

Common Carrier

'Exploitable' Utah Vulnerable to Corporate Irresponsibility

By Warner Woodworth

The announcement by Kennecott executives that 2,000 mine workers would be laid off caught state economic development officials flat-footed. They apparently had not been so shocked since IML Trucking announced three months earlier that it was completely shutting down, obliterating 1,000 jobs.

Geneva Steel workers in Utah County were next, and when U.S. Steel points its gun threatening a total shutdown, public bureaucrats will again express surprise.

The devastation of events such as these is exceeded only by the insensitive arrogance

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of the experts who rush to the news media, announcing that the situation is not a major problem and will not significantly affect the local economy.

This theory that the employment slack will be picked up by new business growth in Utah ignores the personal pain, financial anguish and social-emotional disruption that occurs in the lives of thousands of individuals, workers and friends affected by disappearing jobs.

The Utah experience with large corporations parallels similar problems of economic dislocation worldwide. Multinational conglomerates shift their strategies after years of colonial practices, abandoning workers and decimating local communities.

From the distant perspective of Wall Street, Utah is seen as a mere banana (or mineral) republic to serve the bastions of corporate finance. Kennecott has been grinding down the once-beautiful Quirrh mountains for decades, defoliating vegetation in the drive to take out billions of dollars. Eventually, we will be left with a dump of waste material and a gigantic hole in the ground. Such colonization is comparable to multinational exploitation of Guatemala, Zaire and the Carribean.

Utah increasingly takes on the appearance of a cash cow which corporate outsiders come in to milk. When the cow is dry, Utah is abandoned as corporations move on to other regions in the search for natural

resources, cheap labor markets and an easy dollar. There is very little commitment to stay with the cow when things get tough. Impersonal, aloof executives whose priority is maximizing profits tend not to be interested in nursing the cow back to health or improving the competitive edge.

The response of Utah economic development officials to shutdowns and massive job loss is curious. Several myths seem to underlie their thinking.

Myth No. 1 implies that Utah is doing just fine, thank you, and that a status quo position will bear fruit in the long run. "If it ain't broke, why fix it?" is the common version of this view. Such a stance buckles under the heavy pressure of reality. In fact, Utah is in serious economic difficulty, suffering from one of the lowest per capita incomes in the entire nation.

Utah County now has a national reputation as one of only six regions in the country which actually lost income instead of posting an overall wage increase. The poverty rate for Utah as a whole is now 13.2 percent, which represents over 200,000 residents trying to survive below federal minimum levels.

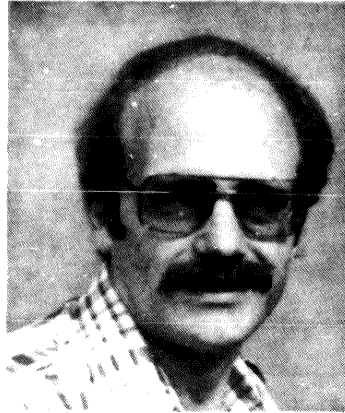
Over the past four years, what seems to be occurring is the "Utahnization of poverty." Many outside firms openly admit their motive in moving to Utah is the availability of a large labor pool in which people stand with hat in hand, waiting to be paid minimum wages in exchange for a strong work ethic. "Loyal" and "exploitable" are the code words.

A second myth is premised on estimates that Utah needs 12,000 to 18,000 new jobs annually. Translated, this means economic development officials should spend all their time, energy, and budget winning and dining potential new businesses from out of state.

For instance, in Ogden, Kimberly Clark will build a diaper manufacturing facility, but its size is contingent on how generous the state is in granting various tax concessions (made up by public taxpayers). Admittedly, new jobs are part of the package, but such mating dances cost the public considerably.

We subsidize these firms with new access roads, industrial park sites, low utility rates, tax deferrals and exemptions, perhaps selling our soul in the process. While some of these projects may prove beneficial, alone they are not sufficient as an economic strategy. Whether or not they are cost effective is debatable. And our third-world status keeps us vulnerable in the long run.

Since Standard Oil of Ohio acquired Ken-



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necott in a 1981 merger, instead of preserving or increasing jobs, some 3,000 jobs have already been slashed. Now 2,000 more are disappearing. In the same time period, U.S. Steel cut approximately 2,000 workers from its Geneva work force, pleading it was strapped for cash while the firm spent \$6 billion to buy Marathon Oil.

A third myth in Utah which dominates much of the rhetoric and strategy by state economic officials is that high technology will save us. Nationally, the evidence is not convincing.

Companies like Atari lost over \$500 million last year while computer firms like Osborne and Franklin have gone bankrupt. The state of Massachusetts reports a slowing of high-tech job growth as successful firms shift jobs overseas. The long-empty and useless ADDS facility standing alongside I-15 south of Salt Lake is a silent testimony to the sandy foundation of a high-tech economy.

Yet like the current movie, "Ghostbusters," zany public officials chase the elusive phantom of job security with high-tech weapons while jobs continue to disappear due to apparently mystical, unseen forces.

Rather than playing out fantasies that

distant conglomerates and high-tech industries will be the solution to Utah's economic problems, other tactics need to emerge more forcefully.

1. State officials must become proactive rather than reactive in their view of industrial decline.

They should either develop or hire expertise in job retention as a priority, not simply job creation. They need to avoid being seduced by promises of new business and, instead, create a comprehensive regional approach for economic revitalization.

In particular, we need to more effectively assist locally owned, small businesses which are often overlooked in the drive for the "big success." The Fortune 500 and their subsidiaries have only accounted for less than one-tenth of 1 percent of all new U.S. jobs in the past decade. Small firms produced over 2.5 million jobs in 1980-82 alone. Utah needs to support entrepreneurial resources and thereby strengthen existing jobs.

2. Institutionalized offshoots of state and local government need to become more creative and aggressive in policy formulation and implementation in improving workplace productivity and the quality of working life.

Research shows that area labor-management cooperative organizations can be powerful mechanisms for reversing the plight of threatened firms, saving thousands of jobs, as illustrated by dramatic successes in upstate New York and western Michigan.

3. The Legislature can explore new, yet acceptable, approaches to mitigate against the devastating impact of plant closings. Some two dozen states are debating legislation requiring firms to give from two months to two years advanced notification in case of an impending shutdown. Maine and Wisconsin have laws on the books mandating a 60-day notice and assessing standards for severance pay.

Kennecott's June 20 notice that 1,800 workers would be laid off July 1 is not only socially irresponsible, but immoral. Ten days warning is not an adequate time frame to enable workers to find new jobs, sell homes and refinance personal credit.

Utah Job Service, technical schools and other agencies have now begun the frantic rush to do something, anything, for Kennecott victims. For them, these events are exciting — the agencies are obviously needed in a critical way, and the adrenaline pumps fast. Such efforts will cost state and community coffers millions of dollars beyond the estimated loss of a \$70 million payroll and 500-700 other jobs dependent on the sub-economy of Kennecott.

The toll of human suffering manifest in such effects of unemployment — jobless insurance payments, food stamps, emotional problems, alcohol abuse, crime statistics, suicides, etc. — will be staggering. And we, not Kennecott, pay the piper.

4. A final important thrust needed in Utah economics is to make worker ownership a new priority of state politics. Currently, 12 states now have some form of legislation which encourages grassroots attempts to counter layoffs and plant closings through worker buyouts.

Illinois has created an "Employee-Owned Enterprise Council" to provide technical assistance and finance loans up to 50 percent of the purchase price to assist workers and/or communities. Not only can worker ownership block the erosion of jobs, but the performance record is outstanding. A host of studies suggest worker-owned firms are considerably more productive and profitable than conventional businesses.

The time has come in Utah to challenge the traditional god of economic development which defines human nature as Homo Economicus, to simply be a pawn controlled by the Exxon's, the defense contractors and the Eastern conglomerates. This issue is not merely a question of ethics or political economy, but of long-term improvement in our unique way of life. Perhaps the most critical need of all is for open debate of the possibility of more progressive policies.

Hopefully, the Kennecott situation will serve as a catalyst in provoking new, more innovative approaches for dealing with Utah's economy. The state has long suffered a brain and talent drain to other regions of the country with more promise. Unless there is a radical change, the future of Utah will only get worse.

Carl Rowan

Reagan Can't Evade Tax Issue Forever