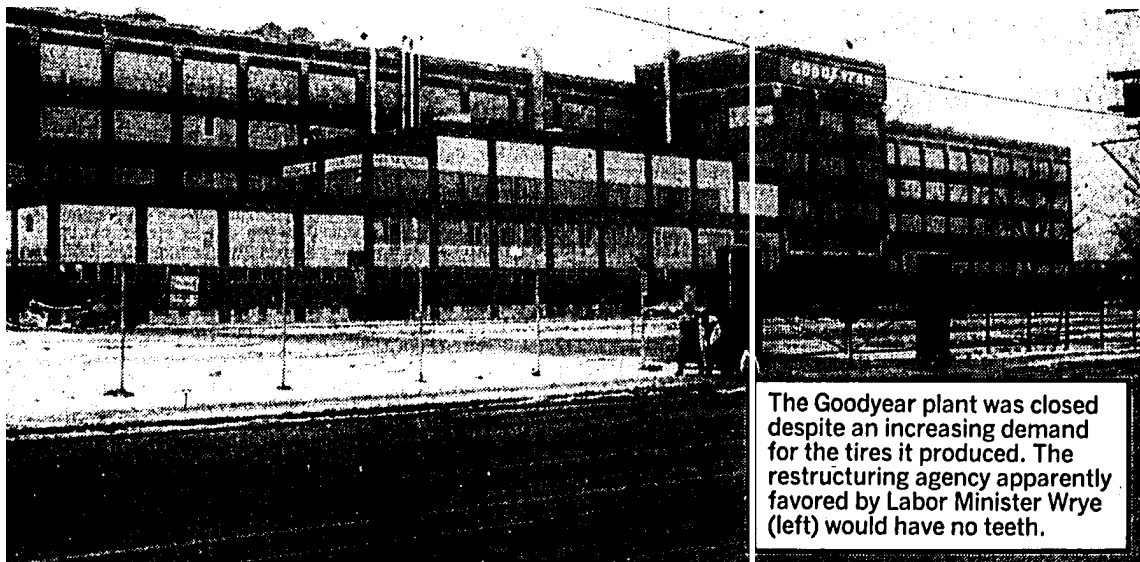
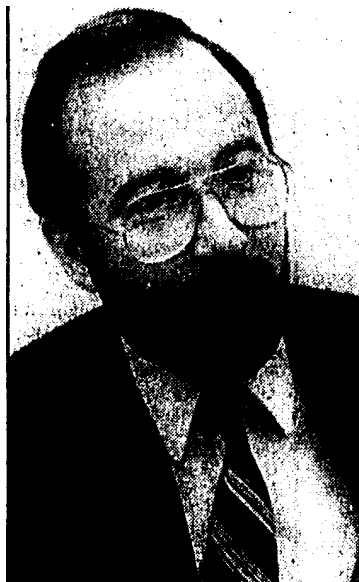


Warning system vital in plant closings

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The Goodyear plant was closed despite an increasing demand for the tires it produced. The restructuring agency apparently favored by Labor Minister Wrye (left) would have no teeth.

Warning system vital in plant closings

BY JACK QUARTER

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THE ANNOUNCED CLOSING this week of the 1,300-employee Firestone Canada Inc. tire factory in Hamilton demonstrates again that Ontario needs better legislation governing plant shutdowns — certainly something better than the bill proposed last month by Labor Minister William Wrye.

Granted, Mr. Wrye wants businesses planning to close to give their workers more notice and more severance pay. They also will be required to provide information about the shutdown to an "industrial restructuring commissioner," a position to be housed in the Ontario Ministry of Industry, Trade and Technology. However, the ultimate decision to close will remain the exclusive domain of the owners.

Firestone wants to halt production at the 69-year-old Hamilton plant by next January, even though it has accepted \$13.5-million in federal grants since 1983 on the understanding that the doors remain open at least until 1992. The situation illustrates further why plant closings have become a major concern in Ontario. Estimates submitted by the Ontario Federation of Labor to an all-party legislative committee holding hearings on the problem indicate that, between 1981 and 1986, 125,000 workers lost their jobs because plants either closed or scaled down their operations.

Some communities have been hit very hard. For example, Etobicoke has had

Goodyear (another big tire manufacturer), Sunbeam, Noxzema, Neptune Meters and Federal Nut and Bolt all close within the past year. The Etobicoke phenomenon demonstrates what economist Leon Muszinski calls, in a report prepared for the Metropolitan Toronto Social Planning Council, the "deindustrialization" of Toronto.

In drafting his legislation, Mr. Wrye appears to have rejected advice from the Ontario Federation of Labor and the New Democratic Party that he create an agency with the power to prevent a shutdown if an enterprise is "economically viable." The OFL also wanted at least six months' notice of a shutdown and a compulsory feasibility study when one is planned.

Rather than granting effective power to a government agency, the minister has proposed that the industrial restructuring commissioner "identify problems in their early stages and attempt to develop creative options in selected restructuring situations." The need for a preventive approach comes from increasing evidence that plant shutdowns are not usually last-minute accidents of the marketplace, but carefully planned business decisions taken well in advance and often in corporate boardrooms outside Canada. More than 70 per cent of the nearly 8,000 layoffs announced this year involve shutdowns of U.S.-owned plants.

Often the plan to close is made when the plant still is profitable. For example, the Goodyear closing in Etobicoke has been attributed to an attempted takeover of the U.S. parent corporation that led to "cost-cutting" measures. The decision to close was made despite an increasing demand for

radial tires produced by the Etobicoke plant and the willingness of auto-assembly plants across Southern Ontario to use them.

Similarly, the SKF plant in Scarborough closed, with the loss of 300 jobs, because the Swedish conglomerate "rationalized" its bearing production and decided it was more efficient to service the Scarborough plant's markets with imports from other SKF branches.

Although a preventive approach could be quite useful, Mr. Wrye is vague about specifics. This is noteworthy because the Ontario Legislature's all-party committee on plant closings did make a number of constructive recommendations. These included proposals from the Toronto-based Worker Ownership Development Foundation for a "community adjustment fund that could finance feasibility studies of a worker buyout" and "a financial assistance program to help workers purchase a closing plant and operate it as a co-operative."

There have been several successful worker buyouts in Canada, including the Lamford Mills and Victoria Plywood co-operatives in British Columbia and the Beef Terminal, a custom slaughterhouse in Toronto. In the United States, the worker buyout is even more common because of major tax incentives to companies that sell their shares to employees, along with financing to assist in feasibility analyses and actual buyouts.

There are other ways to avoid a shutdown, but they also require time to be put into action, making an "early-warning" system essential. The prototype for such a

system has been developed by the Midwest Centre for Labor Research in Chicago, which is in an area suffering from plant closings. The MCLR has assembled a list of long-term indicators associated with plant closings, such as a change in ownership, disinvestment, declining sales, mismanagement, duplicate production capacity, management instability, inadequate research and development, substantial job loss and changes in land use.

More immediate indicators include removal of equipment, additional security guards, irrational cuts due to a cash crunch, sudden changes in management behavior, unusual bargaining positions and unidentified visitors.

The MCLR has worked closely with unions to implement this early-warning system. When a closing is announced, it joins organized labor, management and the local community to look for an alternative.

Mr. Wrye favors an early-warning system but indicates that this function will be handled by the industrial restructuring commissioner. Given the U.S. experience, he might do better to let labor groups or community organizations conduct the research and act as advocates, leaving the commissioner to serve as a mediator in negotiations with the company.

Having apparently rejected the idea of a government agency with teeth, the labor minister should at least consider giving some clout to groups likely to be more vigilant than a powerless branch of the bureaucracy.