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THE PROBLEM OF PLANT CLOSURES

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Between 1969 and 1976, 15 million U.S. jobs were lost through plant closures. For every 100 jobs created in the midwest and northeastern regions of the U.S. during that period, 111 jobs were destroyed. Other states and regions have not been spared. Since August 1, 1979, in California alone, 37,800 workers have been laid-off due to large scale plant closings or cutbacks.

A conventional business economist would see nothing wrong with these statistics. Indeed, the unfettered movement of capital would be interpreted as an indication of the economy's vibrancy and health. Closing a facility in one area and opening a facility in another would be assumed to be a more efficient use of resources. It would also be assumed that workers who lose their jobs would find new jobs or would move to any location where jobs were available. Despite some temporary unemployment, the aggregate economy would be more efficient and hence everyone would be better off.

However, abstract theory is of little use if it does not correspond to the reality of people's lives. The standard rationale for economic relocation is such a case. It is becoming clear even to some economists that relocation does not always result in more efficient use of resources.

The Real Economic Costs

For workers and for communities, plant closures often involve extraordinary costs which don't have to be taken into account by the firm or corporation which calculates the profitability of the move. Numerous studies have shown that after a plant closes, a substantial number of laid off workers remain unemployed for long periods of time, unable to find jobs which fully utilize their skills. Rather than uproot their families and move to new places with an uncertain future, many stay in the community and find temporary jobs that underutilize their skills at lower pay. The firm's exodus also drains the local tax base and thus undermines social services in the abandoned community. Plant closings also mean more money will be needed for unemployment insurance, retraining programs, and public assistance, but these costs are not considered by the firm or corporation in its decision to close the plant.

Plant closures are also undermining the gains made by organized labor. There are some cases where plants have been closed by corporations simply to discourage unionization. In the most famous current instance, the Deering-Milliken Textile Corp. closed its Darlington, S.C. plant in 1956, and blacklisted its workers, a few days after the majority voted for representation by the Textile Workers (now ACTWU). The union's legal proceedings against the corporation began in January 1957 and concluded 24 years later in December 1980. Back pay awards will finally be made to 553 former employees, or their heirs (one third are now dead).

In less dramatic cases, the gains made by organized labor are similarly undermined. The plant closure decision typically hits the workers and the community quite unexpectedly, although it has typically been under consideration for many years by the firm or corporation. Sometimes a firm will drain money from a profitable union plant in order to finance the acquisition of a new facility in a non-union area. Because the money isn't being reinvested in the older union plant, it becomes less efficient. When an economic slump occurs, production in the older plant is curtailed and eventually discontinued.

Undermining Labor's Gains

When the plant closes, the public sees an antiquated facility unable to compete with its modern counterpart. But these plants become old for a very simple reason: the firm has always been unwilling to accept the gains won by the union. As one example, in 1950, the U.S. tire industry was 100% unionized with 33% of total national capacity in Akron, Ohio and 13% in Los Angeles. By 1981, it will only be 45% unionized, with 1% of all tires made in Akron, no tires made in L.A., and 70% of all tires produced in the U.S. South. Northern and western workers are now unemployed, while southern workers have new jobs. But working people as a whole are worse off, for the new southern workers are getting lower wages and are being forced to work harder than their now unemployed counterparts.

In many other instances, organized workers are being forced to take wage cuts and/or suffer speed ups in order to save their jobs. Such has been the pattern in recent bargaining relationships between Blue Shield of San Francisco and OPEIU Local 3, and between ILWU Local 6 and the Colgate plant in Berkeley.

In most of these cases, the orthodox, conservative economic assumption is that the firm must be granted the almost divine right to determine its almost sacred investment decision--even if the plight of the community and the personal rights of workers are equally ignored in the process. However, in the case of the Chrysler Corporation and the UAW, the impact on the entire economy would be so great that the orthodox economic "solution" has been at least temporarily suspended. In this case, labor and the federal government and the affected communities are finding a voice in the corporate investment and decision making process. The union has even found a seat on the corporate board of directors.

In other nations which regularly outcompete U.S. firms in many important international markets--and particularly in Japan, Germany and Sweden--there is already a much greater degree of government--labor--management coordination of important investment decisions. Many of organized labor's friends in the academic community believe that the same trend is overdue in the U.S.

A small step in this direction is contained in a California bill--SB 1494--on which public hearings were held in December, 1980. The bill calls for one year's notification of a plant closing, and compensatory payments for workers and for the community involved. The bill, if passed, will not prevent any plant from closing. But it may at least begin to force corporate managers to take into account some of the economic and social costs inflicted on the workers and the community alike by the firm's decision to shut the plant down.

- Elaine Sorensen

Ed. note: Future articles in the Labor Center Reporter series on plant closings will look into the California experience, and discuss current union strategies and legislative attempts to reduce the probability of closures or the impact of closures. We would appreciate feedback from readers of information or suggestions about the closure problem.