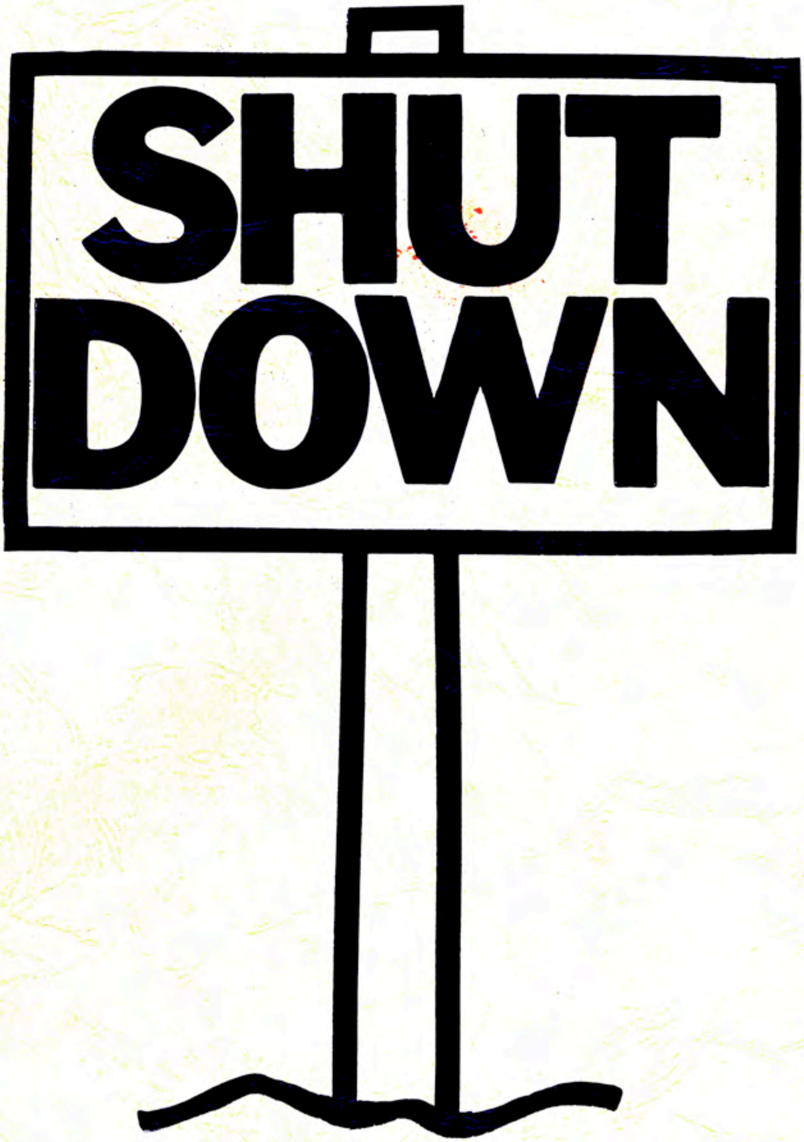


. . . 15 Early Warning Signs of Plant Closure

Introduction

In 1980, dozens of communities in Southern California were hit by unexpected plant closings. Too often the companies gave little or no warning to either the communities or their employees.

While the most publicized plant closings have been in the auto, steel, and rubber industries, shutdowns have hit dozens of other industries in Southern California. This should serve as a warning that no worker, industry, or community is safe from shutdowns.

What can you and members of your community do to fight this threat to your job and your neighborhood? There is no state or federal legislation requiring companies to inform workers or communities of impending shutdowns. Therefore, workers and community leaders must be aware of the *early warning signs* of plant closures.

Why is it important to take notice of the *early warning signs?* Early recognition affords you the time for examination and implementation of alternatives to plant closure and losing your job.

Plant closings cause long-term unemployment and income losses within the affected community. These losses are worse during periods of recession than during good times, because jobs in other sectors are also getting squeezed. If there is a restructuring of the local economy, there is no assurance that the new jobs will be equivalent to the old. According to a recent study, 60 percent of laid-off workers never regained their previous occupational status. That's only part of the story. Laid-off workers use up their hard-earned savings just to pay their bills and meet their mortgage payments. Health problems multiply. Families are in distress.

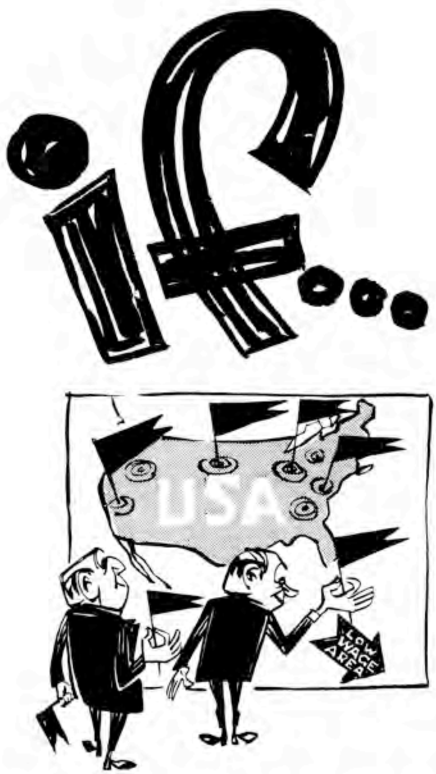
A major study of plant closures by Barry Bluestone and Bennett Harrison, *Capital and Communities,* points out that one out of five lay-offs are caused by plant closings. Bluestone and Harrison estimate that "between 1969 and 1976, at least 15 million jobs appear to have been destroyed in the United States as a direct result of plant shut-downs."

Pressure upon the resources of local communities are strained to the breaking point because of plant closings. Communities face tax revenue losses, while the demand for public social services goes up. Tremendous social and personal costs are placed on the people and communities left behind, while the corporations, disclaiming any responsibility, eagerly search the world for increased profits.

Corporations move primarily to find low-cost, non-union labor. Right-to-work states such as Mississippi, Alabama, North Carolina, and South Carolina advertise their cheap labor and anti-union environment as prime incentives for attracting corporations. Multinational corporations such as Ford, General Electric, and IBM search for ever greater profits in countries such as Mexico, South Korea, Taiwan, or Haiti, where labor organizing is repressed and wages are but a fraction of United States wages. Too often, military dictatorships are established in these Third World countries to maintain a docile, repressed workforce attractive to multinational investment.

Your plant may be preparing for a closure...

if...

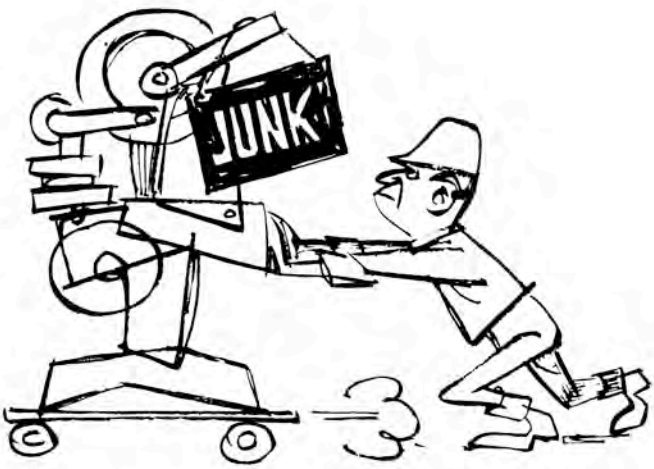


Your company opens a new plant in another state or country making the same thing you are but paying lower wages...

In January 1981 the Max Factor Company announced that its Los Angeles cosmetic production facility would close in 1982. The Los Angeles plant, under union contract with the ILWU, employs 700 workers. Max Factor is currently constructing a new cosmetic factory in North Carolina. When the Los Angeles plant closes, Max Factor will shift all of its orders to North Carolina.

Often plants are not closed, but new ones are opened, producing the same product. Having parallel production facilities within the country and around the world guarantees that the corporation is not dependent on any one production facility for the smooth flow of its operations. It also allows a corporation to pit different groups of workers against each other.

For example, when Canadian nickel workers at the ENCO plant went on strike the company sent the business to a duplicate plant in Mexico. The Mexican plant proceeded to take up where the striking Canadian workers had left off.



No new machines to replace the old ones...

The Firestone Rubber Company plant was built in Southgate in the 1920's. The machines used by Firestone were designed to build "bias ply" tires. Over the years other tire companies, especially Michelin, captured a greater share of the tire market by selling "radial" tires. A radial tire requires different machines, which Firestone did not have. Rather than invest in the new machinery necessary for constructing the radial tire, Firestone continued with their antiquated technology. In the end, Firestone closed the plant completely.

Your company announces cutbacks in hours; it cuts out all overtime and begins temporary layoffs...

The 2,500 workers at the Ford assembly plant in Pico Rivera were accustomed to temporary annual layoffs while the company retooled for the new model. The plant was the final assembly point for the LTD. As gasoline prices increased during the late 1970's, demand for the LTD decreased. In the last months before the plant closed permanently, workers would work two weeks, be laid off a week, work a week and then be laid off another week...

In almost every plant closing, the company will begin by making "temporary" layoffs which eventually turn into permanent layoffs. In many cases, just prior to the final shutdown, the workforce has already been reduced by as much as 75%. For example, when the U.S. Steel–American Bridge plant in the City of Commerce closed in 1980, only 700 of the original 3000 workers were still employed.

The variety of production lines decreases...

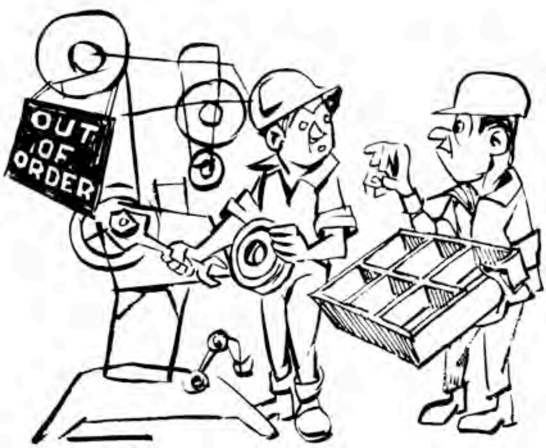
During its peak production years, Firestone made several types of auto and truck tires. When the plant closed in 1980, only the truck tire assembly lines were still in operation. At peak production, the plant employed 5,000 workers; all the assembly lines were open. By 1980, only 900 workers remained.

No regular production schedule exists . . .

As a company decides to discontinue a particular product line, the marketing arm of the company discontinues its selling efforts. The company will only produce enough to fill existing orders. As the market shrinks more and more, the regular production schedule becomes irregular, geared to meet lingering demand.

Plant efficiency slips because of parts shortages . . .

If the plant reduces its inventory of machine parts, repairs take longer. The maintenance crews cannot do their job without the parts. Repairs that normally take little time can slow down the whole assembly line for several hours when there are no available parts. The maintenance crews may rig up a temporary repair to keep the line limping along.



No spare parts for the machines...

If the company knows for certain that it will close a particular plant, it will use up the supply of spare parts it has in stock. And it will not order replacements. The company will try to run the machines with as little maintenance as possible.

The research & development department is cut back or transferred . . .

When a company begins divesting in a plant or product the research and development department often reflects this decision. Cutting back on research and development causes a product to go "stale." No time is put into upgrading or modernizing the product from being competitive on the market, forcing elimination of that product line or a shutdown of the plant.

Executives in your company begin to make noise about a "bad business climate" . . .

When corporations are considering a plant relocation or are preparing for labor negotiations, they often start complaining about the "bad business climate." This is a sign to both workers and local governments. A "bad" business climate includes such diverse things as strict environmental and safety regulations, high corporate taxes, and an organized labor force. On the other hand, the "favorable" business climate of the preferred location includes a "superior attitude toward business," lower wages, less public social services, and anti-union, "right-to-work" laws.

A gradual shift of managers, skilled labor, and machinery goes to newer plants...

A shift of skilled labor, managers, and machinery to newer facilities could signal the beginnings of a plant shutdown. Corporations will try to save profitable segments of their company by transferring them to other, "more profitable" facilities.

Your managers are frequently replaced...

If plant production slips because of insufficient investment, corporate management may shift its management strategy. In a last-ditch effort to squeeze profits out of the declining operation, a special management team may be sent in to wind down the operation even as efforts are made to maintain productivity.

Your company cuts back on advertising your product or begins advertising a modernized version of your product...

Changing consumer demand forced the Ford Motor Company to shift their resources toward smaller, more fuel-efficient cars. Yet the Pico Rivera plant continued to crank out the LTD. Ford's advertising shifted from the LTD to the smaller Escort. More recently, Ford has been pushing their EMX car, at the expense of the less economical LTD.

Your plant is run-down and the buildings are not maintained...

Many corporations keep production relatively steady in older plants, but shift their new investments to Southern states and overseas. This contributes to an overall decline of the local economy because few new plants are built to replace those that close or relocate elsewhere, leaving obsolete plants that become run-down.

Your industry has been declining within the past decade...

With the rise of the multinational corporation and the conglomerate, there has been an increase in mergers and acquisitions for the purpose of draining a plant of its capital. Corporations are willing to let profitable plants decline for investment in other areas of interest. This was the case in the steel industry. (By 1978, 44% of U.S. Steel's total assets were in non-steel operations.) As U.S. Steel expanded into non-related industries, the steel industry suffered a long-lasting decline.

The need to organize against plant closures

Plant closings are a bad thing, everyone knows that. But what can a worker do, and why should a worker get involved? Organized labor loses active union members in a shut-down; it also loses bargaining strength when those jobs reappear as non-union jobs in the Sunbelt states and overseas. Failure on the part of the labor movement to organize around plant closures may seriously undermine its collective bargaining strength.

Plant closings affect not only the worker but also the community as a whole. Many local businesses and their employees depend upon industrial plants as their suppliers and/or customers. For example, auto shutdowns affect steel, rubber and tire production, as well as small retail stores which serve the community. This phenomenon is known as the "ripple effect." The plant closure impacts directly on the workers and then "ripples" through the community.

Large-scale plant closures frequently set off a cycle of business failures, disinvestment, and deepening unemployment in the community. This cumulative process may well be the largest and most irreparable cost of plant shutdowns. Communities must join with organized labor in coalitions to stop plant closings.

Coalitions may be formed with the local community, local government officials, political leaders, local business interests, and churches. A coalition, The Coalition to Stop Plant Closings, is already in existence in the Los Angeles area. Formed in 1980, the Coalition is fighting for state and national legislation.

A number of bills relating to plant closures have been introduced at both the federal and state level. Most of these bills fail to get out of the committees in Congress or the State Assembly. This is because of the political clout of business. **Plant closings must be made the public's business.** Public education must be done, along with seminars on the problem, coalition building, and incorporation of the issue into political party and candidate platforms. Future legislative campaigns might include the following:

1. **Workers rights.** Workers who may be displaced by plant closures should have the right to notification in advance. Such a right does not currently exist. They should also be able to transfer to the new operation on a priority basis and get relocation benefits.

2. **Community assistance.** Just as workers should be protected when plants shut down, so should local communities. Corporations that relocate should be required to pay a tax to a community-state readjustment fund equal to a percentage of the annual lost wage resulting from their action.

3. **Adjustment benefits.** Plant closings that are "justified" nevertheless displace workers. Corporations should pay for the human and social costs their actions impose. Expanded job search and retraining programs should be adopted.

Another line of defense against arbitrary plant closings or relocations is the union contract. A good contact would require:

1. The employer to notify the union and the community well in advance of any impending changes in company operations that would reduce employment;

2. Job placements at new locations must respect seniority rights;

3. Moving allowance to the new location.

As recently as 1975, few workers had contractual guarantee of even very limited advanced notice — only 9% in cases of closure and 17% in cases of technological changes. There is much work that remains to be done in this area.

Don't wait until your job is exported to Brazil, Singapore or North Carolina and your community is left for dead. Know the early warning signs of plant closures. Coalition building is the key to greater worker and community input and protection.

For more information, contact:

1. The Coalition to Stop Plant Closings
   2809 Tweedy Blvd.
   Southgate, CA 90280
   (Kathy Seal, UAW Local 216 — 213/569-7154)

2. The Citizens Labor Committee on Plant Closings
   3600 Wilshire Blvd.
   Los Angeles, CA 90010

Copies are available for $1. Send to:

UE Local 1012
P.O. Box 271
Ontario, California 91761