

Senate Democratic Policy Committee Hearing

“Shipping American Jobs Overseas: A Hearing on the Bush Administration’s Claim That Outsourcing is Good for the U.S. Economy”

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Greenville, MI

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Good morning Chairman Dorgan, Senator Stabenow, and other Senators in attendance. Thank you for inviting me to testify before you today on behalf of 2,700 Electrolux workers in western Michigan who recently learned that our plant is moving to Mexico.

My name is David Doolittle and I serve on the bargaining committee of UAW Local 137. Our Local represents the production and maintenance workers at the Electrolux refrigerator plant in Greenville, Michigan. Another UAW local, Local 1554, represents the technical and office workers at the plant. There are a total of 2,400 union-represented workers at the plant and another 300 or so supervisors and management employees.

I am 42 years old and have worked at the Electrolux plant for 23 and one-half years. I am a condenser press operator on the first shift. I live in Greenville – which is about 35 miles from Grand Rapids -- with my wife and three kids. I like my job a lot and had every intention of working at Electrolux until retirement. Now I won’t have that chance.

The plant I work at has been in operation for over one hundred years. When it was built in the 19th century, it produced iceboxes for Gibson. During World War II, the plant was converted to defense production and it manufactured ammunition and gliders. I have been told that the gliders produced at the Greenville plant were flown at Normandy.

The plant has had different owners over the years. Today, it is owned and operated by AB Electrolux, a Swedish corporation. We manufacture top mount and side-by-side refrigerators. Last year, we produced over 1.3 million refrigerators. This year, we added a new product, a high-end cabinet-depth, side-by-side refrigerator.

The Electrolux plant is the biggest employer in Greenville. It employs 2,700 people and the town has only 8,000 residents. In fact, it’s one of the biggest employers in western Michigan. People come from all over to work at the Electrolux plant.

I was a member of the bargaining committee when we negotiated the current 3-year collective bargaining agreement, which expires in November 2005. During negotiations with the company for the current contract, there was no hint that the company was considering closing the plant. In 2001, the company made about a \$110 million investment in equipment and retooling to bring a new line into the plant. So you can imagine what a shock it was to hear what the company had to tell us last October.

On October 21, 2003, I showed up at the plant early as usual, and was surprised to see North American corporate executives in the office. The head of Human Resources told me he wanted a meeting with the local union committee at 6:30 a.m.

At the meeting, we were told that, “unfortunately” the corporation was considering closing the Greenville plant. We were stunned. No one had even heard a rumor about closing the plant. I don’t think any of the managers at the plant even knew except the plant manager and maybe the head of human resources.

At the start of the first shift, the company called all the employees together in an open area in the front of the plant, including those who were leaving from third shift. The production lines were shut down. The plant manager said, “I have an unfortunate announcement to make. The North American operations group has put us under an advisory that they are considering closing the Greenville plant. They have not made a decision yet, but we feel we need to inform you.”

Everyone was in shock. A few first shift workers were so upset, they asked to go home and were given permission to do so. Outside the plant, there were police cars and Pinkerton guards in tactical uniforms. I guess the company wasn’t sure how people were going to react. Everyone was very somber and quiet. There was no need for security.

Right after the meeting, the local unions asked to meet with the company immediately to see what we could do to keep the company in Greenville. Frank Wagner from the North American office said the company wasn’t negotiating but, “Of course, we’ll listen to whatever you have to say.”

Then we contacted the UAW Region and local and state government officials and let them know about the company’s announcement.

We met with the company the next day, October 22, in Grand Rapids. Corporate representatives had pie charts and they explained how they had come to the decision they were “investigating.” They demonstrated that there was an annual net difference of \$81 million between operating the plant in Greenville or in Mexico.

Specifically, they explained that our wages and benefits package totals \$22.99 an hour. This breaks down to \$15 an hour base wage, plus \$5.75 in benefits and \$2.24 in taxes. They told us they had paid for an outside consulting firm to prepare a report comparing the costs in Michigan to the costs in Mexico and the firm had estimated the Mexican wages and benefits package to total \$3.64 an hour. That breaks down to \$1.57 an hour base wage, plus \$2.07 in benefits and other costs.

When other costs, such building a plant in Mexico and the logistics of shipping refrigerators from Mexico, were factored in, the difference between operating at the two plants was \$81 million a year or \$15.09 per worker.

After the company's presentation, we told them we wanted time to try to come up with savings that might persuade them to stay in Michigan. They told us they needed to make a final decision by the end of December and that we could have that time to come up with something. But they made the point of saying they were not calling it "negotiations." What they said was: "Here's the number you need to come up with: \$81 million a year."

Over the course of the next two and a half months, the UAW came up with contract concessions totally more than \$32 million a year. We met with the company a number of times, each time increasing the amount of the package. The company didn't want to meet around Christmas time, so they extended the date of the final decision to January 9. On January 8, we made them a proposal the company said wasn't worth as much as we said it was. We told the company we needed more information from them and they agreed to provide it and to extend the final decision until January 16.

Meanwhile, the "Nitty Gritty Committee," comprised of state and local officials as well as union representatives, was meeting twice a week or more often. The committee put together a final package of tax abatements and government grants that totaled \$121.2 million over 15 or 20 years. The Nitty Gritty Committee offered Electrolux, among other things:

- Up to \$83 million over 20 years (\$4.15 million a year) for job retention tax credits through the Michigan Economic Growth Authority;
- \$31 million over 15 years (\$2.06 million a year) for a tax-free Renaissance Zone offered by the state and local governments, and forgiveness of the Single Business Tax;
- Up to \$2 million for public works on a new factory site, through a Michigan Community Development Block Grant;
- \$3.9 million over 15 years (\$260,000 a year) in abatements of the state's 6-mill education tax; and
- \$790,000 for 12 years (\$65,833 a year) in a 50% abatement of local property taxes.

We worked hard during the week after January 8 to scrub the numbers and come up with more ideas for labor cost-savings. We presented a final package to the company on January 15th, which we costed out at more than \$32 million in labor savings a year – on top of the incentives put together by the Nitty Gritty Committee.

The company representatives were gone 17 minutes and, when they returned, told us the proposal, although a "valiant effort," was "still far short of \$81 million." They told us a final decision would be announced the next morning.

On January 16, again, the company met first with the union at 6:30 a.m. They praised us for all the work we had done, but said they had no choice but to move the plant to Mexico. They

maintained that all their competitors were either already manufacturing in Mexico or would be soon, so they had to try to get a jump on them.

At the start of the first shift, the company called all the employees together and told them the decision was to move the plant to Mexico. People were devastated. Before, they had hope that we could turn the company around, but now their hope was gone.

Let me emphasize that Electrolux is a profitable company and it is making a profit at the Greenville, Michigan plant. The company decided to shut the plant, lay off more than 2,700 people, and move the work to Mexico because they can be *more* profitable there.

Where does it end? I'd like to read from a January 16 story in the *Grand Rapids Press*: "When Mexican President Vicente Fox made a state visit to Sweden last fall, he spoke with Electrolux chief executive officer Hans Staberg, telling him of the high unemployment in the hard-hit border towns and factories. The region has lost 100,000 jobs to China in the past three years."

So, our jobs are moving to Mexico because the other American manufacturing jobs that went south of the border are now moving to China. My guess is that before long there won't be a decent manufacturing job left in the U.S. They'll all be in Mexico or China or some other country with cheaper labor and no right to unionize.

Everyone back home is still devastated – not just in the plant, but in the entire community. We have seen so many plants close or have big layoffs in western Michigan: Steelcase has laid off 5,000 workers – half its workforce – since 2000; in January, Meijers announced it will cut 1,900 jobs from 158 stores, many of them in Michigan; Bosch Corporation has laid off 1,255 workers; Magna Power Tech has laid off more than 370 workers; Collins Aikman more than 230 workers. Just this week, the Lear Corporation gave a 60-day WARN notice to 300 employees because Lear is closing one of its two plants in Walker, just outside of Grand Rapids.

And that's just the area around Grand Rapids. Since January 2001, the state of Michigan has lost more than 225,000 jobs. That's a net loss of almost 5% of the jobs in the state.

So it's not hard to understand that Electrolux workers are on edge, wondering what they are going to do, where they are going to work. We have lots of married couples in the plant – 280 at last count – as well as multiple family members working there. Many Electrolux workers are married to people who work for Electrolux suppliers. This means that hundreds of families will lose all of their wages and their healthcare insurance when the Electrolux plant closes.

Electrolux officials have told us that the Greenville plant will remain open at least through 2005, possibly into 2006, although more than half of the employees will be gone by the end of 2005. The company is using the highly skilled workforce in Michigan to work out all the bugs in the new counter-depth line, before shipping it off to Mexico. Some of the work, the top-mount refrigerators, will be shipped to Anderson, South Carolina where the company has another, non-union, plant.

A number of workers at the plant are now planning to retire before the end of next year (when the contract expires) in order to be sure of keeping retiree healthcare benefits. They are being forced to retire early – and to accept a reduced pension – because they fear they won't be able to find another job that provides good health insurance.

Right now, Electrolux is the only employer hiring in the Greenville area. In a few months, Wal-Mart is planning to break ground on a store in Greenville. It looks like many folks who lose their jobs at Electrolux will have to go to work at Wal-Mart. They will go from jobs that pay \$15.00 an hour and provide health care and dental insurance as well as a good defined benefit pension plan to jobs that pay \$8.00 an hour and virtually no benefits.

Myself, I have my resume out. I have one daughter in college and two more kids who will be going in the next couple of years. I don't know where I'm going to be able to find a good-paying job, especially one with health care insurance and a real pension. But I'm out there looking.

It is agonizing for all of us at Electrolux and for our families. It is like a stomach ache that won't go away.

We need Congress to stand up for American workers and American jobs. We can't afford to have any more bad trade deals like NAFTA that ship our jobs overseas. And Congress must close loopholes in the tax code that actually encourage companies to send American jobs offshore. I'm afraid that unless Congress acts soon to stop the exodus of jobs, there won't be any more good-paying manufacturing jobs left in America.

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