

Early warning systems

a proactive economic strategy for labour

In 1975, I was hired at Taylor Forge, a subsidiary of Gulf + Western (G+W) in Cicero, an industrial suburb of Chicago. Taylor Forge made big pipes, fittings, and flanges. I led the successful organising drive to bring in the Steelworkers Union, and served as vice-president of the United Steel Workers of America (USWA) Local 8787.

When I was hired I did not know that G+W would introduce new corporate strategies. These strategies are now used by multinational companies around the world. G+W purchased a number of US manufacturing companies, including Taylor Forge. It had no long-term strategy for the particular companies, products, and the workers it had purchased except to pull out cash and value and to use the money to buy other companies in more profitable sectors.

G+W closed Taylor Forge department by department. It never told us what the strategy was. To make matters worse, the executives suggested at the end that if we gave up part of our wages and pensions, we might be able to save our jobs. They were testing our level of fear to see how much they could squeeze out of us before they closed the company.

Taylor Forge closed and I lost my job in 1983. G+W shareholders made a lot of money and the corporation continued to expand. Cicero - the town that had been home to Taylor Forge for several decades -

Dan Swinney shows how labour in the US has used early warning systems to save jobs and develop the local economy!

was to lose 50% of its job base in the next six years as other companies also closed. During the 1980s alone, Chicago saw the closing of 3 000 of its 7 000 factories and a loss of 150 000 manufacturing jobs. This happened in every major city in the US, and this loss of core manufacturing jobs gave rise to the high growth of poverty in urban and rural areas.

I founded the Midwest Centre for Labour Research (MCLR) in 1982 together with other local leaders in the Steelworkers Union and several community organisers and supportive academics. We aimed to provide the kind of research and analysis that I had needed at Taylor Forge. We wanted to do this for unions, communities and others concerned about saving jobs and stabilising our economy. MCLR chose to focus on the micro-level of the economy - the firm and the community. We wanted to use in-depth research to build a foundation of information for grassroots community and labour organisations and local government.

We were uncertain about our future strategies and how we could respond to

the economic transition unfolding in front of us. We began by looking at hundreds of companies in Chicago that had closed or were in danger of closing.

Many people believed, as they do today, that job loss and company closures are inevitable. The logic was, and is, that we live in a new global economy witnessing a fundamental change in the international division of labour. The new role for the US is as a source of intelligence, information, and finance. The Third World, with its low-cost labour, will be the centre for making things. At MCLR, we were overwhelmed by what we were witnessing, but felt that this notion of inevitability needed to be examined in the context of the specific companies and communities so obviously at risk.

We found a few companies that really needed to close. Their products or technology were completely out of date and there was no way they could compete in the marketplace. When we found companies like that, we told labour and the community the truth, so no one invested in trying to do the impossible.

On the other hand, the overwhelming majority of companies that we examined were not obsolete. They were at risk because of problems that could be solved. Some of the problems were simple and required straightforward solutions, others were more complex.

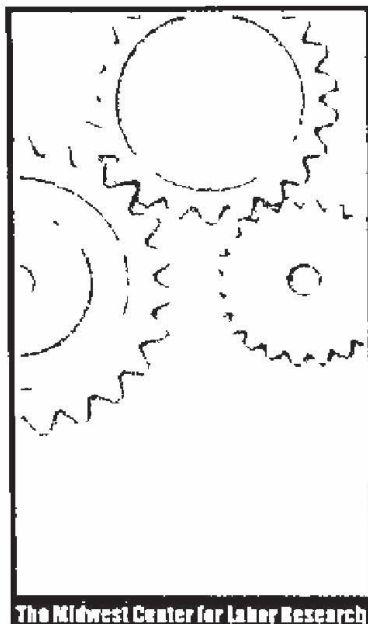
Our research found that many companies closed because of a particular business strategy that was based on securing the highest possible return in the shortest period. Management in these

companies also refused or failed to make adequate investment in the company to ensure long-term survival. Yet no one challenged the management strategy until it was too late and the damage had been done. Unions only reacted when companies wanted to cut wages and benefits, or close. They did not challenge the investment and management decisions that would inevitably lead to cuts in pay or a closing.

Challenging company closure

G+W also owned Morse Cutting Tool

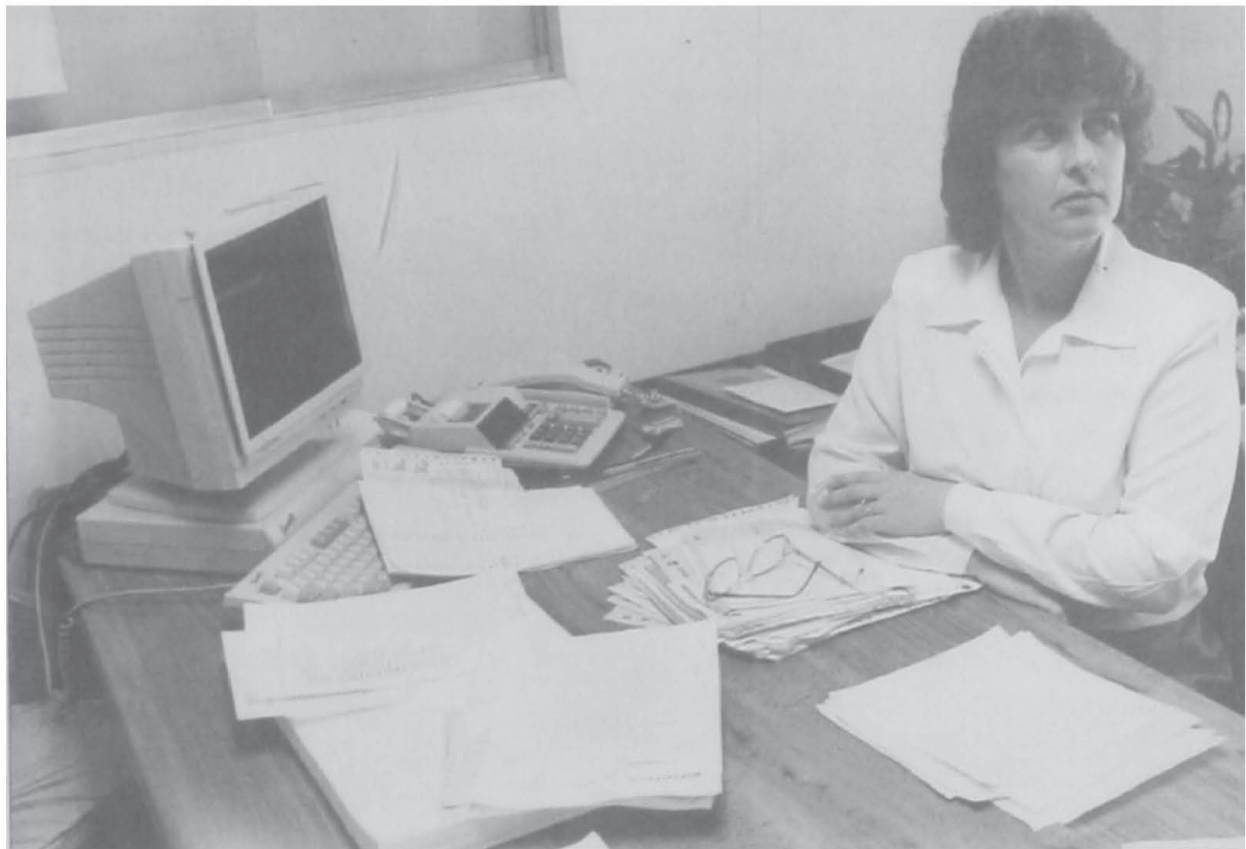
(Morse). It pursued the same destructive strategy it had used at Taylor Forge. But at Morse, the United Electrical Workers Local 277 recognised the early warning signs of G+W's corporate strategy. Two years before the anticipated crisis, the union, with the assistance of a consulting firm like MCLR, did a detailed analysis of the company, its markets, management, and the positive economic impact of this large factory on this small town. They documented how G+W's business plan was destroying a



The Midwest Center for Labor Research

perfectly healthy company that had long-term potential.

The union used this information to organise in the community and create a broad-based coalition to save the jobs at Morse. The coalition took their analysis to the local mayor and demanded that G+W be stopped from destroying the company. The mayor told the company: 'Either invest in Morse Cutting Tool, or sell it to someone who will, or I will take it away from you with my powers of eminent domain.' The press said that the mayor's action would damage the business climate of New Bedford and Morse itself. But it did not.



Many workers have useful information but are not asked for it.

G+W reversed its plans and sold the company to a local investor who developed an effective partnership with the union.

Finding new owners

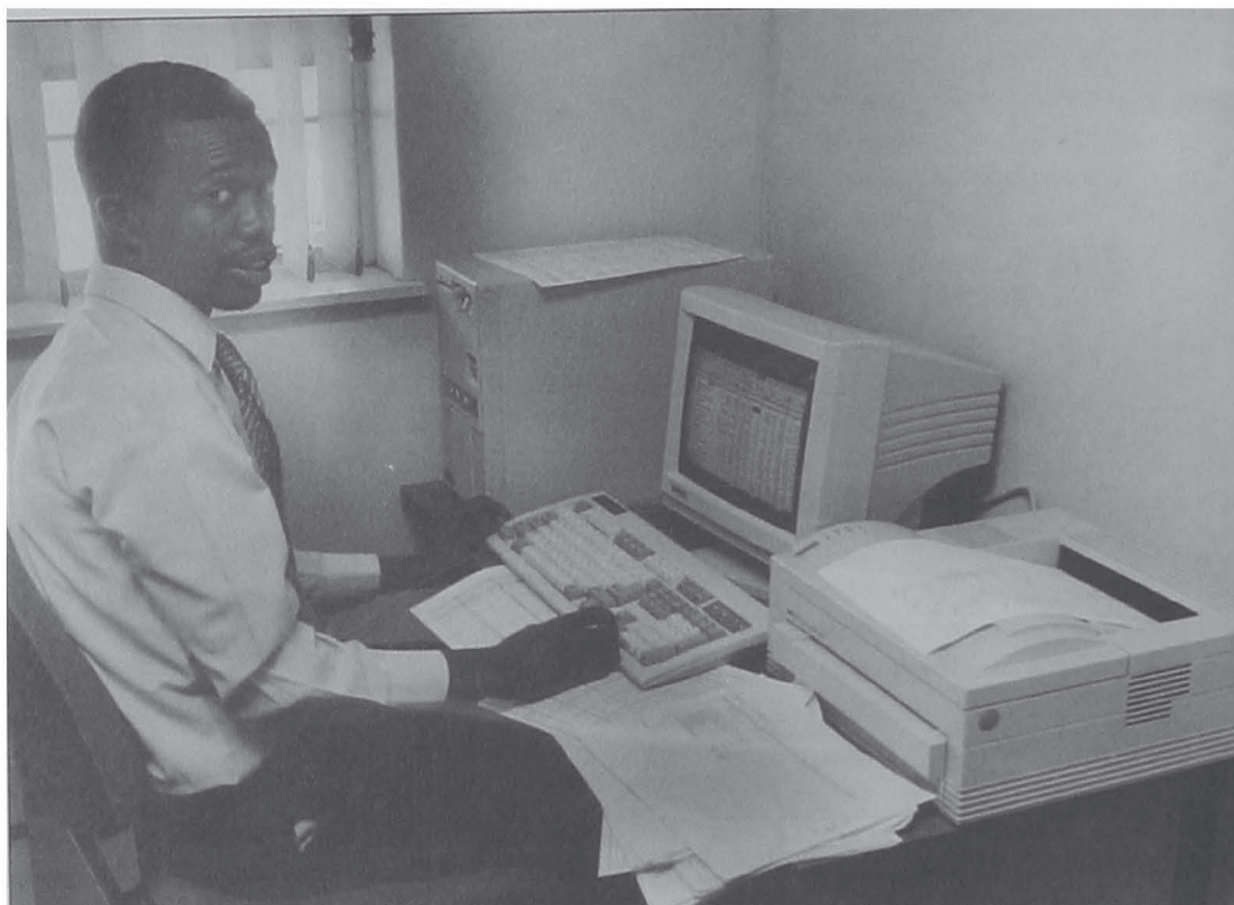
Hundreds of small companies could have also been saved. For example, in 1986, a resident of Chicago's South Side, Gladys Scott, called MCLR with worrying information about a printing company called Bankers Print. The owner had cancer and had no heir to take over the business.

After meeting with the owner and talking with the employees, we were able to arrange an employee purchase of the company. This was a successful ending that no one had seen as an alternative. The experience focused our attention on small companies. After all, 90% of all manufacturing companies in America are small companies with less than 100

workers. They typically have local markets, adequate technology, and a skilled work force. They are often linked to larger companies by providing services and materials for production.

The health of these small companies affects the larger companies and the community. MCLR did a study of 800 small companies with an owner of 55 or older. We found that almost 40% were at risk of closing because they needed a new owner to take over when the older owner could not run the business anymore. The old owner's children did not want to run the company. The company would also be difficult to sell because of its size and location.

People concerned with community development can solve this problem using conventional resources and a little creativity and extra effort. They are often good opportunities for employee buyouts. They are also excellent opportunities for



Collecting and using information can help unions save jobs.

aspiring local entrepreneurs who have historically been excluded from this kind of opportunity. MCLR has arranged a number of buy-outs of this kind, thus preserving jobs, union membership, and stabilising critical assets of the local economy

Early warning system

People who have the interest, capacity, and power to successfully save a company need accurate information at an early stage. MCLR has developed a tool that can be used by a broad range of organisations – particularly labour – whose interests are closely tied to the health of the manufacturing economy. This tool is called the Early Warning Business Development System. It:

- ☐ identifies companies at risk of moving or closing;

- ☐ provides assistance to companies in need of resources or skills or brings pressure through union or government action;
- ☐ identifies opportunities for increasing corporations' performance and stability.

How the system works

Firstly, we develop a local coalition of community, labour, the religious community, government, and local business. These are the key players who have an interest in maintaining a healthy local economy. They can achieve all the tasks, and have the skills, the commitment, and the responsibility to protect and develop the local economy. They can be more effective when acting together.

Secondly, we gather published and unpublished information about businesses. Published information on companies is

found in annual reports, data bases, trade journals, the business press, and public records

Unpublished information comes from people with direct knowledge of the company, including employees, customers, residents, service providers, and local government. These people often see signs of trouble without knowing how to recognise or interpret them. When they are taught to read the signs, they can then provide critical information that allows for effective intervention and assistance.

Some of the early warning signs are:

- ☐ an ageing owner with no apparent successor,
- ☐ layoffs,
- ☐ decline in machine maintenance,
- ☐ contracting out work,
- ☐ outdated technology and production techniques,
- ☐ equipment removal,
- ☐ no new product lines;
- ☐ window dressing improvements and unidentified visitors;
- ☐ management instability;
- ☐ loss of customers/layoff of sales staff.

Thirdly, we identify a problem or opportunity and develop a plan of action. We use all the information to identify potential problems at a company.

By using this kind of systematic approach to local companies we can identify a potential problem up to two years in advance. We can also identify opportunities that are often overlooked by local management. This can lead to expansion that can include training and developing the local workforce and developing an effective working relationship with city and state agencies.

Fourthly, we use the system to build the community vision and capacity. This system is a good entry point to playing a

dynamic and effective role in the local economy whether it is with an individual company, a sector, or all the other factors that make companies and communities successful.

Building the system

In 1996, MCLR initiated such a network in New York City. We developed a pilot project in Brooklyn using initial financial support from New York State's economic development department. Brooklyn was experiencing a loss of manufacturing companies and growth of poverty. We started with two activities: research and recruitment.

We gathered a list of all the companies in Brooklyn with 100 or more employees and began to gather as much public information as we could about each of these 700 companies. Were they locally owned? Was employment increasing or decreasing? Were they in industrial sectors that were growing or declining in the economy? Were the workers unionised? What was their financial situation? We developed a data base using this information and began to analyse these companies, looking for early warning signs of trouble.

At the same time, we began to systematically reach out to labour, community, religious, development, business, professional, and governmental organisations. We introduced them to the concept and tried to recruit them to the project. After several months, we held training sessions for leaders from 30 interested organisations.

We then held the founding meeting of the New York Industrial Retention Network (NYIRN). We brought together the different organisations, introduced them to the results of our research and data gathering, and proposed the creation of a staffed project.

This project would continue to build this network. It would also gather information from each of the participating organisations that would get information on local companies from their own members. The NYIRN would then provide assistance to save and create jobs.

NYIRN is now operating in all five areas of New York City. It has a small full-time staff and has a board of directors which includes the central labour council, local community development organisations, and government. It has provided assistance to over 300 companies in the last two years.

The key role of labour

Labour has to be at the heart of such a system. Labour is the key source of information about the problems and opportunities inside the firm, and information is crucial to developing effective policy. Organised or unorganised workers provide the best source of non-public information about a company, because they:

- ☐ spend 40 to 80 hours a week there;
- ☐ observe or participate in all aspects of operations in every department;
- ☐ may have years of experience and perspective in evaluating the significance of any change in the company;
- ☐ have a long-term vested interest in the success and continued operations of the company.

Workers often do not know the significance of the information around them, nor what to do with it, nor how it can and should be used. Traditional relations of production discouraged workers from becoming aware of the centrality of their role or the benefits that might come from analysing what is going on.

There are two benefits from gathering worker's information: the information

itself, and the resulting change in the consciousness of the worker. The information gathered is very important to prevent a possible closing of the company. It also prepares the union to be more effective in fighting for improved wages and benefits, and helps to strengthen their organisation within the company. There is also a powerful impact on the individual worker who begins to gather this information.

The worker will begin to see him or herself as more than just a person working for a wage but also as someone who can play a key role in determining the future of the company and building the strength of labour.

A foundation for strategy

This approach is a starting point for a whole new way of building the local economy that combines social values and priorities with business needs. It helps shatter the illusion that labour and community must remain powerless in the face of the 'inevitable' shifts in the global economy; that labour and community must only be in a position to 'react' to traditional management initiatives in the local economy, and that 'there is no alternative' as we face the continuing increase in poverty. ★

Dan Swinney worked as a machinist and union organiser in Chicago, USA, for 15 years. He is now the executive director of the Midwest Centre for Labour Research (MCLR). MCLR is an independent consulting and research company that works with unions, communities, and local government in innovative approaches to saving jobs and benefits, and building the local economy. For more information write to MCLR, 3411 W. Diversey Ave., Chicago, Ill 60647, USA or visit their web site: <<http://www.mclr.com>>