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# Maytag Moves to Mexico

## The closing of the Galesburg Maytag plant has left more manufacturing workers pondering an uncertain future

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By David Moberg

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Galesburg, Illinois—Many Americans dream of getting rich. Aaron Kemp had more modest ambitions. “I wanted to work at a decent job and earn a decent wage, with decent benefits, so I can raise my kids, give them a decent education and maybe take them out to Pizza Hut on a Friday night. I don’t need a Mercedes, just a ho-hum existence, and now,” he says, with sadness and anger in his voice, “it seems hard to even do that.”

Eight years ago, Kemp began working at the factory of Maytag Corporation, the largest employer in Galesburg, a western Illinois town of 34,000 and the birthplace of poet Carl Sandburg. In September, Maytag finally closed the plant, after sending a large part of the work that 1,600 people had recently been performing to a new Maytag factory in Reynosa, Mexico; another large part to Daewoo, a Korean multinational subcontractor that is expected to build a plant in Mexico; and a few dozen jobs to a plant in Iowa. Now Kemp, a 31-year-old union safety and education official with a muscular build and a small goatee, has a temporary job as a counselor to laid-off workers at two-thirds his old pay.

The local Machinists union fought the shutdown, taking their case to the streets, to the press, to politicians and to Maytag shareholders, even winning national attention when Senator-elect Barack Obama mentioned their cause in his Democratic convention keynote speech. But the union could not stop the Maytag jobs from being added to the tally of 2.7 million manufacturing jobs lost since 2000. Those several million jobs were eliminated for many reasons—including declining demand, rising efficiency and increased imports—but a significant portion are the result of U.S. multinational corporations, like Maytag, moving production out of the country.

Although the U.S. Bureau of Labor Statistics concluded that during the first three months of this year only 4,633 workers lost jobs because of investment shifts overseas, a study for the U.S.-China Economic and Security Review Commission by Kate Bronfenbrenner of Cornell University and Stephanie Luce of the University of Massachusetts found that at least more than five times that number of jobs were lost in the same period. They also estimate that in 2004 more than 400,000 jobs will be shifted from the United States to other countries. That's nearly twice the rate in 2001, and it represents about one-fourth of all mass layoffs in 2004.

Despite the trend toward outsourcing white-collar jobs, Bronfenbrenner and Luce found that more than four-fifths of job shifts were still in manufacturing industries and more than one-third of the estimated 400,000 jobs shifted went to Mexico. But China is in second place, and rapidly rising in popularity. They also found that companies disproportionately target unionized jobs, which represent 39 percent of all jobs shifted out of the United States but only 8.2 percent of the private workforce. The Midwest has been hardest hit, most of all Illinois, which in the first three months of 2004 lost at least 7,555 jobs—almost all to Mexico.

### **Local losses cut deep**

The loss of 1,600 jobs with the Maytag closing is hard on Galesburg, where 5 percent of the town's workforce lost jobs, as well as the small surrounding towns. But the ripple effects—from lost jobs at nearby suppliers (including a workshop for the disabled that employed 100 people working on Maytag subassemblies) to indirect effects of declining consumption and reduced tax revenues—will raise the total job loss in the region to roughly 4,166, according to a Western Illinois University study.

That's only a part of the region's woes. In January, the new Australian owners of Butler Manufacturing, which makes steel buildings, will close their Galesburg plant—dumping both 270 manufacturing employees and the only unionized Butler facility. In the past few years, other area factories have closed or greatly cut back on their workforce, including a rubber hose manufacturer, a ceramics manufacturer, and several small industrial parts and equipment makers.

Some, but not all, of these other job losses involve shifts out of the country. They become part of the national problem posed by the growing trade deficit that may approach a record \$600 billion this year. As more governments and financial market players have perceived this deficit—and the federal budget deficit—as unsustainable, the value of the dollar has fallen. The deficit increase partly reflects rising oil prices and a growing trade imbalance with China, whose currency, the yuan, is pegged to the dollar and, according to critics, undervalued. But the deficit is also a result of the shift in jobs manufacturing tradable goods.

A declining dollar should reduce this trade deficit. But changes in the American economy may blunt its effect. With the decline in its manufacturing base, the United States has fewer producers of tradable goods for export and relies more on imports for essential

goods, even if their price in dollars rises sharply. The United States even runs deficits in agricultural commodities and advanced technology, while the small trade surplus in services has been shrinking. The surge in offshoring of white-collar work undercuts the traditional expectation that the United States would simply shift to theoretically higher skilled jobs as it lost manufacturing.

The attention focused on offshoring call-center or software jobs has reinforced the assumption, at least in elite political circles, that manufacturing is a lost cause, especially if the product can be made in China.

### **Maytag workers argue for quality, morality**

But Maytag workers had a strategy for saving their jobs. David Bevard, the articulate and thoughtful local union president, wanted Maytag to continue to position itself as a high-quality, premium-priced, Made-in-America classic; he argued that the company was damaging itself by undermining workers at the Galesburg plant who wanted to maintain high standards of quality and by accepting “junk” from offshore suppliers. Union members also wanted their protests to make other employers think twice about shifting jobs overseas. And they saw themselves in a global battle for justice.

Workers losing their \$15 an hour jobs in Galesburg have a surprising empathy for the Mexican maquiladora workers who would be doing the same work for roughly one-sixth the wage. “The only people being done more a disservice than the people in Galesburg are the people who are going to have our jobs,” Kemp says, sitting around the union hall before the shutdown occurred. “They’re the only ones more exploited. It shouldn’t be American workers against Chinese or Mexican workers, but working people against greed.”

“We represent 1,600 in the Galesburg plant, but as a union representative, I feel I’m representing all workers everywhere and try to speak for all those workers,” union vice-president Doug Dennison says. “This is so much bigger than a union issue. It’s almost accepted what’s happening in Galesburg is OK, that it’s OK to do that.”

“It’s exploitation of the many for the benefit of the few,” says Kemp. “Sometimes there’s a fine line between what’s legal and what’s right.”

“Morality,” Dennison adds. They clearly think that is missing, as well as their power to do much about their situation. While most workers blamed “corporate greed” for the plant closing, they also blamed the government for enabling or encouraging that greed. And among an otherwise strongly Democratic crowd, people remember that it was Bill Clinton who pushed through NAFTA. “People in both parties are allowing this to happen,” Toby Ladendorf laments on closing day. “Who’s going to defend us?”

### **Concessions can’t compete with bottom line**

Over the decades, Galesburg workers had grown accustomed both to the security of the Maytag jobs and to intimations of insecurity, especially as the industry consolidated into a handful of domestic appliance makers. When Maytag bought the plant in 1986, workers were encouraged by its reputation for quality. But by 1992, as a precondition to making an investment of \$180 million, Maytag was demanding concessions from the union and public assistance to keep the plant open, including \$7.5 million in state grants and loans, a \$3 million city grant paid through increased sales taxes, and local tax abatements through 2004 worth about \$4 million. (After the closing, the state passed new legislation to make expected public benefits of such aid clear and to recover money if the goals are not met. And the Knox County state's attorney is trying to recover excess tax abatements.)

The union tried to cooperate to increase productivity, says Bevard, but management was only interested in cutting jobs. Union business agent Mike Patrick suggested that management adopt the "high performance work organization" model that worked well at companies like Harley-Davidson, giving workers responsibility and authority to use their knowledge at work. "Maytag had no intention of giving employees any control," Patrick says. "They wanted to stay with the command and control model." Indeed, Maytag tried to tighten control further and force more concessions, provoking workers to the brink of a strike in 2002.

Then on October 12, 2002, Maytag announced that the plant would close beginning in 2003. Managers told the union that the plant was "not competitively viable."

Maytag was profitable, but revenue and profits have been stagnant or declining and the company's stock price has dropped. Big box retailers like Home Depot were taking a larger share of the market and demanding lower prices from manufacturers. Also, other refrigerator makers had begun producing in Mexico, and Maytag already had subassembly operations in Reynosa. About three hours of direct labor are needed to build the cheaper refrigerators, and with cheaper Mexican labor that can make a difference of \$50 on a \$350 refrigerator, not counting the savings accrued from lower social and environmental regulations. Maytag will save money eventually, but there was speculation in Galesburg that Maytag was simply following the crowd offshore or trying to please Wall Street to boost its stock price.

## **Galesburg struggles to retool**

In October, the unemployment rate in Galesburg was 9.1 percent. Knox County is on the state's youth poverty warning list. Galesburg recovered from major workplace closings in the 1980s partly through expansion of factories like Maytag, as well as accepting a state prison that residents previously opposed.

Now, to survive, laid-off workers must retrain as welders, nurses, office managers and computer technicians. But even in these growing occupations, there are far more trainees than available local jobs. Many look to long commutes or relocations in order to find jobs, or they prepare to compete with their kids for \$7 to \$8 Wal-Mart jobs. Meanwhile,

economic development officials try to attract investment but rarely mention manufacturing, except to convert the region’s abundant corn and soybeans into marketable products. The town has a new logistics park, entrepreneurial centers, and business incubators, and there’s some talk about Galesburg becoming an education laboratory, a tourist center or an “ag-urb” retirement center for upscale refugees from cities like Chicago, a three-and-a-half-hour drive away.

The town is playing up its historic—and rebounding—strength as a railroad center and its interstate highway connections in the search for warehouses and distribution facilities. Last summer a delegation went to China, looking for investors and Chinese companies seeking distribution centers for the kinds of goods once manufactured in towns like Galesburg. It was a sign, local citizens thought, of how globalized the town was becoming.

“Globalization is such a fraud,” says Bevard. “It’s just a rush to the bottom for cheap labor. Instead of reducing the United States to the Third World, we should be elevating the standards of those countries.” Then, perhaps, the Aaron Kemps of this country could hope once again for a ho-hum but decent life for themselves and their kids.

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**David Moberg**, a senior editor of *In These Times*, has been on the staff of the magazine since it began publishing. Before joining *In These Times*, he completed his work for a Ph.D. in anthropology at the University of Chicago and worked for *Newsweek*. Recently he has received fellowships from the John D. and Catherine T. MacArthur Foundation and the Nation Institute for research on the new global economy.

