

Westfall Speech for Pittsburgh Eastern Economic Association

March 1985.

This was the first issue of the "new Westfall Awareness Papers". These newsletters gave a slice of working America not found elsewhere and were distributed quarterly, free of charge, to specific labor leaders, media, governmental leaders, universities, church leaders and institutions. This one was a speech written by Westfall for the Eastern Economic Association in Pittsburgh in March 1985.

There is an American Revolution being waged today. It is a revolution being aggressively waged by American based multi-national corporations in a restructuring effort to "become more productive. It is a revolution that is negatively impacting a large segment of working Americans and the long-term ripple effect is going to reverberate all of the way down to the very foundation of our country.

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<!--[if !vml]--> <!--[endif]-->The working American today faces a more complex and changing employment situation than has ever existed before in history. In many segments, for a variety of reasons, available work is shrinking while the number of those seeking work is increasing. Women, out of economic necessity, have been joining the labor market in record numbers. The baby boom generation has been swelling the workforce and a yearly new crop of inexperienced and unskilled high school graduates are demanding the availability of meaningful employment opportunities where they can make a contribution to the system and their own economic well being.

<!--[if !vml]--> <!--[endif]-->Presently this country has many alienated and demoralized young people who are at the peak of their health, energy and idealism, but are being lost to society forever because they can only find unstable, low paying, part-time jobs with little opportunity for advancement.

<!--[if !vml]--> <!--[endif]-->What really is at stake today isn't economics - it is the future of large segments of an entire generation of Americans.

<!--[if !vml]--> <!--[endif]-->Although this restructuring and its impact is far from limited to automobile and automotive related industries, I want to talk today about auto, because auto is the major manufacturing industry in our country, and therefore, is responsible for millions of critically needed U.S. jobs, both directly, and through its supply line.

<!--[if !vml]--> <!--[endif]-->I'd like to start by making the statement that it really is a myth that auto workers and other metal workers' wages are responsible for the high cost of today's vehicles.

<!--[if !vml]--> <!--[endif]-->This is an argument that has been promoted by corporate America to be used as one of the lubricants with which to ease in their massive changes with little or no concern for the resulting social consequences.

<!--[if !vml]--> <!--[endif]-->Just let me quote Hobart L. Callahan, President of Ingersoll Engineers, Inc., a Rockford, Illinois based international consulting firm, who has among their many huge, influential clients, Ford Motor Company, and I quote; "Everybody is a flaming wizard when it comes to flogging the poor slob on the factory floor who is adding labor value to the product. But walk into any plant and you'll consistently find that direct labor represents only about 10% of total manufacturing costs. From studies in hundreds of U.S. plants, we know on average that 35% of costs are presently due to manufacturing overhead and 55% to purchase materials. ". We're approaching the point in our work when I don't even want to hear the term, "direct labor," on a project anymore. It just doesn't count-It's 10% of manufacturing costs and that's all the attention it's worth." (Unquote)

<!--[if !vml]--> <!--[endif]-->So in reality, the high cost of automobiles can hardly be blamed on the metal worker, even though that is how many perceive it.

<!--[if !vml]--> <!--[endif]-->It is interesting to note that even in light of U.S. wages, according to Ingersoll, as being a small element of total U.S. manufacturing costs, that the multi-nationals have still been moving swiftly to set up operations in other low-wage countries because "cheaper" is "cheaper."

<!--[if !vml]--> <!--[endif]-->Today I want to talk about automotive restructuring and its impact, because while these huge American based multi-national auto companies deem it necessary to radically alter every element of vehicle manufacture from the application of new automation, job exportation, downsizing, revolutionary new materials, just in time stock delivery and other new concepts, it is especially important for those responsible for and concerned with social concerns, to study and deal with the resulting impact that this massive and total restructuring will have on our workforce and communities.

<!--[if !vml]--> <!--[endif]-->Let's begin talking about some of the corporation's restructuring goals. The first restructuring goal we will discuss today is global sourcing. Just what is global sourcing and what does it mean to working America?

<!--[if !vml]--> <!--[endif]-->From a metal work perspective, global sourcing is transplanting domestic vehicle and part production from traditional North American plants to plants in other low-wage countries.

<!--[if !vml]--> <!--[endif]-->This strategy gives the auto companies advantages in addition to getting the part or process produced at a substantially lower labor cost. It really does pit country against- country and worker against worker in a competitive effort to reduce all workers to the lowest common denominator.

<!--[if !vml]--> <!--[endif]-->Many social scientists, in fact, are now condemning some of our American based multi-nationals for their treatment of foreign workers with low wages and poor working conditions, without really contributing to the economic well being of these workers.

<!--[if !vml]--> <!--[endif]-->When we talk of companies like General Motors building operations in other countries, it began a long time

ago. G.M. opened, its first major overseas operation in Denmark in 1924 and has expanded to where it now has major facilities in 38 different countries.

<!--[if !vml]> <!--[endif]>Ford now operates major facilities in more than 31 countries. G.M., owns 40% of Isuzu and 5.3% of Suzuki, both in Japan. Chrysler owns 15% of Peugeot in France and 15% of Mitsubishi of Japan. Ford owns 25% of Toyo Kogyo in Japan, which builds Mazda, and the list goes on.

<!--[if !vml]> <!--[endif]>Presently South Korea is standing at our front door for becoming a major source for finished automobiles.

<!--[if !vml]> <!--[endif]>Unskilled Korean autoworkers earn, \$2.50 per hour, and this very low labor rate has already captured the attention of major automobile manufacturers. That's a prime consideration why Daewoo Motor Company, Ltd., a 50-50- joint venture between Korean Daewoo and General Motors, is tooling up to produce a new Korean subcompact. General Motors intends to initially import 80,000 of these vehicles per year to be sold by their Pontiac Division,

<!--[if !vml]> <!--[endif]>Another Korean-U.S. auto link is with Ford Motor Company and the Korean Hyundai motor Company, Ltd., that produces the "Pony automobile, which dominates 70% of the South Korean domestic market.

<!--[if !vml]> <!--[endif]>Although Ford maintains that there are presently no agreements between Ford and Hyundai, they have, in fact, worked together for years. Se Yung Chung, the President of Hyundai, played a major role in negotiations that brought production of the Ford Cortina to Korea and many believe that Ford Motor Company is intensely interested in importing Hyundais, if it can negotiate a deal,

<!--[if !vml]> <!--[endif]>When we view wage rates between different countries , you quickly see that the competition in many cases is far from fair and equal. As an example, the 1983 average industrial wage in Brazil was \$2.42 per hour, and in Mexico the average industrial was \$1.97, for building automotive components for export to places like Flint and Detroit, parts that just a few months ago were built by American workers at a socially acceptable wage.

<!--[if !vml]> <!--[endif]>Low wages abroad depresses our pay at home, and nowhere is a worker's existence more pitiful than South Africa where the unskilled auto wage today at G.M., V.W. and Ford, is the starvation wage of \$1.27 per hour. How many American workers can compete with that wage?

<!--[if !vml]> <!--[endif]>One interesting argument that some social scientists are now bringing up is that the immediate military strength of the United States in a time of conventional war could be directly linked to our production capacity, and that if our industries continue to hemorrhage large amounts of our production capacity out of this country, and if we should find ourselves in a future conventional war, that fast production of U.S. military supplies could be a very real problem.

<!--[if !vml]> <!--[endif]>The next restructuring strategy that I want to discuss today is automobile downsizing.

<!--[if !vml]> <!--[endif]>Downsizing where the auto companies have reduced the size of today's vehicles in an effort to improve gas mileage and improve profitability.

<!--[if !vml]> <!--[endif]>Historically, our domestic auto industry has consumed major amounts of American produced steel, iron, glass and many other materials. The new smaller vehicles, however, have translated into substantial cuts in many of these basic materials, which sends a very definite ripple effect through the entire supply line.

<!--[if !vml]> <!--[endif]>The smaller vehicles require smaller engines and drive trains and the auto companies are also able to consolidate body side panels. These directly equate into less raw material, less manufacturing processes and fewer jobs.

<!--[if !vml]> <!--[endif]>The next corporate restructuring area is composite materials.

<!--[if !vml]> <!--[endif]>Composite materials are the new automotive plastics generally made by fusing carbon fiber with adhesive epoxy.

<!--[if !vml]> <!--[endif]>Ford Motor Company has been evaluating a 2.3 liter four cylinder engine, which is quieter, more fuel efficient, has less valve flutter at high r.p.m., and weighs 60% less than conventional engines because it is 90% plastic.

<!--[if !vml]> <!--[endif]>These new plastics are not limited to auto, either, because the day will soon be here when washers, dryers, refrigerators and most other household appliances are plastic.

<!--[if !vml]> <!--[endif]>Even our military is beginning to quickly seize upon the popular concept of exchanging steel and other traditional materials for composites to use in many new applications for weapons and even airplanes.

<!--[if !vml]> <!--[endif]>On average, one pound of automotive plastic displaces five pounds of automotive steel, and this translates into closed open hearths at our steel mills.

<!--[if !vml]> <!--[endif]>When it comes to automotive headliners, door trim and seat covers, perhaps the most significant feature underlying all "non-woven" synthetic fabric production, is the speed at which the company's machines produce it.

<!--[if !vml]> <!--[endif]>Some of the machines in use today will produce this "non-woven" synthetic material at hundreds of feet per minute. When then rates are compared to the old style manual knitting machine speeds of five feet per minute of just a very few years ago, the difference is absolutely startling.

<!--[if !vml]> <!--[endif]>There are already hints that General Motors is developing plastic intensive cars that will be the forerunner of the 1990's.

<!--[if !vml]--> <!--[endif]-->William F. Jenks, Vice President of Owens Corning Fiberglass Corporation, a major supplier of automotive sheet plastic, recently projected that another mostly plastic car will be introduced by 1989 and the much-publicized new Saturn vehicle is considered a likely candidate. A massive automotive project like Saturn would almost certainly have a significant effect on increased composite material usage and an equal, but opposite effect on steel production.

<!--[if !vml]--> <!--[endif]-->The Next corporate restructuring strategy is Kan Ban.

<!--[if !vml]--> <!--[endif]-->Kan Ban, or "just in time" delivery, is the material supply-control system that increases production efficiency.

<!--[if !vml]--> <!--[endif]-->Kan Ban pares parts inventories to the bone and forces manufacturing plants to operate from daily trucks rather than storage "banks."

<!--[if !vml]--> <!--[endif]-->One example of General Motors' new "commitment to " just-in-time" delivery, is the Buick Motor Division. The inventory on hand and in process at Buick has been sliced from \$48 million to \$25 million through Kan Ban techniques and Buick expects to further reduce its inventory to \$13 million once its massive Buick City program starts up in Flint by the end of this year*

<!--[if !vml]--> <!--[endif]-->Many believe that Kan Ban is freeing up billions of corporate dollars once used for factory inventories, to be used for more massive domestic automation and the building of more foreign assembly and component plants, which will both translate into decreased domestic employment opportunities.

<!--[if !vml]--> <!--[endif]-->The last corporate restructuring strategy that I will talk about today is the increased use of micro-electronic automation.

<!--[if !vml]--> <!--[endif]-->When we look at the new automation, we are not only looking at the auto company's glamorous new robotic systems, but we are also seeing the same micro-processor type technology spread to just about every industry and every office.

<!--[if !vml]--> <!--[endif]-->This new automation is creating a new age in manufacturing with higher skilled, yet fewer workers, where every element of manufacture from concept to assembled product is fundamentally changed. The process begins with computer aided functions used for design and engineering and builds towards automated factory floors integrated with computerized systems for planning, production, management, material flow, scheduling and assembly.

<!--[if !vml]--> <!--[endif]-->Just how serious are the auto companies in their quest for "State of the Art" production facilities? They are serious enough that they are making major moves to develop new satellite companies to manufacture their own technology in order to get the availability of the automation they desire, as well as a healthy price break. G.M.F. Robotics Corporation is one excellent example. G.M.F. Robotics is the two-year-old venture between General Motors and Japan's Fanuc, Ltd., and is already number one in sales among domestic robot companies, and no wonder, because G.M. is its best customer.

<!--[if !vml]--> <!--[endif]-->Alex C. Mair, Vice President of General Motors's technical staff, said recently about some of G.M.'s technological changes, and I quote; It's proprietary technology, some of which may never be shown. We may keep it in parts of the plants that are sealed off from the public. (Unquote)

<!--[if !vml]--> <!--[endif]-->Now, recognizing that it is important to understand the impact areas with these changes and new technologies, I want to say right off that there are probably few people sitting in this room, and I seriously doubt that there are few American workers that would care to go back technologically for even a short period of time, because we all realize that a return to the technology of past times also means a return to the standard of living of those times, and few of us would care to go back to those standards of living.

<!--[if !vml]--> <!--[endif]-->Having said that just let me say that historically, technological changes improved the situation of workers and their communities, but there now appears to be some fundamental differences between the application of today's technology and the technology of yesterday. The incredible speed with which these technologies are being developed and their massive and total across-the-board application, are both new factors.

<!--[if !vml]--> <!--[endif]-->Another new element to the equation is that even though past technological improvements translated into improvements in worker wages, benefits and working conditions, there are indications that the corporations would like to also restructure away that historic trend.

<!--[if !vml]--> <!--[endif]-->So while no one here is really against new technology, it is socially necessary that it is introduced the right way with victimization minimized, and with -workers and communities sharing in its increased fruits.

<!--[if !vml]--> <!--[endif]-->I might also add that no one here is against the companies making a reasonable- profit, because if they weren't successful, many of us wouldn't have jobs.

<!--[if !vml]--> <!--[endif]-->So the far reaching, highly integrated changes that are now revolutionizing employment today need to be directed by people with a genuine concern for all of the resulting elements, including social impact.

<!--[if !vml]--> <!--[endif]-->If it is true that "more work" will be done in less work time with fewer people, then the resulting times of unemployment should be exchanged for unique new benefits such as job securing earlier retirements, dual track careers, and shorter workweeks to spread the work around.

<!--[if !vml]--> <!--[endif]-->If directed correctly, these changes could prove to be highly liberating to the workforce.

<!--[if !vml]--> <!--[endif]-->In closing, think back in time to where our nation has been and the contribution that metal workers have made. Now consider the crisis these same workers now face. There are absolutely "zero" restrictions on developing new innovations and

"increased efficiency" is the inevitable theme that permeates auto and other industries today, which are now poised to lead the second industrial revolution.

<!--[if !vml]--> <!--[endif]--> We are standing on the eve of a very questionable future for many present and future working Americans. American workers have made our country what it is. They have given America a vast and bountiful legacy while giving strength to our way of life.

<!--[if !vml]--> <!--[endif]--> We must all become aware of the immediate situation of the United States workers, and participate in a fair and equitable solution to their dilemma.

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