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Economic Conversation: Converting Tanks in Indiana

Abstract

[Excerpt] Since the summer of 1984, the Calumet Project for Industrial Jobs has been involved in a public campaign to save the Blaw-Knox plant in the Calumet steel region of Northwest Indiana. The process of organizing the campaign for conversion of the plant has been both difficult and challenging. There is precious little American experience to draw on for such an effort, and when the campaign, to its credit, attracted support from a broad range of concerned parties, it was hard to keep labor and community interests in the forefront.

Based on our trials and errors, we would like to offer some practical insights for the benefit of others who may become involved in similar campaigns. We highly recommend union and community involvement in such efforts. If working people and community groups are to gain power in saving manufacturing jobs and developing this country's future industrial policy we need to seize every opportunity for involving ourselves in local economic development decision-making.

Keywords

Calumet Project for Industrial Jobs, Blaw-Knox, Indiana

American Metal Markets May 7, 1984

White Will Sell Machinery Steel Processing Subsidiary

EVELAND—White Consolidated Industries Inc., the appliance and machinery conglomerate, will move "as quickly as is practical" out of some of its steel mill machinery and steel businesses and may try to sell some other, unspecified units as well, executives said last week. The company officials did not identify which specific subsidiaries may go on the block soon, but could account for 25 to 30 percent of White's non-appliance sales in recent years. Security analysts' most likely candidates were White's Blaw-Knox units, which produce steel mill and foundry equipment for the steel industry.

By eliminating operating units that do not produce a high return on assets, officials hope to be able to invest "several hundred million dollars in capital equipment during the next few years," according to a company statement.

In 1983 appliances accounted for 77 percent of \$2.06-billion in total sales logged by White, the nation's third-largest manufacturer of major home appliances. The machine tool, foundry and mill machinery division accounted for 12 percent of sales.

while general industrial equipment, such as valves and conveyors, accounted for 11 percent of sales. As recently as 1981, however, the machinery and metal castings division had sales of \$459.9-million and accounted for 21 percent of total company sales. Before the severe recession dropped sales to \$249-million last year.

The company's intentions to sell up to a 30 percent share of the division could mean units accounting for as much as \$150-million in annual sales.

The plans for the company were disclosed by Roy

White-Sundstrand M Co.

The announcement were in line with recently disclosed plans outlined in its annual report, possibly "sell off" businesses within the division if it became clear unable to meet White's goals.

These goals were the company's 10 percent return on investment, the company is not currently being as achieving a 10 percent net increase in sales, and the company's net. The company is sure that



USWA 1026 was initially alerted to the potential plant closing at Blaw-Knox by an article in a trade journal which is monitored by the Calumet Project for Industrial Jobs. White Consolidated, Blaw-Knox's parent, continued for six months to deny that it was unloading the plant.

Economic Conversion:

Converting Tanks in Indiana

■ Greg LeRoy & Lynn Feekin

Since the summer of 1984, the Calumet Project for Industrial Jobs has been involved in a public campaign to save the Blaw-Knox plant in the Calumet steel region of Northwest Indiana. The process of organizing the campaign for conversion of the plant has been both difficult and challenging. There is precious little American experience to draw on for such an effort, and when the campaign, to its credit, attracted support from a broad range of concerned parties, it was hard to keep labor and community interests in the forefront.

Based on our trials and errors, we would like to offer some practical insights for the benefit of others who may become involved in similar campaigns. We highly recommend union and community involvement in such efforts. If working people and community groups are to gain power in saving manufacturing jobs and developing this country's future industrial policy we need

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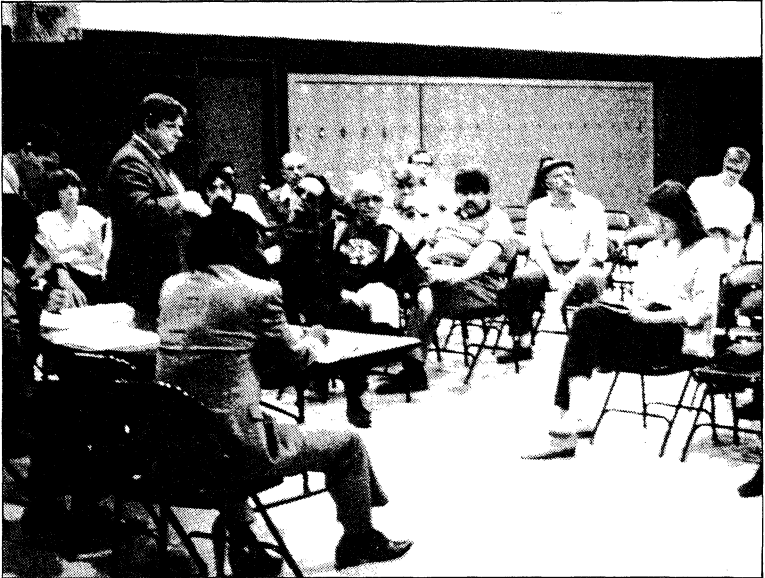
Generating a Conversion Feasibility Study

Blaw-Knox Foundry & Mill Machinery Company in East Chicago, Indiana, makes the largest steel castings in the United States. Traditionally one of the country's few builders of steel mills, the plant also makes vital parts for ships, pipelines, railcars and mining equipment. With over 200 machinists in the 1970s, it was one of the largest machine shops in the Midwest.

Blaw-Knox was bought in 1968 by White Consolidated Industries, a diversified machinery and appliance conglomerate based in Cleveland. Through the 1970s and early 1980s, White diverted much of the profit from Blaw-Knox and other machinery subsidiaries into its high-growth home appliances division. As the demand for steel mills declined, White put all its East Chicago eggs in the Pentagon's basket by tooling up to supply General Dynamics with the armor hulls and turrets for the M-60 military tank. Despite the fact that the Pentagon committed the Army to the new M-1 tank in 1976 and began taking delivery of the new model in 1980, White kept the East Chicago plant producing the M-60, relying on foreign orders. At times, the company used the uncertainty of new foreign orders for the M-60 to gain leverage for concessions, but United Steelworkers Local 1026 resisted givebacks, even during the Basic Steel contract concessions of 1982.

Monitoring metal-working trade journals, in Spring 1984 the Calumet Project found that White Consolidated had just announced a new corporate strategy, setting a hurdle rate for profits which none of its heavy machinery divisions could hope to meet. We immediately alerted Local 1026. Blaw-Knox was for sale, and the only order then on the books would not carry work past the end of the year.

Throughout the summer of 1984, Local 1026 and the Calumet Project sought to find out the plant's prospects; inquiries were made to the Pentagon about future orders, contact was made with the UAW at General Dynamics, and White's past investment strategies and labor practices were researched. White publicly denied that Blaw-Knox was for sale. In retrospect, the company was doing what the manuals advise when a plant is in trouble: deny it as long as you can so you don't lose your workforce and disrupt production. Employment, which only seven years ago was over 2,200, had dropped to 1,200 by January 1984 and by the end of that year was less than 600.



Skeptical steelworkers listen as Arthur D. Little consultant (standing, left) answers charges that the union was being ignored in Little's feasibility study.

Local 1026 President Buck Martin and other executive board members responded cautiously to the news of White's changing strategy, not wanting to alarm their members unless they were sure the trouble was real. It took another jolt to move them to action; in September 1984 White announced the machine shop would be closed, claiming that department was unprofitable. Board members were bitter, alleging that the company had been turning away work for that department; that young, inexperienced supervisors had alienated the shop's skilled workers; and that White had failed to reinvest in new machinery or adequate maintenance.

The union responded quickly, sending out a letter to local, regional, state and federal officials, detailing the plant's conditions, the lack of new orders, and White's new corporate strategy. It called for a meeting to plan against a shutdown. The union formed an internal committee to defend its interests. Under pressure from the union's charges, White finally announced in October that Blaw-Knox was for sale.

The union's letter defined the task at hand: since White had no plans for future production at the plant, a feasibility study was needed to determine what alternative products the plant could

be converted to make. In a hectic round of fall meetings, chaired by Steelworkers District 31 Director Jack Parton, the union pulled together a coalition to back such a feasibility study. The coalition included the Development Director of East Chicago, the United Citizens Organization (UCO), representatives from the Congressman and U.S. Senators, the State of Indiana Department of Commerce, the Blaw-Knox plant manager, the regional planning commission, and the local dislocated workers program. A subcommittee made up of the union, UCO, the city, the planning commission and the plant manager was formed to raise funds and draft a Request for Proposals. By Christmas, more than \$50,000 had been committed by the state, the city, the company, the local union, the international union, a veteran's lodge, UCO, and the local economic development commission.

Five bids were received and reviewed in January, and a contract was signed between the city and the consulting firm of Arthur D. Little and Company (ADL) in March 1985. The consultants met with various groups to gather information during April and May, and delivered their report in early July.

With this basic chronology of the Blaw-Knox feasibility study process, we would like to examine the strengths and weaknesses of the campaign and offer some suggestions for other unions or community groups who may find themselves in a similar situation.

The Union Must Be Organized First

A union "Save Our Jobs" Committee is essential to any conversion effort. The committee at Local 1026 was a vital source of news about the plant's condition, a sounding board and catalyst for ideas and strategies, a voice for the rank and file from the various departments and a vocal ally for the union leadership to be more aggressive in both private and public meetings.

The committee within Local 1026 was active, but in retrospect, it was too small. When we tried to do a survey of workers in the plant to get their ideas on alternate uses and products, the response was poor, partly because no grievors or rank and file had been part of the process of initiating the poll or developing the questionnaire.

The "Save Our Jobs" Committee played a very important role, however. The presence of members at meetings of the public coalition made an enormous difference: they were impatient and aggressive, they demanded action for the money the union had chipped in, and when they criticized the plant manager's performance to his face, they made it clear the union was not going to be passive about the process.

Beware the Bidding Process

Developing a Request for Proposals (RFP) and the solicitation and awarding of bids for a community-initiated feasibility study is a delicate process which requires careful attention. It's that critical first step when things get put down in writing that can backfire later if adequate safeguards for labor and community interests are not built in. The scope of services and the way those services will be provided are the crucial points.

Since there are only a few labor/community-oriented consulting firms, it's smart to assume that the bid will likely go to a mainstream business consulting firm with no experience working for a grass-roots constituency. That means written protections should be built into the RFP. We suggest the following safeguards:

- A specified role for the union in the research process, including regularly scheduled meetings between the consultants and the union's executive board or the Save Our Jobs Committee, and public meetings with the membership during and at the end of the study.

- Guaranteed equal access to all corporate information used by the consultants as a basis for their recommendations.

- Guaranteed full participation rights in any meetings with development officials or others involved in the process.

- Inclusion of a social cost analysis on the impact of the job loss.

- A requirement that reinvestment in the plant (or lack of it) be documented, including an inventory of equipment and machinery which includes ages, and an itemization, including value, of all improvements made in the plant over the past ten years. (The ADL report on Blaw-Knox unwittingly supported the union's charge that the plant had been "milked," when it showed that most of the machinery was so old it had only scrap value.)

- A proviso that if labor costs are to become an issue in the study, management competence and past performance must also be scrutinized. Interviews with union-designated workers should be a primary source of information. (It was particularly frustrating during the ADL study that wage rates were considered fair game for review, but when union members asked the consultants to look into major management errors, the ADL staff shrugged their shoulders and said "That's the past, we're just trying to determine what can be done in the future." Never mind that current wages and benefits reflect past good faith bargaining, or that past management practices affect future prospects.)

Labor and community groups should try to exercise as much

control as possible over who gets the job. One possible method is to dominate the funding. When that is not possible, the next best move is to solicit as many friendly bidders as possible to increase the odds. While the sub-committee drafted the RFP, we contacted three firms with labor/community experience and encouraged them to bid. Unfortunately, only one was able to respond. That really narrowed our chances and gave us little room to maneuver in advocating for a friendly bid.

When the bids came in, the Project scrambled to investigate the four mainstream business consulting firms. Thanks to research by Indiana University-Fort Wayne Professor Mark Crouch, we were able to alert some committee members about one of the bidders, the Fantus Corporation. Fantus contributes in a big way to the hypermobility of manufacturing capital, by playing both sides of the fence (working for both cities and corporations) in the regional rotation game of industry relocation. Fantus also has an anti-union history. It was difficult gaining access to information about the other consultants' past relations with unions and communities, and despite fairly extensive checking, we really had no luck in determining if the other three firms had skeletons in their closets.

Committee Structures Influence Knowledge and Power

Bringing in so many diverse people and organizations to the feasibility study process was a double-edged sword. On the one hand, the Blaw-Knox effort brought many people to work together who in the past had not cooperated. It also insured very high visibility for the efforts to save the plant, and provided necessary connections and "peer pressure" to raise money for the study. But opening up the process also made it difficult for the local union to maintain control of its own fate. This was especially true when the working subcommittee was formed; it was chaired not by the union, but by the business director for the regional planning commission. Even when the whole committee met to hear of the subcommittee's progress, the power of greatest knowledge was with the planning commission business director, rather than the union. Steelworkers District Director Parton chaired the larger committee, but he was not close enough to the tasks at hand to dominate the proceedings. The Steelworkers staff representative was skeptical of the whole process and never became active. The fact that the USWA International contributed only 10 percent of the funding for the study also possibly diluted its power.

The presence of the plant manager on the committee was also a source of tension. On the one hand, it apparently indicated that White/Blaw-Knox wanted to cooperate in the effort. Still, he came

from the company which had milked the facility. He claimed he was there not as a representative of White, but rather as an interested party, and he once said he was considering buying the plant himself. The development officials, whose work circles are dominated by business people, saw no conflict in his participation, and routinely deferred to him for information about the plant. This roused the ire of some unionists, who had specific complaints of mismanagement against the plant manager. Some worried he might seek to cover up his past mistakes by interfering with the feasibility study process.

Public Meetings For Education and Coalition-Building

The Calumet Project and Local 1026 organized two public meetings on Blaw-Knox, one in December when the study was commissioned and another in May, halfway through the study. The meetings were an attempt to open up the process to both workers and community residents, to help build public support for the effort, and to demystify a process which usually takes place behind closed corporate doors.

The first meeting, in early December 1984, drew more than 200 people, including more than half the first shift. After various officials explained that a study was being sought, workers spoke out: some were angry at White Consolidated; others were scared about losing their jobs. Several criticized the company for denying the plant was in trouble; others argued the plant would surely get new orders. (In fact, a new order from Taiwan was confirmed a few weeks later, keeping the foundry alive until July, 1985). There was an uneasy consensus that the union's new allies were probably doing the right thing, but the idea of a publicly initiated feasibility study was new. Many workers were skeptical, and many continued to deny the plant was in serious danger of closing.

The second meeting, in early May 1985, was called to allow the consultants from Arthur D. Little (ADL) to report on their preliminary findings and to allow union members to give input. After a brief presentation in which the ADL men confirmed that the future market for the M-60 was sporadic at best, workers moved to complain about ADL's neglect of the union. "We asked twice that you come out and talk to workers in the plant," yelled a union trustee. "To me, it's a one-sided approach." Several workers also said that they expected the report to blame the plant's troubles on high wages and that they refused to discuss large concessions. Numerous examples of mismanagement were cited. One veteran worker waved his arms fervently, saying, "We've seen everything

that can be cast come out of this plant, from belt buckles to fence posts to steel mills. We can make anything in there if you'll get management out of the way."

With the union so emphatic about wanting to be involved in the feasibility study, the consultants agreed. For the remaining month of their research, ADL sought out unionists' expertise. Union board members, rather than foremen, gave the consultants tours of the machine shop and the roll shop.

Learning the Ropes From Community Groups

Compared to most community groups, the average union local's leadership knows very little about their city's economic development process. This is a result of the traditional estrangement between the development community and the labor movement. When East Chicago's business development director heard that Blaw-Knox was in trouble, she was surprised; the plant stands two blocks from her office. But then, she had never asked the union.

Because most community groups have extensive experience working on development issues (based on work around housing, public improvements and jobs), they can provide a bridge for unions to quickly gain an effective voice with development officials. The fact that UCO was at the union's side from the beginning undoubtedly made the city officials more attentive, since UCO has effectively organized on housing, unemployment and school issues for the past four years. With their experience, UCO leaders and staff were the union's most adept allies in both committee and public meetings.

Social Cost Analysis: A Key Research Tool

Social cost analysis is the best way to dramatize how the community has material links to the plant and the union. UCO leaders were alarmed when the ripple effects of losing 800 jobs at Blaw-Knox were spelled out to them: 534 additional jobs, \$30.9 million annually in lost personal income, \$12 million in lost tax revenues, and \$7.8 million in higher government payments for the unemployed. Plus, Blaw-Knox was delinquent in its property and real estate taxes; in 1984, it owed the City of East Chicago over \$621,000 in back taxes needed for school, police, fire and sanitation services (despite making steady profits estimated between 22 and 29 percent).

These figures were only used privately by Local 1026 in the first committee meeting, to underscore the urgency of acting to save

the jobs. Had the committee members not been so responsive, the union could have made the figures public, in an effort to pressure the officials into action. Such studies usually get very good press coverage.

Conversion Means Different Things to Different People

Conversion is popularly viewed as the peace movement's way to gain labor support for reduced military spending. For all but a few members of USWA Local 1026, however, the issue was always jobs, not peace.

The feasibility study was not a conscious question of *conversion*; it was a matter of *reversion*, going back to the varied product mix the plant had before White banked on high profitable but precarious military work. Early on, the Calumet Project sought information on other union campaigns to convert military facilities, much of which is from a disarmament perspective. Materials were gathered on the Lucas Aerospace stewards program in England and the United Electrical Workers campaign in Charleston. We consulted the Highlander Center's book on how to research military contractors, and Joel Yudken of the Center for Economic Conversion gave a seminar for local leaders based on his experience with the UAW at McDonnell-Douglas in California.

Some workers at the plant actively advocated the military work. Warm-up jackets with a mighty M-60 emblazoned on the back were sported at the public meetings. Others cynically joked about new trouble in the Middle East because the Arab-Israeli conflicts of the 1970s had produced lots of new tank orders.

Toward a Labor/Community Industrial Agenda

Any union or community group which becomes involved in a conversion campaign should expect many such tensions as we experienced between the union, company, development and elected officials, and the consultants. Any broad-based effort will necessarily bring together parties with differing self-interests. That's no reason to avoid getting involved, though. The key is to know what you want and to organize to defend your position. If the thinking of local, state and federal development officials is to be influenced toward more creative, pro-labor and pro-community policies, many more of them need to be invited out of the city hall and out of the company board room to get an earful down at the union hall and the church basement. ■