



## LESSON 3

### Global Economy: the Hometown Effect

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#### LESSON DESCRIPTION

This lesson examines the impact of globalization on a community. Students use primary sources to identify positive and negative effects of a multinational company's move from Bloomington, Indiana, to Juarez, Mexico. In an additional activity, students explore the effects when an international company moves into an Indiana community.

#### OBJECTIVES

As a result of this lesson, students will be able to:

1. Define tariff, quota, voluntary export quota, protectionist, and free trader;
2. Explain the arguments of protectionists and free traders as they relate to the use of trade barriers to protect American industry;
3. Describe the short-term and long-term effects of tariffs on consumers, firms, and the U.S. and world economies;
4. Evaluate the arguments of protectionists and free traders;
5. Identify the economic and social impacts of a major plant closure on a community;
6. Identify the needs of the workers, community agencies, and other firms affected by the closure.

#### KEY IDEAS

Barriers to trade. Barriers to trade are the obstacles, such as tariffs and quotas that block the voluntary exchange of goods and services.

Voluntary exchange (trade). Exchange is trading goods and services for other goods or services or for money. Barter is trading without money. People exchange goods and services because they expect to be better off after the exchange.

Multiplier effects. The process that occurs when an initial increase/decrease in income results in a total increase/decrease that is a multiple of the initial change.

Opportunity costs. When making a decision, the opportunity cost is the value of the next best alternative.

Wage differential. The difference in wages that exists between one region or country and another because of different standards of living.

Tariff. A tax on imported goods.

### TIME REQUIRED

Two to four class periods

### MATERIALS

- Text that describes protectionist and free trade arguments clearly and in detail. This text may be available in standard economics textbooks. A particularly good discussion can be found in *The Economic Problem*, 9th ed., by Robert K. Heilbroner and James K. Galbraith (see Resources). Each student will need a copy of this text. Or students may use one prior class day to research the text themselves.
- **Handout 1: The Gains and Strains of Trade: The Case for Free Trade and The Case for Protection**
- **Handout 2: Protectionism Versus Free Trade** (one copy per team)
- **Handout 2a: Protectionism Versus Free Trade (Teacher Key)**
- **Handout 3: Global Trade: Hometown Effects**
- **Handout 4: A Tale of Two Workers**
- "Thomson Loss Part of Economic Shift" (*Herald-Times*, January 29, 1998, A1). One for each student (This article can be obtained by writing the newspaper or accessing the Internet (see Resources).
- **Handout 5: A Community Responds**
- **Handout 6: Where Are They Now?**
- One local telephone book for each team
  
- Butcher paper for class brainstorming (optional)
- **Profile: Toyota: An International Company Locates in Princeton, Indiana**

### PROCEDURES

1. Have students form teams of three. Distribute one copy of **Handout 1: The Gains and Strains of Trade: The Case for Free Trade and The Case for Protection** to each student and one copy of **Handout 2: Protectionism Versus Free Trade** to each team.
2. Have students read the text and, as teams, complete the worksheet.

3. Have each team evaluate the arguments of protectionists and of free traders and prepare a team statement as to which has the stronger position.
4. Review with the class the arguments of protectionists and free traders, drawing the students' attention to the transitions involved when less efficient American industries close or move production abroad. Discuss the effects that your community would experience if a major industry left your town.
5. Have students form teams of three. Distribute one copy of **Handout 3: Global Trade: Hometown Effects**, **Handout 4: A Tale of Two Workers**, and "Thomson Loss Part of Economic Shift" (Herald-Times, January 28, 1998) to each student, and one telephone book to each team.
6. Explain that students will examine a case study of Thomson Consumer Electronics' decision to move television-production facilities from Bloomington, Indiana, to Juarez, Mexico. Students will use the handouts to identify the reasons for such changes and the effects of the closure on workers, the community, other local firms, and the government. Each team may use its telephone book to identify related industries, community resources, and government agencies that may face the impact of the closure.
7. Ask students to use the class period to identify as many causes and effects of the closure as they can. Encourage them to think beyond the impacts mentioned in the articles and, as they search for ideas, to consider the impacts of a major closure in their own community.
8. If students have trouble identifying causes and effects, assist them by explaining these actual or anticipated impacts in Bloomington:
  - A. Reasons or causes of the Thompson plant closure: competition, an aging work force with high seniority, wage differential.
  - B. Effects on 1,055 workers: loss of pay, benefits, and seniority; many workers had little education, little training, and few skills that could be used in other industries.
  - C. Effects on workers' personal lives: increased incidence of drug and alcohol abuse, spousal and child abuse, divorce, and depression.
  - D. Effects on other firms in the community: lack of demand for component parts; multiplier effects through the lack of demand for other goods and services produced or sold in the community.
  - E. Effects on the community: greater demand for services provided by mental health professionals, soup kitchens, missions, and the United Way and its affiliated agencies; environmental cleanup of abandoned buildings; reduced charitable contributions.
  - F. Effects on the government: loss of the tax base; reduced revenues from income taxes and sales taxes; greater demand for unemployment benefits, welfare, Medicaid, food stamps, rent subsidies, job training, and educational assistance.
  - G. Possible benefits and costs to consumers: of a closure in their own community.
9. Ask students to consider corresponding effects on the community of Juarez, Mexico.

## CLOSURE

Discuss, as a class, which proponents have the stronger arguments: protectionists or free traders. Ask the students to cite specific information from the text and from their own knowledge in making their arguments.

- Ask each team to report its list of reasons for change and of impacts on the workers, the community, other local firms, and the governments in both Bloomington and Judrez. As ideas are given, work toward class consensus on the accuracy of these suggestions.
- Brainstorm to create a master class list of the reasons and impacts. Record this list on the chalkboard or butcher paper.
- Ask students to suggest possible solutions for displaced workers. Provide **Handout 5: A Community Responds** and discuss the actual responses of community organizations and government agencies.
- Have students consider their own future work and careers. What should they do to make sure that they are prepared to participate in an economy that is now more international? (See **Lesson 4**.)

## ASSESSMENT

Students should be able to complete **Handout 2: Protectionism Versus Free Trade** and explain the impact of local firms' imports and exports on the local economy.

## EXTENSIONS/CONNECTIONS

1. Have students read **Profile: Toyota** and research the impact of the development of the new Toyota factory in Princeton, Indiana. Questions that students might consider include: What productive resources made Gibson County a good place to locate? What geographic factors were considered? What opportunity costs were associated with building the plant in Gibson County? What local infrastructure improvements were needed? What kinds of jobs were created? What kinds of skills were required for these jobs?
2. Have students use the Internet to research free trade and protectionist arguments (see Global Education Resources).
3. Have students use the *Indiana International Trade Directory* to identify local firms that import and export products.
4. Have students research how industry has changed in your community over 100 years. Students might use their research to develop a time line and predict future trends.

## RESOURCES

- Heilbroner, Robert K., and James K. Galbraith. *The Economic Problem*, 9th ed. Englewood Cliffs, NJ: Prentice-Hall, 1990), pp. 652-58.
- Werth, Brian. "Thomson Loss Part of Economic Shift." *Herald-Times*, January 29, 1998, p. A-1. [http://www.hoosiertimes.com/stories/1998/01/29/news.980129\\_AI\\_JLR59052.sto](http://www.hoosiertimes.com/stories/1998/01/29/news.980129_AI_JLR59052.sto)

HANDOUT1

**THE GAINS AND STRAINS OF TRADE: THE CASE FOR FREE TRADE**

1. **OUR WORKERS CANNOT COMPETE WITH LOW WAGE WORKERS OVERSEAS.** This is an argument one hears... in every nation in the world, save only those with the very lowest wage rates. Swedish workers complain about "cheap" American labor; American workers complain about sweatshop labor in Hong Kong. And indeed it is true that American labor is paid less than Swedish and that Hong Kong labor is paid a great deal less than American. Does that not mean that American labor will be seriously injured if we import goods made under "sweatshop" conditions or Swedish labor is right in complaining that its standard of living is undermined by importing goods from "exploited" American workers? Like the answers to so many questions in economics, this one is not a simple yes or no. The American textile worker who loses his job because of low-priced textile imports is hurt; and so is the Swedish worker in an electronics company who loses his job because of American competition... But we must note that both workers would also be injured if they lost their jobs as a result of domestic competition. Why do we feel so threatened when the competition comes from abroad? Because, the answer goes, foreign competition isn't based on American efficiency. It is based on exploited labor. Hence, it pulls down the standards of American labor to its own low level. There is an easy reply to this argument. The reason Hong Kong textile labor is paid so much less than American textile labor is that average productivity in Hong Kong is so much lower than average productivity in America. To put it differently, the reason that American wages are high is that we use our workers in industries where their productivity is very high. If Hong Kong, with its very low productivity, can undersell us in textiles, then this is a clear signal that we must move our factors of production out of textiles into other areas where their contribution will be greater; for example, in the production of aircraft.
2. **TARIFFS ARE PAINLESS TAXES BECAUSE THEY ARE BORNE BY FOREIGNERS.** This is a convincing-sounding argument... But is it true? Let us take the case of hothouse grapefruit, which can be produced [here] only at a cost of 50 cents each, whereas foreign grapefruit can be unloaded at its ports at 25 cents. To prevent his home industry from being destroyed, the [President] imposes a tariff of 25 cents on foreign grapefruit- which, he tells the newspapers, will be entirely paid by foreigners. This is not, however, the way his political opponent sees it. "Without the tariff," she tells her constituency, "you could buy grapefruit for 25 cents. Now you have to pay 50 cents for it. Who is paying the extra 25 cents-the foreign grower or you? Even if not a single grapefruit entered the country, you would still be paying 25 cents more than you have to. In fact, you are being asked to subsidize an inefficient domestic industry. Not only that, but the tariff wall means they won't ever become efficient because there is no pressure of competition on them..."
3. **BUT TARIFFS ARE NECESSARY TO KEEP THE WORK FORCE OF [OUR NATION] EMPLOYED.** As we learned in macroeconomics, the government of [our country] and every other country can use fiscal and monetary policies to keep their resources fully employed. If grapefruit workers become unemployed, governments can expand aggregate demand and generate domestic job opportunities in other areas.

## HANDOUT 1

### THE GAINS AND STRAINS OF TRADE: THE CASE FOR PROTECTION

1. **MOBILITY.** The first difficulty concerns the problem of mobility. When Hong Kong textiles press hard against the garment worker in New York, higher wages in the high-tech plants in California are scant comfort. The garment worker has a lifetime of skills and a home in New York, and she does not want to move to another state, where she would be a stranger, and to a new trade, in which she would be only an unskilled beginner. She certainly does not want to move to Hong Kong! Hence the impact of foreign trade often brings serious dislocations that result in persistent local unemployment, rather than a flow of resources from a relatively disadvantaged to a relatively advantaged industry.
2. **TRANSITION COSTS.** Second, even if free trade increases the incomes and real living standards of each country participating in trade, this does not mean that it increases the income and real living standards of each individual in each country. The laid-off Michigan auto worker may find himself with a substantial reduction in income for the rest of his life. He is being economically rational when he resists "cheap" foreign imports and attempts to get his congressman to impose tariffs or quotas.
3. **FULL EMPLOYMENT.** Third, the argument for free trade rests on the very important assumption that there will be substantially full employment. In the mid-nineteenth century when the free trade argument was first fully formulated, the idea of an underemployment equilibrium would have been considered absurd. In an economy of large enterprises and "sticky" wages and prices, we know that unemployment is a real and continuous object of concern for national policy. Thus it makes little sense to advocate policies to expand production via trade unless we are certain that the level of aggregate demand will be large enough to absorb that production. Full employment policy therefore becomes an indispensable arm of a free trade policy.
4. **NATIONAL SELF-SUFFICIENCY** Fourth, there is the argument of nationalism pure and simple. This argument does not impute spurious economic gains to tariffs. Rather, it says that free trade undoubtedly encourages production, but it does so at a certain cost. This is the cost of the vulnerability that comes from extensive and extreme specialization. This vulnerability is all very well within a nation where we assume that law and order will prevail, but it cannot be so easily justified among nations where the realistic assumption is just the other way. Tariffs, in other words, are defensible because they enable nations to attain a certain self-sufficiency—admittedly at some economic cost . . . .
5. **INFANT INDUSTRIES.** Equally interesting is the nationalist argument for tariffs advanced by so-called infant industries, particularly in developing nations. These newly formed or prospective enterprises claim that they cannot possibly compete with the giants in developed countries while they are small; but that if they are protected by a tariff, they will in time become large and efficient enough no longer to need a tariff. In addition, they claim, they will provide a more diversified spectrum of employments for their own people, as well as aiding in the national transition toward a more modern economy.

Source: Robert K. Heilbroner and James K. Galbraith, "The Gains and Strains of Trade," in The Economic Problem, 9th edition (Englewood Cliffs, NJ: Prentice-Hall, 1990), pp. 652-58.

## HANDOUT 2

### PROTECTIONISM VERSUS FREE TRADE

As a team, consider your answers to the questions below. Write your answers on your own paper. For each answer, be sure to explain WHY this effect would occur.

1. Explain three arguments of protectionists in your own words.
2. Explain three arguments of free traders in your own words.
3. Define the word "tariff" and explain the short-term effects of a tariff on the following aspects of the American economy.
  - A. Price of imports.
  - B. Demand for imports.
  - C. Demand for domestically produced substitutes.
  - D. Domestic unemployment rate.
  - E. Government revenue.
  - E Provision of public goods, such as roads.
4. Explain the long-term effects of a tariff on the following aspects of the American and world economies.
  - A. Price of domestically produced substitutes.
  - B. Demand for domestically produced substitutes.
  - C. Domestic unemployment rate.
  - D. Government revenue.
  - E. Provision of public goods, such as roads.
  - E Demand for imports.
  - G. International production of goods.
  - H. Income to workers in exporting countries.
  - I. Demand for American exports.
  - J. Employment in American export industries.

## HANDOUT 2a

### PROTECTIONISM VERSUS FREE TRADE (Key)

As a team, consider your answers to the questions below. Write your answers on your own paper. For each answer, be sure to explain **WHY** this effect would occur.

1. Explain three arguments of protectionists in your own words.
2. Explain three arguments of free traders in your own words.
3. Explain the short-term effects of a tariff on the following aspects of the American economy.
  - a. Price of imports.  
**Import price rises, because the tariff is added to the purchase price.**
  - b. Demand for imports.  
**Quantity demanded falls, because of the higher price.**
  - c. Demand for domestically produced substitutes.  
**Demand increases, because domestic price is lower than import price.**
  - d. Domestic unemployment rate.  
**Unemployment falls as consumers buy more domestic products.**
  - e. Government revenue.  
**Government revenue rises, because of the tariff.**
  - f. Provision of public goods, such as roads.  
**More public goods can be provided, because of increased revenues.**
4. Explain the long-term effects of a tariff on the following aspects of the American and world economies.
  - a. Price of domestically produced substitutes.  
**Price would increase, because of increased initial demand.**
  - b. Demand for domestically produced substitutes.  
**Demand would fall, because of higher prices of products overall.**
  - c. Domestic unemployment rate.  
**Unemployment would increase as consumers demand fewer goods.**
  - d. Government revenue.  
**Revenue would fall as consumers buy fewer imports.**
  - e. Provision of public goods, such as roads.  
**Fewer public goods would be provided as revenues fall.**
  - f. Demand for imports.  
**Demand would fall as prices rise due to tariff.**
  - g. International production of goods.  
**Production would fall, because of the decrease in demand.**
  - h. Income to workers in exporting countries.  
**Income would fall, because of the lack of demand for products.**
  - i. Demand for American exports.  
**Demand would fall, as foreign consumers have less income.**
  - j. Employment in American export industries.  
**Employment would fall, because of the lack of foreign demand.**

## HANDOUT 3

### **GLOBAL TRADE: HOMETOWN EFFECTS**

In February 1997, Thomson Consumer Electronics announced its plans to move its television-producing operations from Bloomington, Indiana, to Juarez, Mexico. Within 14 months, the plant and its jobs were gone. The impact of this decision was felt throughout Bloomington, as supporting industries, producers of materials used by the plant, food service workers, restaurants, and gas stations near the plant lost revenue.

With the closing of the plant came the loss of 1,055 jobs and a significant tax base for the city. The local government lost property taxes, and substantial federal, state, and corporate income taxes were lost. Further, the United Way expected to lose \$120,000 in annual contributions at the same time it expected an increase in community demand for services from its 26 agencies.

Many Thomson employees lacked high school diplomas and other job skills. All would lose their pay, benefits, and seniority accumulated at the plant. Anger, frustration, and depression were common emotions among the employees. Nearly 200 of those answering a plant survey opted to retire before or during the closure. Others, particularly older workers, were concerned about finding jobs with similar pay and benefits-if they could find jobs at all.

This scenario is not unique to Bloomington. Several communities in Indiana have lost firms, large and small, as corporations made the decision to move overseas, purchase their components from foreign firms, or close completely because of their inability to compete with foreign producers. Other communities have welcomed foreign firms, large and small, which have opted to invest in Indiana and provide new jobs. Such transition is a very real part of our increasingly global economy. As such, the impacts on the workers, other firms in the area, the community, and the government deserve our careful consideration.

Change was nothing new to Bloomington. The buildings housing Thomson Electronics originally were home to Showers Furniture. As hardwood resources were depleted in the 1940s, Showers Furniture closed. RCA opened its Bloomington radio-producing plant in 1940 and expanded into the old Showers Furniture buildings in the 1950s, when it began producing the first color television sets. RCA was eventually purchased by General Electric in 1986, then sold in 1987 to French-based Thomson Electronics, raising questions of the foreign firm's commitment to the community. While Thomson made a commitment to remain in the community, it began to reduce increases in pay and benefits to remain competitive in the industry. Workers accepted these changes in hopes of keeping Thomson, and their jobs, in Bloomington. Thomson eventually decided to move its operations, resulting in yet another major economic change for Bloomington.

Knowing the serious effects such a closing would have on a community, why would a firm decide to close U.S. operations in favor of producing elsewhere? In the case of Thomson Consumer Electronics, the reduction of production costs was a serious consideration. While Thomson paid Bloomington workers \$11.29 per hour, it was able to hire workers in Juarez for only 52 cents per hour, with perfect attendance bonuses. When the costs of worker benefits are included, Bloomington employees cost \$19 per hour, while Juarez workers cost Thomson \$1.54 to \$2.39 per hour. Because Thomson's primary competitors in the television market-Sony, Zenith, Samsung, and JVC-were also producing at lower cost in Mexico, Thomson was pressured to respond in kind, to remain competitive in the industry. The North American Free Trade Agreement (NAFTA) and the devaluation of the peso further reduced the costs of production in Mexico. As a result of reductions in production costs, the price of RCA televisions dropped from \$275 in 1993 to \$204 in 1998.

The work environment is quite different for Thomson employees in Juarez. Thousands of young women have left their families, most quitting school after the sixth grade, to move to towns near the U.S. border and seek jobs in the foreign-owned plants called "maquiladoras." Nearly a million Mexicans now work in the maquiladoras, nearly 200,000 in Juarez. The approximately 7,000 Thomson employees work a 44-hour workweek, as opposed to the typical U.S. 40-hour workweek. Standard pay, including bonuses, is approximately \$40 per week. This is a fairly good wage in Mexico. While the pay is significantly lower for Mexican employees than for their American counterparts, Thomson includes benefits of cafeteria meals, coupons for food, payment of payroll taxes, and bus transportation to work for some employees. Advocates for workers have noted that employees face unsafe working conditions and are exposed to toxic chemicals, making their work more dangerous than that experienced by American workers. Mexican workers have attempted to unionize but have had little success because the unions that already exist are heavily tied to the ruling political party. On the other hand, jobs are scarce in Mexico, and unemployment is high. Having a job and an income is better than being unemployed.

Living conditions for the employees in Juarez are also far different from those of their Bloomington counterparts. Nearly two million people live in Juarez, and the city is growing in population at the rate of 10 percent per year as thousands move to the region seeking work-without a corresponding increase in housing and other services. Most homes are little more than shacks, ranging in size from 12' by 12' to 12' by 20'. Because of the lack of electricity, water, and sanitation services, risks of death due to disease and fire are high. The Mexican government has built 5,000 apartments over five years, but the waiting list for new housing is often longer than five years. For those fortunate enough to find government housing, rent is \$45 per month, approximately one-quarter of their income. Many cannot even afford this, so new residents have taken matters into their own hands, building their own homes from leftover plywood, pallets, and cardboard boxes sold by the maquiladoras.

Further, environmental protection laws are more lax and less strictly enforced than U.S. laws. So companies that locate in Juarez are able to reduce production costs associated with compliance with

environmental protection regulations. Consequently, air and water pollution have increased in juarez and other border communities that have adopted the new corporations. Because of the devaluation of the peso, the Mexican government does not have the money to clean up the pollution that already exists, while pollution levels continue to increase.

Global trade requires decisions that can affect workers and consumers in many parts of the world. While the trade may be global, the effects of decisions are felt at the level of the hometown in **BOTH** countries involved in the trade decision.

HANDOUT 4

A TALE OF TWO WORKERS

**Bloomington, Indiana**

**Nelda Stuppy**, a 31-year employee at Thomson Electronics, worries most about the single women at the plant, many in their fifties, who are losing not only their income but also the insurance benefits if they cannot afford to keep up the premiums.

"Everyone knows somebody who's got it worse than they do, and that's who they're worried most about," she said. "Most people are accepting it, but there's a lot of anger."

There is anger toward Thomson officials, who promised not to move jobs to Mexico. "Over time, we soon became one of the lowest-paying factories in town because we would take an annual bonus of \$400 or so instead of pay increases because they said they couldn't afford to keep operating here if wages increased," Stuppy explained. There's also anger toward union officials, who encouraged workers to forgo wage increases in order to keep the jobs in the community.

Nelda has worked for the company long enough that she will be able to retire. Other workers will have to find new jobs soon or retrain in order to be more competitive in the job market.

Source: "Workers Believed Jobs Were Secure," Bloomington *Herald-Times*, January 28, 1998, A-1.

**Ciudad Juarez, Mexico**

**Laurena Vazquez** was only sixteen when her family moved from the city of Gomez Palacio, in the Mexican state of Durango, to Ciudad Juarez in the industrial zone just south of the border with the United States. When she arrived, Laurena joined thousands of other young Mexican women employed in the foreign-owned factories called "maquiladoras." She began working at a Thomson Consumer Electronics factory two years ago. Now 18, she spends 44 hours a week on an assembly line making digital satellite receivers. She earns about \$40 a week, including bonuses for seniority and perfect attendance. Laurena uses her wages to help support her family. Laurena is one of three wage earners in her family of five. Her father and one of her two teenage brothers are construction workers. They built the home where all five of the family live, a 12-by- 20-foot dwelling made of scrap plywood and tar paper. It is larger than many of the homes in Colonia Medano, a poor neighborhood that has grown up near an industrial site. Laurena says she likes her work and her friends on the job. She has even been able to use some of her wages to buy a few things for herself-some cosmetics, a blanket, and a pair of Fila athletic shoes. But Laurena worries because her mother is not in good health. What would happen if she should have to quit her job and help take care of the family? The loss of Laurena's paycheck would be a major setback.

Source: "Job in Juarez part of Seeking a Better Life." Bloomington *Herald Times*, January 25, 1998, F1.

## HANDOUT 5

### A COMMUNITY RESPONDS

The Bloomington community undertook the following programs to help residents through the transition as Thomson Consumer Electronics relocated to Juarez, Mexico:

1. The Thomson Corporation created a displaced worker committee consisting of nine employees, representatives of the state, the AFL-CIO, and the United Way; members of the union local; and citizens in the community. This committee met twice a month to directly supply services to workers and to identify problems faced by employees and the community.
2. Peer counselors were trained to be information conduits for workers on the factory floor and to encourage worker retraining.
3. Eleven orientation sessions were held at the plant to inform all employees about unemployment insurance and the various government services, unemployment insurance, employment services, and plant and community resources that would be available to help prepare the employees for the closing and help them during the transition.
4. Workers underwent individual assessments of basic education, skills, needs, and goals, so that individual service plans could be developed. Child care, transportation, medical care, and other services were provided to allow workers to receive the training needed to prepare for new careers.
5. Local artists produced a two-hour presentation of original music, plays, and poetry to describe the various effects of the shutdown on the workers, their families, and the community.
6. The Thomson Corporation provided space and resources for a resource center, including computers, a small library with English and math textbooks, a job-posting bulletin board, pamphlets on support services, interview rooms, and a training area.
7. The United Way, the International Brotherhood of Electrical Workers Local 1424, the Labor Institute for Training/AFL-CIO, VITAL, HoosierNet, Indiana University, and the local Chamber of Commerce created the "Stand Proud" program. The Indiana University Kelley School of Business donated three computers and student volunteers to assist employees working toward their GEDs, to offer basic skills training, and to help with resume creation and job searches. Thirty-nine volunteers from the community helped workers to build these skills.
8. Job fairs were held for employees, featuring employers who would offer salaries similar to those earned at Thomson.

9. A local firm that supplies temporary staff for employers offered free job-search workshops, teaching resume preparation and interviewing techniques.
10. Employees were offered free workshops on such issues as "Dealing with Change," "Stress Management," and "Basics of Investing." Financial planning, retirement planning, small business development, resume preparation, and other workshops were also held.
11. The local newspaper printed a list of actions that citizens in the community could take:
  - Bookstores and publishers: donate basic English and math texts for GED students.
  - Personnel specialists in firms: volunteer to help workers polish and review resumes.
  - Realtors: reduce commissions for employees forced to sell their homes.
  - Counselors: offer free or reduced-cost services to employees.
12. Indiana State Workforce Development officials hired a counselor and a business consultant to help workers get the available and appropriate services.
13. Under the Federal Economic Dislocation and Worker Adjustment Assistance Act, the state helped workers with job search and placement, relocation assistance, classroom or on-the-job training in other careers, basic education, literacy instruction, English-as-a-second- language course, and needs-related payments for those who had already exhausted their 13 weeks of unemployment benefits (which are extended under the Trade Readjustment Act).
14. The Indiana Legislature passed a bill in the mid-1990s that required companies that received tax abatements to guarantee communities that they will remain in that community for a certain length of time or repay the abatement. Thomson agreed to repay Bloomington an "exit package" of \$500,000 to leave.
15. The U.S. Department of Labor provided \$1.3 million in grant funds for worker training, tuition, and skill development programs.
16. The Federal Worker Adjustment and Retraining Notification Act required that major employers give workers 60 days' notice of a permanent plant closing, to allow workers and the community time to prepare.
17. Under the NAFTA/Training Adjustment Act, the federal government provided money to pay for school supplies not directly covered by other job training and education programs, such as daily school supplies and nursing uniforms.
18. The Federal Job Training Partnership Act Title III Economic Dislocation and Worker Adjustment Assistance Act provides funding to states, which provide employment and training assistance to workers. The Private Industry Council, which oversees the program, consists of representatives of business, labor, social services, and private firm owners.

## HANDOUT 6

### WHERE ARE THEY NOW?

An update on the status of former Thomson employees in Bloomington, Indiana, indicates that, as of September, 1999, many had retired or were retraining in order to get better jobs. Of the 1,055 workers, 600 had chosen to retire, 200 were in school or a retraining program, and 175 were looking for work. The remainder were already working in other jobs.

Source: Bloomington Economic Development Center

A July 2000 Bloomington survey showed that those Thomson employees who received job training and relocation assistance and were employed were receiving 92% of what they had earned in their former jobs. The City of Bloomington also recently announced that Kiva Networking, an Internet services provider and Kiva Telecommunications, Inc., a fiber optic carrier, were moving into the old Thomson/RCA facility. The arrival of Kiva will enhance telecommunications infrastructure at the site and serve as a magnet for other high tech companies. It is interesting to note that the Thomson/RCA site was originally a furniture factory. That industry gave way to a new technology, television and now we can see the beginnings of a third stage.

Source: "Kiva Moving onto Former Thomson Site." Bloomington *Herald-Times*, July 27, 2000, A-1.

## **PROFILE: TOYOTA**

### AN INTERNATIONAL COMPANY LOCATES IN PRINCETON, INDIANA

In 1998, Toyota Motor Manufacturing, Indiana, Inc., opened a new plant in Princeton, Indiana. Toyota invested over \$700 million in the new facility, which will produce the T150 pickup truck. The plant employs approximately 1,300 people and has an annual payroll of \$100 million. Plans for expansion have been announced with the addition of a sport utility production facility.

Vincennes University (VU) contracted with Toyota to provide classrooms and laboratory facilities to train the skilled workers Toyota needs. Welding and tool-and-die skills are taught by Toyota employees from the Georgetown, Kentucky, Toyota plant. Toyota provided funds to upgrade VU's equipment and purchased some new equipment to meet the specialized training needs. VU also provided help in assessing the nearly 45,000 applicants for the production jobs at Toyota.

What drew Toyota to Southern Indiana? Toyota sought to locate close to its Kentucky plant in an area with traditional values and work ethics, as well as an area with Japanese-owned businesses already in place. Toyota was concerned that cultural conflict might exist. To lessen tension, Toyota printed advertisements in area newspapers for nearly a year stressing the benefits of the coming Toyota plant and the necessary team spirit to make it successful.

Toyota was also offered a lucrative economic package to invest in Gibson County. Princeton put together a \$3-million package, the state of Indiana offered \$27 million, and Gibson County \$42 million. The package included such items as tax breaks, aid in acquiring prime land, and construction of roads and water and sewer lines to the facility.

Controversy developed as farmland was diverted to other uses and a local income tax was levied to support the local package. In an area economically depressed by the closing of coal mines and other industries, locals wondered how many would be hired "locally" by the plant. Housing development boomed and traffic congestion increased. Now that the plant has opened, what changes are taking place in the Princeton community?

#### Toyota News Flash:

Toyota announced at the beginning of 2000 that it will expand the Princeton facility to build up to 50,000 Sequoia sport utility vehicles by 2001.