

UNIV
SHELF

C.2

LABOR CENTER REPORTER

BERKELEY, CA 94720
(415) 642-0323

UNIVERSITY OF CALIFORNIA, BERKELEY
CENTER FOR LABOR RESEARCH AND EDUCATION
INSTITUTE OF INDUSTRIAL RELATIONS



INSTITUTE OF INDUSTRIAL RELATIONS
FEB 12 1982
UNIVERSITY OF CALIFORNIA
BERKELEY

Number 37
June, 1981

CAUSES AND CONSEQUENCES OF PLANT CLOSINGS

EDITOR'S NOTE: A forum on the above subject was sponsored on May 11 by the Center for Labor Research and Education. Over 70 concerned trade unionists, government officials, students and community leaders attended the session on the Berkeley campus. The main speaker was Bennett Harrison, Associate Professor of Economics and Urban Studies at MIT. Harrison is also the co-author of a recent book entitled "Corporate Flight: The Causes and Consequences of Economic Dislocation." The panel of respondents at the forum included Lloyd Vandever, President of the United Electrical Workers, Local 1412, Abba Ramos, Business Representative of ILWU Local 6, and Louis Quindlen, Coordinator of the Retraining and Job Development Committee of UAW Local 76.

Following is a report by Anne Lawrence, of the Labor Center Reporter staff on the highlights of the forum:

A Serious and Growing National Problem

Harrison, who is a recognized authority on plant closings, argued that the media tend to portray the problem as either regional - limited mainly to the northeast and midwest - or trivial. But it is in fact an extremely serious - and growing - national problem. About 2.1 million workers lost their jobs every year during the 1970's because of shutdowns. These job losses, Harrison said, are part of an accelerating process of capital flight in which corporations, especially large conglomerates, shift resources within the U.S. or out of the country, leaving behind a wake of economic and social wreckage.

People who lose their jobs in these shutdowns tend to experience more adverse effects than other unemployed workers, according to Harrison. Data from 1979 and 1980 show, for example, that 25% of all workers laid off because of plant closings were still out of work after all their benefits had run out. In 1979, the average worker laid off but subject to recall was unemployed for 33 weeks, compared with 49 weeks for the average man or woman thrown out of work by a shutdown.

Furthermore, Harrison noted, even those workers who do find jobs often take a drastic cut in their living standard. His research indicates that two years after their plants closed, 47% of all steelworkers, 43% of all autoworkers, and 24% of all aerospace workers who were able to find jobs made less than they did at the plant which closed.

Who's To Blame And What Can We Do?

The actual reasons for plant closings often differ from those a company will state publicly. Some corporations cite business failure or inability to remain competitive in their industry, Harrison said. "In this situation, it is worth asking: if a company can't compete, why not? It didn't fall from the sky

that it took the auto companies twenty years to downsize - the Auto Workers called for it in the early 1950's. Timely management decisions - to upgrade a facility or diversify or start new or different product lines - can often prevent a shutdown. Management should be held accountable for these decisions - or the failure to make them."

Other firms blame corporate taxes or distance from raw materials and product markets as reasons for closing or relocating a plant. These arguments, Harrison asserted, are often just excuses, especially the tax argument. By far the most common cause of plant closings is "the desire to gain access to cheaper labor and what the corporations call a better business climate." Harrison cited research in his book indicating that many plants are closed to escape the influence of unions, both on wages and on control of the production process.

"The odds are against us, and it may take us ten years to win what we want," Harrison said, "but we must build a movement which can put an end to needless plant closings." Citing the efforts of nineteen union and community coalitions operating around the country, Harrison called for the passage, at the state level initially, of protective legislation which would require corporations to give advance notice of plans to close a plant, to provide mandatory severance benefits, and to make funds available to the affected community for economic development programs.

Harrison also called for more research on the real reasons for plant shutdowns. In the long run, he said, labor unions and communities need to achieve a more democratic voice in investment decision making. "Without more control over where capital is invested," he said, "we will ultimately not be able to engage in the economic redevelopment we need."

Response from the Panel and the Floor

Lloyd Vandever pointed out that he has seen Local 1412 of the United Electrical Workers dwindle from over 3,000 members at the war's end to only a few hundred today. Abba Ramos, Business Agent for ILWU Local 6, discussed the problems involved in plant closings in his union's jurisdiction in recent years, including the Coglate-Palmolive plant in Berkeley. "Their computers show them a declining rate of profit in the plant," he said, "and that is the bottom line for them." Louis Quindlen, former chief steward and now Coordinator of the Retraining and Job Development Committee for United Auto Workers Local 76, gave the details of the closing of the Mack Truck plant in Hayward. Since the shutdown, Local 76 has started an innovative program to retrain its laid-off members for a variety of skilled jobs in related areas, such as diesel mechanic.

Following the panel, it was noted in floor discussion that the California Labor Federation is backing a proposal in Sacramento for legislation to deal with plant closings, and that Governor Brown has an inter-agency task force working on the problem. In addition, officers and members of at least six major unions are forming a Northern California Coalition to fight for stronger state legislation to protect workers and communities from the impact of plant closings. Developments in these programs will be further reported in later issues of Labor Center Reporter.

This article does not necessarily represent the opinion of the Center for Labor Research and Education, the Institute of Industrial Relations or the University of California. The author is solely responsible for its contents. Labor organizations and their press associates are encouraged to reproduce for further distribution any material in these reports.

JUL 27 1981