Ohio Public Interest Campaign (OPIC) read about the closing. Many of them were former anti-war activists and local organizers who had discovered how disruptive plant closings could be not only for the workers affected but also for the whole community. They had decided in 1975 to build a coalition of labor unions, community groups, religious organizations, and other like-minded parties to do something about the closings, which they estimate have cost Ohio 80,000 jobs since 1970.

"In a lot of other situations working class people and middle income people get pitted against each other," OPIC research director Ed Kelly explains, "but around plant closings it would be possible to build a broad coalition that would not only be powerful but also would unite the right allies against the right enemy."

The "right allies" have been drawn both from the labor movement and from the community at large, thus linking labor with its interest in job protection to a general public concerned about the "urban crisis" in a potentially powerful new political bloc. The enemy has been defined as the big corporations who show no responsibility to workers or their community.

Battle strategies are varied.

In the Glidden case, OPIC helped Kostandaras develop a strategy for negotiating and brought press attention to the workers' plight. In public meetings and talks with local politicians, they tried to demonstrate that the factory could still operate profitably. The workers offered to forego severance pay they were owed and to take a cut in wages to keep the plant open. They didn't succeed, but they did win a fatter severance package thanks to the public pressure.

"If it hadn't been for OPIC and their concern," says Kostandaras, now an OPIC board member and district council president of the Oil, Chemical and Atomic Workers, "I'm sure the workers who were fired wouldn't have got what they did."

Yet the efforts of OPIC and the local union weren't good enough. Six months after the shutdown, 39 percent of the Glidden workers were unemployed and 34 percent were working, but for lower wages. OPIC decided that political action was necessary.

Their Community Readjustment Act, introduced in the state Senate in 1977, would require that any corporation with over one hundred employees that closes (in whole or part) or relocates must give two years advance notice, severance pay at least equal to one week's pay for each year worked, and community assistance money equal to ten percent of the affected annual payroll.

Maine, in 1971, passed legislation requiring a month's notice and severance pay, and Wisconsin required notice of closings, mergers or relocation in a 1975 law. But it was OPIC's action that inspired activists and legislators in a number of other states to take up the closing battle.

Legislation has now been proposed in New Jersey, New York, Connecticut, Rhode Island, Michigan, Illinois, Pennsylvania, Oregon and, applying to farmworkers only, California.

Few of the bills are stronger than OPIC's, and even the OPIC staff admits that their proposal is very modest. But that hasn't stopped business lobbying groups from fiercely fighting the bill. The Ohio Manufacturers Association calls it "industrial ransom," and everywhere businesses claim that passage of such legislation will stop new jobs from developing in the state.

Some strategists argue that such legislation at the state rather than the federal level will inevitably lead to a familiar blackmail: pass this bill and we'll leave. But Ira Arlook, director of OPIC, argued at its recent Ohio conference on plant closings that the emergence of strong statewide movements could build the popular pressure that would be needed for federal legislation.

In one form or another, bills to deal with plant closings have been around for several years in Congress without going anywhere. One current bill, drafted with the advice of the United Auto Workers, is being introduced by Cong. William Ford (D.-MI). A substantial revision of the earlier Ford-Mondale bill, the legislation would require advance notice of closings or major layoffs ranging from 6 months to 2 years for different-sized firms (although none under 50 employees would be affected). The Sec. of Labor would be instructed to investigate ways to avoid the closing, such as alternative production, targeted aid, loans or grants and technical assistance.

Unlike the previous bill, which put the financial burden on the federal government, the new bill emphasizes the employer's responsibility. Displaced workers would have to be offered the right to transfer to any substantially similar employment of the firm within commuting distance. If no transfer is available, they would be guaranteed 85 percent of their past wage for one year as well as continued health, pension and other benefits. Also, if any tax revenue is lost to the locality, the company would have to pay 85 percent of one year's taxes (plus triple one year's lost federal tax if the plant moves to another country).

A bill introduced in March by Rep. Joseph Gaydos (D.-PA.) includes many of the Ford provisions but also emphasizes that the firm must provide full explanation of the closing, assessment of alternatives and full financial information on the firm. Sen. Harrison Williams (D.-N.J.) also plans to introduce a bill with many of the same kind of provisions for notification and assistance. He would encourage employee ownership of firms as an alternative to shutdowns. Another piece of legislation, introduced by Reps. Peter Kostmayer (D.-PA) and Stanley Lundine (D.-NY), addresses the problem in a different way: it provides loans and technical assistance to facilitate worker or community ownership of plants threatened with closing.

Conservative members of Congress, and many liberals, are expected to balk at much of the plant closing legislation. "These guys are scared shitless of the companies," one disgusted Congressional staffer said contemptuously. However, employee stock ownership plans—ESOPs—appear less threatening and have broad support, since they do not directly challenge corporate control. Ironically, most of the AFL-CIO unions have been very cool to worker or community ownership, although they have generally supported the provisions for notification and compensation. Among other objections, they fear that worker ownership would displace traditional collective bargaining.

Despite the attention being given to the OPIC-style state proposals and the similar legislation at the federal level, nobody thinks that requirements for notification and for payment to workers and the community are sufficient to deal with the problem of factory closings.

"It's like a pebble you throw in the pond," says economist Tim Nulty, who has worked on the issue both for the UAW and the Federal Trade Commission, "Ultimately you can see in this the microcosm of the whole economy. Some people would say that you can't solve the problem of plant closings without a revolution. The investment decisions, the degree of research and development—whatever—it's all part of the context."

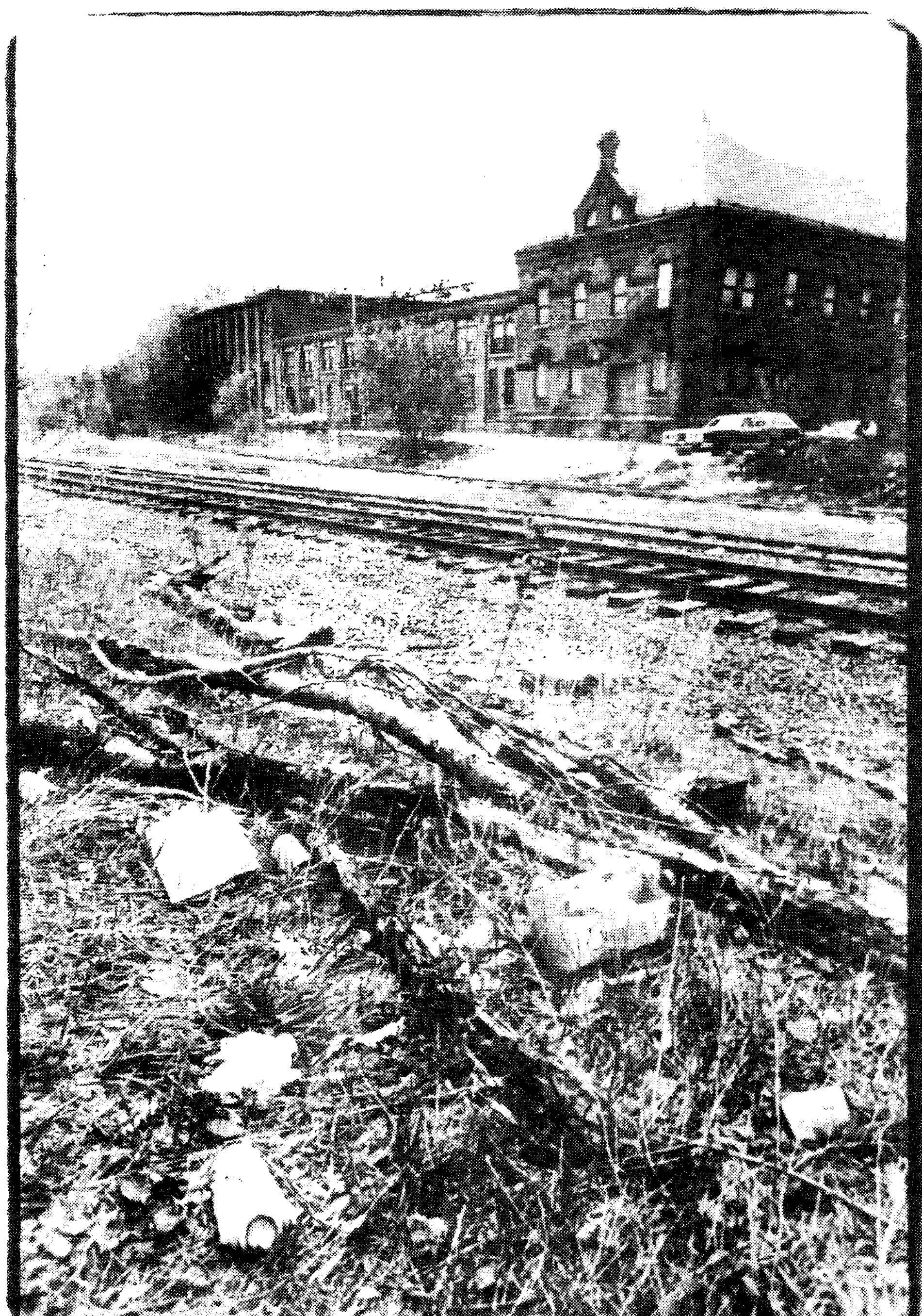
Awareness of the problems associated with plant closings and interest in ways of resisting the trend have grown gradually over several decades, taking off in the late sixties with the great increase in U.S. direct investment overseas in manufacturing, the penetration of many foreign imports into the domestic U.S. market, the expansion of conglomerates, the quickening shift to the Sunbelt and the depletion of the inner city economy as suburbs took over as manufacturing centers.

Unions, predictably, had been among the first to react. Over the years some unions had bargained for job protection—including work rules and crew sizes, short workweek or slack work period adjustment, and attrition plans. In 1975, according to the Bureau of Labor Statistics, 20 percent of workers under major contracts (1,000 workers or more) had the right to transfer if there was a plant closing, consolidation, or merger.

Unions also have bargained for assistance in adjusting to shutdowns. Among workers covered by major contracts in 1975, 38 percent were guaranteed severance pay if the workplace closed and 28 percent (50 percent of manufacturing workers) had supplementary unemployment benefits. Few workers, however, had contractual guarantees of even very limited advance notice: only 9 percent in case of plant closure, 17 percent in case of technological change.

Few unionists would argue that these protections are more than mild palliatives that don't challenge the decisions behind closings, but there are obstacles to using collective bargaining in such situations. "When you look at the problem there are two things we have to come to grips with if we want to get a handle on this problem," says Dick Greenwood, special assistant to Machinist president William Winpisinger. "First is management prerogatives, embedded in 44 years of labor law, and the second is proprietary information. We can't go to the bargaining table and do anything because it's beyond the scope of bargaining as defined by law—wages, hours and working conditions." Also, even if bargaining were permitted, usually the issue comes up when workers have little clout left. Lacking access to corporate financial information, they can't judge easily if a worker takeover could succeed.

Organization is replacing capitulation as towns and unions find that tax breaks don't prevent plant closings.



Lionel Delevingne

This building used to house a steel company. When the company left, the Clinton Press Cooperative took over the building.

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Closings

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Nevertheless, unions should try to bargain about the decision itself and not just severance pay, argues labor attorney Staughton Lynd, who has worked on the Youngstown, Ohio community-worker ownership plan. It's a grey area in the law, Lynd concedes, but he believes that "the unions have more room to explore than they have tried." The Rubber Workers won some new guarantees of notification and the right to negotiate the closing in their latest contract.

At times the bargaining has been to the company's advantage—with the union conceding pay increases, work rules and nearly anything else in order to keep a factory, then often losing it. For 25 years, Ed Kelly says, the rubber industry demanded and received concessions from the union to prevent shutdowns in Akron, yet all the while the companies continued to leave, badmouthing the union as they closed the last gates.

In Europe there have been dramatic examples of occupations or sit-ins—such as the Lip watch company in France or the Clyde shipyards in Scotland—and threats of strikes at operating branches of a firm in support of one threatened with closing, but such action has largely been absent in the U.S.

Now there is a nascent effort to develop an early-warning system and counter-plans by teaching workers and local union officials how to read signals of a future shutdown or major change in employment—such as failure to maintain or replace old equipment. Other unionists, such as members of the Independent Skilled Trades Council in the Auto Workers, urge that members be trained as well to detect impending automation that could cut out many workers.

A wide range of other union policies have been linked to plant closings. The AFL-CIO, for example, has for many years tried to fight international "runaways" and shutdowns resulting from foreign competition by backing the principles embodied in the Hartke-Burke bill: quotas on imports, elimination of the foreign tax credit and tax deferment, control on U.S. corporate export of capital and technology. (The UAW dissents on import quotas.) To counter the "runaway shop" within the U.S., unions have argued for repeal of the right-to-work laws and have bargained for corporate "neutrality" in organizing campaigns.

In a number of instances, the federal government—with support and pressure from unions—has devised plans to soften the impact of job losses caused by federal action, starting in 1933 with compensation to railroad workers who lost jobs as a result of corporate consolidation facilitated by the government. The most generous program of this type was adopted in 1978 to cover workers displaced by expansion of the Redwood National Park.

There are special programs for defense department shutdowns, although Sen. George McGovern is now pushing for expanded conversion legislation. Also, since 1974 roughly 300,000 workers have received Trade Readjustment Assistance after the Labor Dept. ruled that increased foreign trade cost them their jobs.

In recent years, unions have been joined by many community political forces who have felt the blow of repeated shutdowns with little new business emerging as replacement. The most common approach, however, has not been an OPIC-style effort to challenge corporate power just a little, but rather a desperate effort to lure or retain business by offering tax abatements and other concessions. The strategy is often extremely costly. Also, most research on industrial location decisions shows that taxes are a relatively low-ranking consideration for most businesses in choosing a new site, although some firms do flee high taxes, rents and —most prominently—high wages. The need for more space, desire for executive amenities, availability of good schools, police and public services and a variety of other factors often weigh most heavily in deciding where to locate. In any case, the bribery game between states and cities leads to competition that ultimately depresses wages and living conditions.

There are positive steps that communities can take to build up the local economies in the face of corporate shutdowns. One is for workers, often with the community, to take over ownership and operation of the abandoned facility.

Throughout the older industrial states there are numerous successful examples —and some failures—testifying to the value of such an approach. Often the new business avoids the burdens and mismanagement of conglomerate ownership. In most cases productivity increases dramatically, especially if there is a substantial expansion of control by workers over their workplace. Unfortunately, worker ownership does not always bring worker control. In many of the Employee Stock Ownership Plans now developing managers hold the largest bloc of stock and workers often don't have voting rights. Such an ESOP may guarantee them jobs, which they finance themselves, but it does not bring all of the potential benefits, according to research by the University of Michigan Survey Research Center.

Especially in cases of conglomerate shutdowns of unwanted subdivisions, worker-community buy-outs can make a lot of sense. But in many instances, opponents of plant shutdowns agree, the business must simply be allowed to fold. "I'm convinced the significant majority of plants closing are not only unprofitable to the parent firm but likely to be insufficiently profitable for anyone else," argues Michael Kieschnick, a development economist for the Environmental Protection Agency.

Kieschnick and others believe that communities should concentrate not on stopping closings or saving old plants but rather on helping new businesses start, since the significant difference between boom and bust areas of the country is not in the number of business failures but rather in the rate of new businesses opening. Also, such strategists argue that there should be a variety of public institutions to help finance—especially with venture capital and not just loans—small businesses in particular.

Small, independent businesses create a far greater percentage of new jobs than established, corporate giants. That may be because of their innovative vitality, but it also partly reflects the shift in recent years of major corporate capital out of the country. Economists are still very uncertain about how new jobs are created and they don't really know what kind of new jobs the small firms generate. Perhaps, Kieschnick cautions, they are disproportionately low-wage operations lacking unions and desirable working conditions.

States and local areas could set up more Small Business Investment Corporations in association with churches, unions or community groups to use public and private funds to start new, small businesses. Other money could be available through programs of the Economic Development Administration, the Dept. of Housing and Urban Development and the new Federal Cooperative Bank. Despite strict investment restrictions, pension funds, especially from public agencies, could be another source of development money.

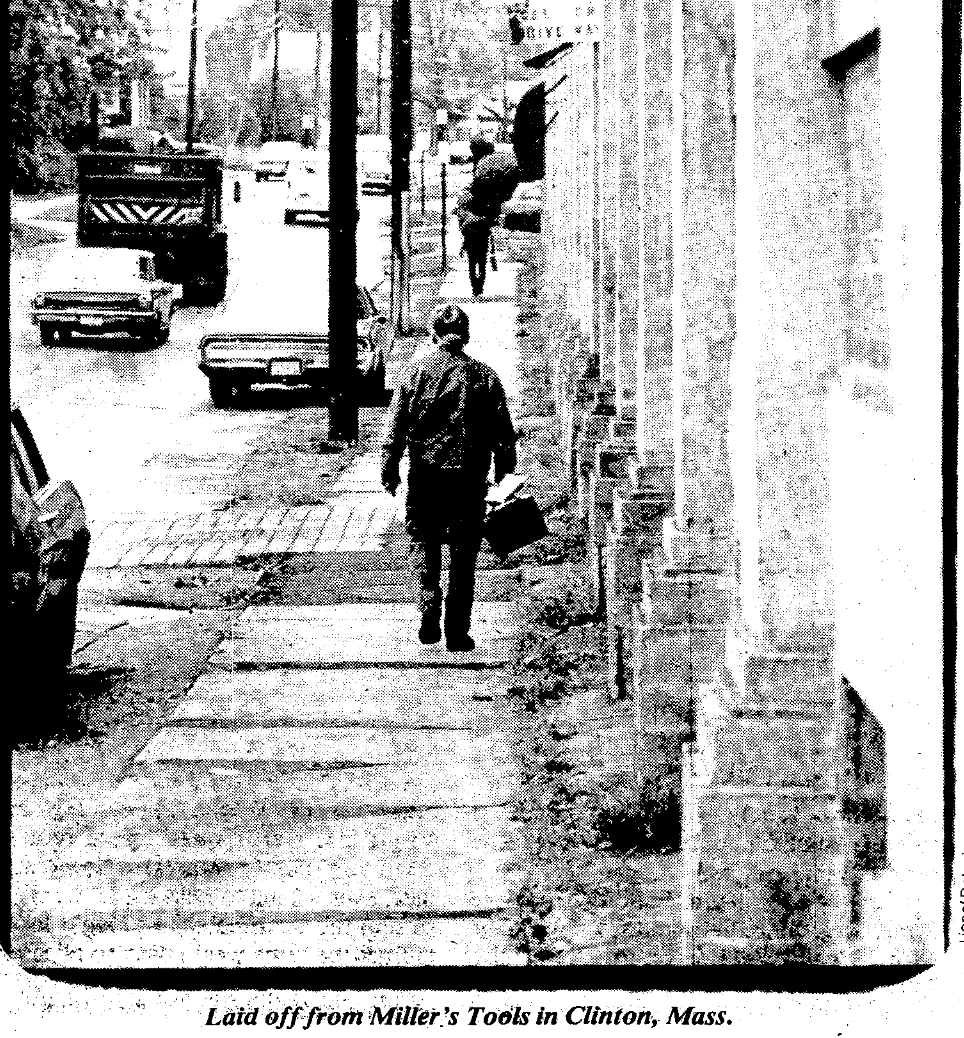
There are, for the creative, many ways, even with existing legislation, to use public money to leverage private investment. There are also a variety of possibilities for public banks, investment corporations, and even public enterprises. Rather than beg or bribe businesses, communities can take more direct control over their economic well-being. If combined with federal programs that favor needed new production—such as energy conservation or solar devices, mass transit or localized food production—community development could become a building block in reconstructing the nation's economy.

Although the growing oppositon to abrupt, arbitrary plant shutdowns has united many of the "right allies" on the need to do something, it has not yet united them on precisely what to do. Nor have the efforts yet posed a serious threat to corporate power or capitalist patterns of investment.

The potential of the movement is great, however. Shutdowns by themselves still affect only a small percentage of firms, even in the hardest hit areas. Yet refusing to accept such abandonment as natural and by refusing to trust businesses to bring back what they have taken away, the workers, union leaders, community groups and politicians who have banded together begin to face a vast array of central issues: Who decides where to invest and what to produce? How is capital allocated? What research and development is needed? What rights over property do workers and communities have and what responsibilities does capital have? How can the public control capital? How should the workplace be organized?

The issues can be posed at every juncture in the economic process, but the threat of plant closings provides a sense of urgency and of public interest. At every point in the debate, the alternatives can be divided into two broad camps: one defers to the corporations and private sector the power over the livelihood of people and their communities, the other asserts the right of workers and the public to greater democratic control. ■

One government economist thinks many plant closings are not worth stopping. He says communities need new business, not dying ones.



Lionel Delevingne

Laid off from Miller's Tools in Clinton, Mass.

Further Reading

Here are a few readings—and viewings—that provide further information about the problems of plant closings and various strategies for union or community action:

- *Plant Closings* and *Tax Abatements*. Two short collections of readings put together by OPIC and the Conference on State and Local Policies, 1901 Q St., N.W., Washington, D.C. 20009.
- *Industrial Exodus*. A brief diagnosis with prescriptions by OPIC researcher Ed Kelly, available from the Conference.
- *Economic Dislocation*. A report on legislation in West Germany, Great Britain and Sweden from a three-union tour, available free from the United Auto Workers (8000 E. Jefferson, Detroit, MI 48214), the Machinists (1300 Connecticut Ave., NW, Washington, D.C. 20036) or the Steelworkers (5 Gateway Center, Pittsburgh, PA 15222).
- *The Public Balance Sheet*. Analysis of community costs and benefits by David Smith with Patrick McGuigan, available soon from the National Center for Economic Alternatives, 2000 P. St., NW, Washington, D.C. 20036.
- *The Right to Useful Work: Planning by the People*. Edited by Ken Coates for Spokesman Books (Gamble Street, Nottingham, England) The essays argue for worker alternative plans to shutdowns.
- *Democracy at Work*. A report on worker ownership and self-management by Daniel Zwerdling, $5.50 from Association for Self-Management, 1414 Spring Road, N.W., Washington, D.C. 20010.
- *Global Reach*. The power of multinationals as interpreted by Richard J. Barnet and Ronald E. Muller, Touchstone pb.

Several films on plant closings are available from California Newsreel, 630 Natoma Street, San Francisco, CA 94103, often on a "what-you-can-afford" basis for community and labor groups: *We've Always Done It This Way* (the Lucas Aerospace campaign in England, with an introduction by Machinist president William Winpisinger), *The Fight Against Black Monday* (the Youngstown steel shutdown), *Controlling Interest* (the role of multinationals) and *Temiscaming* (report on a reopened Canadian pulp mill owned by workers and the community).

—**David Moberg**