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Job Wars at Fort Wayne

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Job Wars at Fort Wayne

Abstract

[Excerpt] Several international unions and the national AFL-CIO have developed sophisticated proposals calling for an "industrial policy" which would utilize a business-government-labor structure for planning national economic activities. Yet to be developed, however, are any guidelines for labor's participation in local economic development activities.

Since 1982 Fort Wayne, Indiana, has pioneered what is being touted as one of the most aggressive and successful economic development programs in the country. An economic development consulting firm, the Fantus Company, was used to organize the business community around an agenda designed to weaken labor and encourage a series of job wars with other communities. A careful examination of the Fort Wayne Strategy reveals a program that is subtly yet deeply anti-union, anti-worker, and not in the long-run interests of the people of Fort Wayne. A review of the Fort Wayne Strategy and local labor's response can provide valuable lessons for the labor movement across the country.

Keywords

AFL-CIO, Fort Wayne, Indiana

JOB WARS

at

FORT WAYNE

STARRING

MARSHAL FANTUS

TH' ONLY WAY
TA IMPROVE TH'
BIZZNESS CLIMATE
IN THIS-HERE TOWN
IS TA MAKE EVERYBODY
WORK FOR PEANUTS!

NOW SHOWING



Job Wars at Fort Wayne

■ *Mark Crouch*

Across the country, one community after another has been crippled by plant closings. Local government leaders are faced with the task of attempting to rebuild local economies to make up for the lost jobs and revenues. Attracting new business, retaining existing industry, and creating a proper "business climate" have become major activities of thousands of Chambers of Commerce and other economic development organizations in the United States. Politicians proudly proclaim a new "spirit of cooperation" between the private and public sectors, as devastated communities scramble to repair the wreckage.

Frequently local labor leaders are asked to participate in these economic development planning activities, joining with business and government representatives on tripartite committees, an official "mayor's task force," a private "growth association" or a "community futures board." Labor's role in these committees, however, is often limited to providing the appearance of community-wide support for special deals cooked up in the back room between business leaders and their allies in local government.

In many communities experiencing shutdowns, an anti-labor

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climate has been created through skillful employer manipulation of the media. If labor leaders refuse to participate in economic development activities, they risk being labeled "non-cooperative." If they agree to participate in order to monitor the activities for anti-labor efforts, they risk being used as token workers' representatives to lend credibility to a process dominated by business. Business and government often attempt to relegate labor to roles which include participation in labor-management cooperation committees, negotiation of concessions-laden contracts, or declaration of a moratorium on organizing new employers in the community. If labor leaders reject these roles, they are often labeled "obstructionists." Anti-labor groups can then charge, "First labor destroyed our community, then they torpedoed our efforts to rebuild it."

Several international unions and the national AFL-CIO have developed sophisticated proposals calling for an "industrial policy" which would utilize a business-government-labor structure for planning national economic activities. Yet to be developed, however, are any guidelines for labor's participation in local economic development activities.

Since 1982 Fort Wayne, Indiana, has pioneered what is being touted as one of the most aggressive and successful economic development programs in the country. An economic development consulting firm, the Fantus Company, was used to organize the business community around an agenda designed to weaken labor and encourage a series of job wars with other communities. A careful examination of the Fort Wayne Strategy reveals a program that is subtly yet deeply anti-union, anti-worker, and not in the long-run interests of the people of Fort Wayne. A review of the Fort Wayne Strategy and local labor's response can provide valuable lessons for the labor movement across the country.

Fort Wayne—Factory Town, Union Town

Fort Wayne is a community of approximately 300,000 in northeastern Indiana, near the Ohio and Michigan borders. Its location at the confluence of three rivers made it an early site for commerce, transportation and manufacturing. Prior to World War I, Fort Wayne was regarded as one of the strongest union towns in the country due to community support of several militant strikes against the railroads. Following World War I the Fort Wayne labor movement suffered serious setbacks as strikes were broken between 1919 and 1923 at Bowser Pump, Wayne Knitting Mills, and the Pennsylvania Railroad.

After passage of the Wagner Act in 1935, the first NLRB election in the country was held at the Wayne Knitting Mills. During the 30s and 40s the United Electrical Workers (UE) organized production workers at General Electric and numerous other industrial employers in the area. The UE became a potent force in the community, with membership approaching 30,000 prior to the red-baiting and internal political struggles of the 1950s. By the 1970s the United Auto Workers had become the dominant union in the Fort Wayne area, based on Locals 57 and 305 at the International Harvester Heavy-Duty Truck Plant, where employment peaked at 10,600 in 1978.

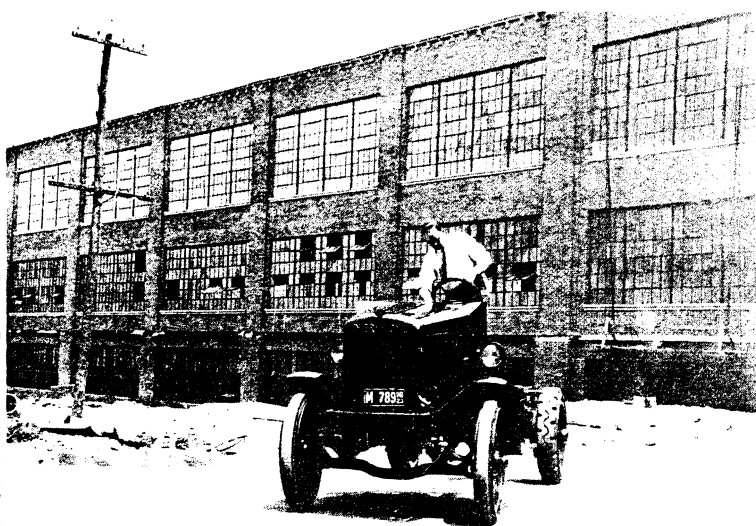
As the 1970s ended, the national economy was mired in a recession that struck hardest at the durable goods industries. Fort Wayne had traditionally been dependent on durable goods manufacturing, providing 31% of all employment in 1970, compared to a U.S. average of 16%. By 1981 durable goods employment had shrunk dramatically to 24% of area employment while the U.S. average slipped to 13%. Much of this decline in manufacturing employment was a result of major employers—including Magnavox, Tokheim, Franklin Electric and General Electric—relocating work to Sunbelt states. Between 1969 and 1982 GE eliminated over 5,000 of its 6,700 bargaining unit jobs, shifting production of its motors and transformers to the Sunbelt and Juarez, Mexico.

This deindustrialization of the community and the continuing effects of the recession that had begun in 1979 eliminated 30,000 area jobs by 1982, shrinking payroll employment by 13%. The unemployment rate remained in double digits from June 1980 through February 1984.

Responding to the mounting problems of job loss, business leaders began pursuing a new economic development effort. In early 1982, a Chicago-based consulting firm, the Fantus Company, was hired to provide an economic development study and "battle plan" to help the city attract new employers. Since the Fantus study, a substantial number of manufacturing plants has located in the area, and by spring 1986 the unemployment rate had fallen to 5 percent. The Fort Wayne Strategy, however, did not allow community participation in the planning process, weakened organized labor, and resulted in jobs of questionable quality.

Fantus Sets the Agenda

A critical analysis of the Fantus battle plan and its use reveals a powerful means to mobilize community support around a pro-



One of the first trucks to roll off the International Harvester assembly line in Fort Wayne in 1923. . . .

business agenda with subtle anti-worker elements. The battle plan included a review of the area's economic base, an assessment of the business climate, suggestions for improving the climate, and a list of more than 1,000 companies in 32 target industries that were likely prospects for location in the area.

The ideology underlying this approach assumes that communities must compete to attract and retain migrating capital. A proper business climate must be maintained which serves the interests of those controlling investment decisions at the expense of others in the community. Armed with the recommendations of what appeared to be outside, objective experts, Fort Wayne area business leaders were able to magnify their influence in all facets of community affairs.

The Fantus assessment of Fort Wayne's business climate focused on three areas: the cost of doing business, local operating conditions, and quality of life for company personnel. The 36 factors considered—ranging from transportation networks to utility costs to availability of land and buildings—were evaluated through comparisons with other communities also competing for jobs. Factors ranked "Above Average" were obvious assets to be maintained and exploited in promotional campaigns. Factors rated "Average" would meet the needs of most companies but could use improvement. Factors ranked "Below Average" needed improvement



Allen County-Fort Wayne Historical Society

...the last truck off the Fort Wayne assembly line.

because they would eliminate Fort Wayne from consideration by most firms. Where objective data provided by government agencies was unavailable, Fantus used admittedly subjective impressions based on interviews with sixty unnamed business and community leaders.

The underlying anti-worker and anti-labor orientation became apparent with Fantus ratings of labor supply, labor attitudes, wage levels, and labor management relations. An unemployment rate over 11% and an underpaid (and mostly non-union) clerical labor force, for example, made Labor Supply and Clerical Wage Levels assets.

Manufacturing Wage Levels, however, were viewed as a liability due to average hourly earnings of \$10.19 in January 1982 for the 22 employers surveyed. Since the names of the employers were undisclosed, no consideration could be given to critical issues like the industry mix, workers' skill levels, the relative capital-to-labor mix in the firms, or the value added by the workers relative to their pay. With about 68% of all area manufacturing workers unionized, the labor movement was obviously to blame for creating this liability.

Labor Management Relations were also seen as an impediment due to higher than average lost work days due to strikes. Fantus attempted to balance this negative situation with its view of future

BEWARE of

The Fantus Company is the nation's premier economic development consulting firm. It acts as a catalyst in the regional rotation of jobs between communities, providing essential services to America's migrating firms as they seek to find the lowest common denominator of wages, social wage legislation and business regulation. Careful examination of Fantus' activities and methods indicates that they may be a cause of, rather than a solution to, the decline of America's industrial heartland.

Since 1934, Fantus has become the largest firm in the field of "plant site location analysis," claiming almost 70% of the market for consulting services when employers seek outside advice on an optimum location for expanding or relocating their operations. Although Fantus executives consistently deny that they actively encourage firms to pack up and leave their existing communities, Fantus advertisements in *The Wall Street Journal* indicate that in addition to offering services to firms already determined to construct, expand, consolidate, or shut down facilities, they offered relocation as a means of resolving personnel problems: "PERSONNEL PROBLEMS are often location problems: productivity—turnover—recruitment—cost."

Fantus claims to have completed over 300 area development studies for communities seeking to attract industry, including a dozen in Indiana. Fantus executives claim they are chosen by job-starved communities due to the company's special expertise acquired through analyzing hundreds of communities for manufacturing, distribution and office clients seeking operating locations. Candid business executives have admitted, however, that Fantus is often chosen to provide development studies for communities out of fear that hiring a competitor could yield an unfavorable review of the community to migrating industry.

Investigation of Fantus' nationwide activities has revealed a clear pattern of conflict of interest. A *New York Times* article in 1977 blamed Fantus for helping relocate 300 firms out of New York City. The same article reported that Fantus had been paid \$280,000 to undertake studies to determine how the city could "stem the outward flow of companies and attract new industry."

Fantus has provided development studies in Indiana for Anderson, Elkhart, Evansville, Fort Wayne, Frankfort, Indianapolis, Lafayette, Michigan City, Richmond, Tell City, Vincennes and Wabash. Whether or not plants that were relocated out of these communities did so on the advice of Fantus could only be confirmed by the company itself. If we examine Fantus' activities on behalf of other communities outside Indiana, however, we find circumstantial evidence that Indiana firms and plants were potential subjects of relocation overtures by Fantus clients.

For example, in 1967 Fantus sold Pulaski County (Little Rock), Arkansas, the names of companies that employed over 110,000 Indiana workers as potential targets for relocation to Pulaski County. Industries

FANTUS

suggested by Fantus to Kansas City, Kansas, from 1976-1978 as potential relocation targets included ones that employed over 48,000 Hoosiers. Target industries recommended for Oklahoma included auto parts, mobile home components, foundries, rubber, and electrical and electronic equipment—all major Indiana industries. Industries in each Indiana community that purchased Fantus economic development "battle plans" had previously been recommended by Fantus as likely relocation prospects for Arkansas, Kansas, or Oklahoma.

Analysis of the plant locations of four Indiana-based firms that hired Fantus for plant location studies have revealed a different pattern. Ball Corporation (Muncie), Hillenbrand Industries (Batesville), Franklin Electric (Bluffton), and Peter Eckrich and Sons (Fort Wayne) all purchased Fantus studies and have plants located in communities, mostly in the "Sunbelt," that also purchased Fantus economic development studies.

A review of over 30 development studies has yielded a host of Fantus recommendations to provide a better "business climate" by eliminating the gains of organized labor. In Eugene, Oregon, Fantus recommended a moratorium on union organizing, cuts in workers' and unemployment compensation, tax breaks for business, streamlining of environmental and zoning laws, and the suppression of discussion and dissent by diverse elements of the community about development activities. Fantus recommended opposition to plant closing legislation in Oregon and relaxation of anti-pollution rules in New Jersey. Fantus was used as a "hired gun" in corporate lobbying efforts to undermine the gains of lower-income residents and organized labor in Illinois. Fantus recommended a Right-to-Work law for Kentucky and praised the statute in Kansas for creating a favorable environment. Fantus "business climate" studies were used extensively in Right-to-Work drives in Missouri in 1978, Louisiana in 1976 and Idaho in 1985.

In 1983, Fantus was acquired by the P.H.H. Group, Inc. P.H.H. visualized Fantus fitting nicely into its operations, which include: relocation services for transferred employees; buying, managing and reselling homes of transferred employees; area counseling, home-finding and related services for corporations and their employees; and job search for spouses of transferred employees.

Fantus executives are fond of describing the competition among communities for jobs as a "sweepstakes." It bears a more striking resemblance to a casino gambling operation with local politicians assuming the role of drunken tourist gamblers in Las Vegas and Fantus playing the house.

Someone once defined a consultant as an individual who borrows your watch and then gets paid to tell you the time. On the surface this sounds like a useless, but relatively harmless, form of business transaction. In this case, it appears the consultant walks off with your watch in his pocket.

—Mark Crouch

trends: "Recently there has been evidence of a new cooperative spirit between management and labor." The evidence consisted of major concessionary contracts at two companies, Dana and Tokheim, both extracted under the threat of plant shutdowns.

The Fantus framework of economic development demands the transformation of a strong labor movement. Marketing the community to footloose businesses requires the message, "Yes, we do have unions here, but they're the good kind—they cooperate, don't strike, and help reduce workers' wages."

The Fantus report went on to recommend changes in the structure of the area's economic development organizations. It also recommended the establishment of a "high tech" center and a special campus-like industrial park to attract high tech firms.

When the Fantus report was issued, newspaper accounts described its recommendations and reported favorable comments by business leaders. But the entire report was never made available for public inspection or community discussion. Fort Wayne Futures, a group of community leaders who claim their organization is a "think tank" working for a progressive community, cancelled their plans for a one-day conference to discuss the report at the request of the Corporate Council. Corporate Council membership includes the chief executives of the largest employers in the community, administrators of educational institutions, and top elected officials. The Corporate Council provided \$28,000 of the \$60,000 price for the Fantus Study. Thus, the power elite of the community had access to the report for planning their own agenda, while discussion and debate of the future of the community was blocked.

Soon after the report, the Chamber of Commerce was reorganized, a new president was hired, a fundraising drive to raise \$6.3 million for economic development was scheduled, and a program was launched to lure 8,700 jobs to Fort Wayne over five years. The jobs program focused on contacting the 1,000 firms Fantus had cited as likely targets. Visits to Illinois, Michigan and Ohio were planned to urge businesses to come to Fort Wayne. A "President's Club" was created, involving Chamber members who had participated in the Economic Development Group. Each member of the group committed to making at least one trip a year, at their own expense, to sell the city at trade shows or to meet business prospects.

The Chamber of Commerce fundraising effort surpassed its original goal by \$3 million, eventually gaining pledges of \$9.2 million. This war chest for economic development was earmarked primarily for advertising in national business periodicals, travel

to trade shows, and recruitment drives. The fundraising and the economic development efforts became even more serious after the International Harvester crisis.

Harvester—The First Job War

March 1982 found Fort Wayne's largest employer, International Harvester, struggling to avoid bankruptcy. Employment at the truck facility had peaked at 10,600 prior to the 172-day national strike that began in 1979. Production of the four-wheel drive Scout vehicle had been terminated in October 1980. Harvester officials let it be known that without special help from local and state governments, either the 60-year-old Fort Wayne facility or the 17-year-old Springfield, Ohio plant might be closed. By mid-May the Mayor of Fort Wayne had assembled a financial package for Harvester valued at \$20 million. That same month the United Auto Workers reached a new agreement providing an estimated \$200 million in concessions to the financially strapped company.

At the end of July, Harvester officially announced that either the Fort Wayne or Springfield plant would be closed. While the State of Ohio worked to assemble a \$28 million financial package for Springfield, Fort Wayne business and political leaders worked to increase their financial package and to organize community support. The Chairman of the UAW-CAP Council enlisted the aid of the Northeast-Three Rivers Central Labor Council (CLC) to organize rallies and help collect over 100,000 form letters signed by area residents asking Harvester to stay.

On August 12 the UAW-CAP Chairman and the CLC President led a delegation to Chicago to deliver the letters to Harvester headquarters. They returned pessimistic, unable to believe company officials' statements that no decision had yet been made.

These two leaders were a study in contrasting styles and perspective on labor's role in economic development. The UAW-CAP Chairman commanded a more powerful and effective political organization and was an outspoken critic of anti-labor business practices. He attended a few early meetings of the Allen County Labor-Management Committee before distancing himself from it and denouncing the effort as a farce.

The CLC President, on the other hand, was an active participant in Fort Wayne Futures and other early development groups. He encouraged cooperative relations and engaged in quiet diplomacy with the business community rather than confrontation and public demonstrations. He repeatedly suggested that business leaders appoint the UAW-CAP Chairman to various committees, which

they refused because they regarded the UAW-CAP as too militant. The CLC President endured some criticism from within the labor movement for being too much of an accommodationist and for "spending too much time with his friends down at the Chamber of Commerce."

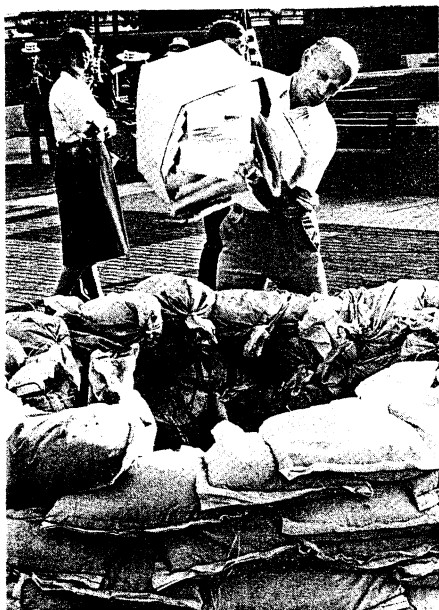
By the end of August, Fort Wayne's economic package for Harvester had escalated to \$31 million, but the company continued to study its options. With the community growing weary, in mid-September business leaders attempted another ploy. An employer intending to close a plant can make outrageous concession demands, knowing full well the union will have to reject them and will then be blamed for the shutdown. Thus, a company can "poison the well" on the way out of town, decreasing the likelihood that the next employer rotating into the community will face pro-union sentiments. Such a scenario developed during these final days of the battle to save Harvester.

Playing the role of concession demander, Fort Wayne Futures came up with a plan where Harvester workers could clip a coupon out of the newspaper, sign it, and send it to a local bank, pledging to give 15% of their earnings back to the company in the form of an unsecured loan. Full-page ads with the coupon appeared in the *News-Sentinel* and *Journal-Gazette*, and this "concession plan to save Harvester" was the subject of constant reports on radio and TV.

The business-dominated Fort Wayne Futures had nothing to lose if the plan failed; if the plan worked, their prestige and influence would increase. The UAW leadership, on the other hand, was forced to reject the idea on several grounds. First, it was a blatant end run around the legally designated bargaining agent of the employees. Had Harvester accepted the money, it might have been an unfair labor practice. Second, although the UAW was willing to listen to additional concession demands from the company, they did not want to contribute to a bidding war between local unions at the two plants. Third, granting an unsecured loan to a company on the verge of bankruptcy did not make financial sense. When this plan failed miserably due to lack of worker support, the UAW was seen as the villain who torpedoed the good efforts of Fort Wayne Futures to save these jobs.

The effects of this campaign were not isolated to Harvester and UAW Locals 57 and 305. Several other local unions were approached for concessions during this time. The labor movement in general viewed the entire campaign as an attempt by the business community to spread a plague of "concession fever."

The CLC President, the only labor representative in Fort Wayne



Fort Wayne UAW-CAP Council Chair Julian Weller pours into sandbags some of the 100,000 letters area residents wrote to plead with International Harvester to stay in Fort Wayne. The sandbags were a symbol of the community spirit exhibited in Fort Wayne's recovery from a 1982 flood.

Futures, refused to publicly disassociate himself from the group or to repudiate the campaign. Applying his deep belief in democratic principles to his participation in Fort Wayne Futures, he would not withdraw his support even though he had argued and voted against the proposed campaign. At every CLC meeting following the Harvester concessions campaign, he faced hostile delegates asking questions like, "What did Fort Wayne Futures do to screw us over this month?"

As the most vocal advocate of cooperative labor-management relations, the CLC President found himself out on a limb with his labor constituents. When the civic-minded business leaders in Fort Wayne Futures sawed off the limb, in order to further the agenda set by Fantus and the Chamber of Commerce, they severed any hopes for labor participation in economic development activities sponsored by the business community. The CLC President eventually decided not to risk re-election, retired, and quite literally has not been heard of since.

When Harvester accepted the \$28 million deal from Ohio and rejected the final Fort Wayne bid, which had reached \$41 million, it became obvious the community had been used. The 60-year-old, multi-story Fort Wayne plant could never match the efficiency of the 17-year-old, single-level, modern facility in Springfield. Harvester had no intentions of keeping the Fort Wayne plant open,

but the company needed the bidding war to guarantee the cash flow from Ohio.

Job Wars Continued

The bidding war for Harvester was only the beginning of a series of contests in which the city assembled financial packages for corporations in hopes of winning jobs away from competing communities. A policy of aggressively recruiting jobs from neighboring states is encouraged by state government officials. In 1982, Indiana Governor Robert Orr refused to enter into a no-raid pact with the governors of Michigan, Ohio, Illinois, Minnesota and Wisconsin.

The state has carried on a sophisticated advertising campaign based on Indiana's low taxes, unemployment benefits (the lowest in the U.S.), and low workers' compensation (49th in the U.S.). Lt. Governor John Mutz told the Michigan Senate in 1985 that, over a three-year period, these lower costs had allowed Indiana to entice 63 Michigan companies to build plants on the Hoosier side of the border.

The state government has also underwritten many of the incentive packages put together by Fort Wayne to compete with other communities. Fort Wayne's participation in this cut-throat competition has produced mixed results. In each case, however, the citizenry has not been allowed access to the planning process and has been deceived about the real costs and benefits to the community of the deals cooked up by business and government leaders.

In early 1983 the Fort Wayne *Journal-Gazette* reported that the city and county were giving a \$3.4 million building to ITT Optical Aerospace Division to subsidize its bid for production of a new generation of field radios for the U.S. Army. This disclosure was attacked by city and county officials, who claimed it threatened the 500 predicted jobs because it allowed the main competitor, Cincinnati Electronics, to engineer a public subsidy of its own.

In August 1983, Fort Wayne's pursuit of the high tech future recommended by Fantus paid off when Micro Source, a new manufacturer of rigid disc portable computers, announced intentions to build its first factory in Fort Wayne. Fort Wayne had won an estimated 200 to 900 jobs away from New Lebanon, Ohio with a package of loans and loan guarantees worth \$6.5 million, including an unsecured \$1 million for Micro Source's working capital. By February 1984, the company had collapsed, forced into Chapter 7 bankruptcy by its creditors, without any jobs or

computers being produced. Fort Wayne lost \$1.2 million on the deal.

In November 1983 General Electric received \$4.1 million in tax abatements and job training funds for the relocation of 800 jobs from Evandale, Ohio to Fort Wayne. At the same time, 550 GE jobs building electric motors were relocated out of Fort Wayne to Kentucky, Tennessee and Mexico.

GE agreed to give the city the abandoned motor plant and thereby saved an estimated \$30,000 a year in taxes. Both the abandoned plant and the building to be renovated for the new jobs from Ohio were inside an area to be designated an Urban Enterprise Zone, eligible for additional state tax breaks. When Fort Wayne applied for one of the six available Enterprise Zone designations, local businessmen announced the formation of the Indiana Enterprise Co. to open an enterprise center for new business to operate in the abandoned GE plant. The state awarded the Enterprise Zone designation to the city after Fort Wayne pointed to the donated building. But three months later the Indiana Enterprise Co. called off plans for this center, citing an engineering study which showed it would be cheaper to build a new building than to renovate and maintain the former GE factory.

When General Motors announced its intention to build a new highly automated pickup truck assembly plant with a just-in-time inventory system and employment of around 3,000, Fort Wayne was elated. The city, county and state governments pledge \$30 million in sewer and water line extensions, roads, a special interchange on Interstate 69, and job-training funds.

In its August 1984 announcement, GM mentioned that some operations might be consolidated at the new Fort Wayne plant. Five days later, GM announced that the St. Louis truck plant would be closed and truck lines at Janesville, Wisconsin and Flint, Michigan would also be shut down. Approximately 7,400 workers were employed in those facilities. Then in July 1985, almost 11 months after the original announcement and with the construction project about 30% complete, GM admitted that it was unlikely that any current Fort Wayne area residents would be hired, since the plant would be staffed by displaced UAW members from other facilities. In March 1986 it was disclosed that the cost of the incentive packages had escalated to \$71 million because state officials had drastically underestimated the cost of the roads. Thus, a \$71 million public subsidy was provided to a highly profitable firm to rotate existing jobs and workers while deployment of new technology will reduce employment from 7,400 to 3,000.

In early 1985 it was announced that Fort Wayne had won 300

jobs away from Columbus, Ohio with a package of airport improvements initially estimated at \$2 million for Burlington Northern Air Freight. Five months later, the incentive package had grown to \$28 million, and it was disclosed the jobs would be mostly part-time.

The Results: Quantity, not Quality

The whole of Northeastern Indiana is winning recognition as a "development hotbed," not only because of the activity in Fort Wayne, but because of activity in the surrounding rural areas. While there have been some notable successes in luring jobs from neighboring states, little attention has been focused on the quality of the jobs or the costs to the community in lost tax revenues.

Indiana Northeastern Development, a regional economic development agency covering nine counties in the northeast corner of the state, reported more than 95 plants employing 9,300 people had begun operations between January 1983 and August 1985. Almost 90 percent of these are in small towns, and many are auto supplier firms from Michigan and Ohio.

If Northeast Indiana is a hotbed of economic development, it is primarily due to the stealing of auto-related jobs from Ohio and Michigan and the militarization of the economy. One study found that more than half of 59 new plants announced during 1983 and 1984 were tied to the auto industry, with 70% of the jobs subject to cyclical swings in the economy. They will also be vulnerable if foreign producers continue to flood the U.S. with imported cars. Another 13% of the jobs were with military suppliers and are subject to the uncertainty of competitive bidding and political swings in Congress and the White House. Over half of the plants and two-thirds of the jobs were being provided by Ohio and Michigan-based firms, who are constructing small satellite plants in a geographically dispersed, decentralized production network. One of the Ohio-based employers, Eagle-Picher, described the latest trend in its annual report:

Average employment at our plants is approximately 100 persons. With business units of this size, we are able to be highly selective in our labor force. We can also benefit from the intangible qualities that are frequently found in a small enterprise. . . . We believe plants which are widely dispersed geographically provide the company with some degree of insulation against regional disruptions caused by weather, energy availability, anomalies in the labor

force, or transportation interruption. . . . The dispersion of the company's plants is thoughtfully considered. We tend to identify locations that offer a positive business climate and are away from major metropolitan centers. This leads us to smaller cities and towns where frequently Eagle-Picher is one of the largest employers in the area.

While this beggar-thy-neighbor approach to development may provide some jobs in the short run by providing migrating employers lower wages and taxes, it is only a matter of time before workers in neighboring states are going to be willing to lower their standards enough to steal the jobs back. Once started, it's impossible to stop the downward spiral in wages and working conditions created by business leaders pushing the notion that "half a loaf is better than none."

One privately-held company responsible for several of the new plants is Lyall Electric Inc., of Kendallville, Indiana. Lyall produces wiring harnesses for the auto industry in a totally decentralized production process, operating 35 plants out of 18 locations in 14 small towns spread over 6 northeastern Indiana counties. The population in these communities ranges from 286 to 2,509. The company has received over \$350,000 in on-the-job training subsidies provided through the Job Training Partnership Act for 290 of its 1,600 employees. The average wage at placement in the new plants is \$3.99 per hour, and turnover rate is 35%.

The trends evident in new plant activity in Northeast Indiana pose some difficult problems for workers and the labor movement. While the new jobs are better than no jobs at all, wages of \$4 to \$6 per hour do not replace the purchasing power of the \$10 to \$12 per hour jobs lost when unionized plants closed. As a result, in order to maintain a decent standard of living, often two or three members of each family will be forced to work outside the home.

The placement of the plants in rural communities and the small size of the work forces increase the difficulty of organizing and the cost of servicing labor agreements. Many employers have made known their interest in becoming or remaining union-free while negotiating for tax abatements, Industrial Revenue Bonds, and training grants financed by the public. For example, the Angola City Council approved a \$150,000 loan for Beurmann-Marshall Corp. of Lansing, Michigan, a producer of direct marketing advertisements for the auto industry. After the loan approval, a senior vice-president of production for the firm told the *News-Sentinel*, "We have the UAW in Lansing. We want to avoid unionization here by being competitive so the employees don't

feel the need for a third party."

The Fort Wayne area building trades unions have benefited from work building new plants in Fort Wayne, but much of the work on small plants in rural areas has gone to non-union construction firms. This has been by mandate of the employers opening the plants in order to limit organized labor's influence in the communities. Members of Carpenters Local 232, who were assigned work on one of the plants near the Michigan border, were told by the contractor, "If anyone asks, tell them you are non-union or we'll lose this subcontract."

Labor's Role in Economic Development: The Lesson from Fort Wayne

The labor movement has long opposed policies which promote economic dislocation and anti-worker activities. Labor has called for the elimination of state and local tax abatements used to lure employers from community to community, the repeal of Section 14(b) of the National Labor Relations Act allowing states to enact open-shop laws, and the federalization of workers' and unemployment compensation to establish uniform benefit, eligibility, and employer costs. But the labor movement appears to be deeply divided at both the national and local levels over participation in labor-management cooperation programs, productivity-enhancing employee involvement programs, worker buyouts, and employee stock ownership plans.

Local labor leaders are being pressured and pulled in different directions by the needs of rank-and-file membership, by their international unions, and by local government and business leaders regarding these controversial issues. Without a keen understanding of the wide range of roles the labor movement can play, both in blocking anti-worker agendas of others and in providing an alternative agenda for the planning process, labor will continue to be relegated to a subordinate role by the other powerful players—business and government. The assistance of the national AFL-CIO and international unions is needed to provide education at the state and local levels. A full internal discussion of labor's options in local economic development activities is essential for building effective defensive and offensive strategies.

It is obvious that the labor movement cannot afford to ignore economic development as it is being played out in many cities across the country. Neither can individual labor leaders risk being sucked in and alienated from their membership by playing the lone arranger. As in other activities, labor's strength remains in



The abandoned Harvester truck plant is now the site of Indiana's largest flea market.

forming an informed and united front. Business leaders and their allies in government expect to control the process, to continue to provide public subsidies for private decisions and profit making, and to sidetrack democratic discussion and debate of alternative agendas and perspectives.

Local labor leaders have the potential to move from a defensive posture of simply monitoring economic development activities for anti-labor bias to a position as watchdogs for the interests of the entire community, and as spokespersons for labor's natural political allies: minorities, the unemployed and the poor. The potential also exists for labor to influence the creation of a structure at the local level to encourage local control of local economies and to increase insulation from the whims of absentee corporate management.

In developing guidelines for labor participation in these activities and in analyzing the current practice of economic development, it is helpful to separate the economic development planning process from the economic development plans that result.

The economic development planning process can provide a rare opportunity for full democratic discussion on the future of our communities. Business may discourage this, charging that it would lead to factionalism in the community and an unfavorable business climate. Finding answers to the following questions can help labor leaders determine if the planning process is fair, democratic, and

worthy of participation:

- Is the process initiated, dominated and controlled by a business group such as the Chamber of Commerce?
- Is business membership on committees, commissions or boards balanced by representatives of labor, consumer, environmental, religious, and other community groups?
- Have outside consultants been hired to guide development efforts? On what basis were they chosen? Who decided the character of whatever study may be conducted? Was the study or its recommendations open to public inspection, community discussion, and debate?
- Are the local media used to push business viewpoints under the guise of "development plans," while public discussions and/or objections are labeled as obstructionist?
- Are decisions made in secret, while community input, discussion and participation are discouraged except to rubber stamp what has already been decided?
- Is labor's role only that of being a "showpiece" in a labor-management cooperation committee with no real decision-making power?

It is possible that a relatively democratic planning process will yield unacceptable economic development plans due to a business majority on the planning committee. The decision to provide support or opposition for development plans might be based on consideration of the following questions:

- Do the plans take on an anti-worker or anti-union orientation by calling for moratoriums on union organizing, cuts in workers' and unemployment compensation payments, or opposition to public employee bargaining rights?
- Do the plans damage the quality of the environment or harm community residents by calling for relaxation of zoning, health and safety, air pollution, toxic waste, or building code regulations in order to provide a "good business climate"?
- Do the plans tend to subsidize corporate investment that would have happened anyway?
- Do the plans attempt to shift the tax burden from the corporate sector to community residents through tax abatements or by substituting sales taxes for corporate taxes?

- Are the plans based on corporate-oriented ideology and justified by weak arguments based on the assumption that communities must compete in a them-against-us atmosphere leading to job wars?
- Is the only criterion the number of jobs, with no consideration of the quality of the jobs or their cost to the community?

Answers to these model questions can provide labor leadership with valuable information for developing policy positions and education programs. The decision to participate in the economic development planning process, or to endorse or oppose the development plans that result, can be exceedingly dangerous for local labor leaders. Without careful consideration and analysis of alternatives, labor can be made to appear as a destructive rather than a positive force in local communities. Failure to adequately prepare for participation in local economic development activities could cripple organized labor for decades to come. ■

Morse Cutting Tool

The Plant Closing That Wasn't

For the workers at Morse Cutting Tool in New Bedford, Massachusetts, the handwriting was on the wall. Either they could accept drastic concessions from their conglomerate-owner, Gulf and Western, or their 160-year-old plant would close. It would be another in the long string of closings that was dragging down the economy and the morale of the region.

But the workers marshaled the forces of their union—Local 277 of the United Electrical Workers—and brought the community together to fight and win the struggle to save their plant and the hundreds of jobs it provided.

Now a new booklet—*The Struggle to Save Morse Cutting Tool: A Successful Community Campaign*—documents the fight to save Morse, and the electrifying effect Local 277's struggle had on the community. This 40-page booklet details the "warning signals" that foreshadowed a possible plant closing; Local 277's strike in 1982; the City of New Bedford's nationally-noted threat to use eminent domain to take over the plant; and the eventual buyout of Morse by a dynamic Michigan businessman.

The Struggle to Save Morse is a must for workers, union and community leaders in need of creative solutions to cutbacks and shutdowns.

Mail \$2.00 for each copy to **Labor Education Center, Southeastern Massachusetts University, North Dartmouth, MA 02747.**