

Carl,  
Thanks for everything!  
Matt.

PLANT CLOSURE  
AND THE  
POLITICS OF WORKER OWNERSHIP

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POLITICS OF WORKER OWNERSHIP:  
THE INGLIS CASE

By

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## ABSTRACT

This thesis is a case study of the 1989 closure of the Inglis Ltd. plant in Toronto, Ontario. The purpose of the study is to examine worker-ownership as a labour strategy in a period of economic restructuring. In the Inglis case, Local 2900 of the United Steelworkers of America developed a response to closure comprised of three elements: negotiating improvements on the terms of closure specified by contract and by legislation; participation in a state-sponsored Labour Adjustment Committee; and a study of the prospects for worker-ownership as an alternative to plant closure. Through document analysis and interviews with union members, officials, and consultants, the relation between these three strategic elements is outlined. Gramsci's concept of "passive revolution" is employed to analyze the role of the state in economic restructuring and in the plant closure. It is argued that the state's role in economic restructuring has fostered forms of worker-ownership which are difficult to translate into effective labour strategy. State reforms embodied in plant closure legislation and adjustment programs have simultaneously channelled labour responses away from worker-ownership and towards severance negotiations and adjustment activities.

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## CHAPTER ONE

### INTRODUCTION

Steelabour<sup>1</sup> called it "the end of an era -- and 650 jobs." A leading Canadian appliance manufacturer, Inglis Ltd., ceased production of washing machines at its Strachan Ave. plant in Toronto on November 28, 1989. Members of United Steelworkers of America local 2900 and 4487 -- as well as about 100 salaried non-union employees -- were left to find new jobs, while a handful of their former work-mates produced spare parts and prepared the plant for final shutdown.<sup>2</sup> This study outlines and examines the efforts of workers and their union in fighting the shutdown of a profitable plant while simultaneously preparing for mass termination. My discussion is based on research conducted from September 1989 to June 1990.

Local 2900 (which represented production workers and is the larger of the two locals in the plant) developed three responses following the company's closure announcement in February 1989: an attempt was made to purchase the plant in order to keep it running, with the participation of 'outside' business partners if necessary; a severance pack-

age was negotiated that surpassed the minimum requirements of Ontario's Employment Standards Act; a tripartite labour adjustment committee was established to provide workers with retraining and re-employment opportunities.

This study centres on the analysis of the place of worker-ownership in labour's strategic response to economic restructuring.

Investigations of worker-ownership to date have generated two distinct positions regarding the merit of such claims. On the one hand, the 'optimistic' position endorses such claims while failing to address the question of how a transformative strategy involving widespread worker-ownership can be implemented within capitalist economies. As an alternative to traditional capitalist forms of work organization, worker-ownership offers the potential to transform the nature of work, relations within the workplace, and relations beyond the workplace. Worker-ownership has been advocated as a means of saving jobs, extending democracy to the sphere of production, relieving the objective and subjective manifestations of alienation, and offering a prefigurative model for a transformation to socialism. On the other hand, the 'pessimistic' view sees little transformative potential in worker-ownership: the dynamics of capitalism either preclude the growth of worker-ownership, or alter its character to such an extent that it

reinforces capitalist relations, in effect, by turning worker-owners into just another group of capitalists whose prime distinction is that they exploit themselves.

This study explores the range between these two extreme evaluations, and argues that the current phase of economic restructuring provides the political and economic preconditions for the increased adoption of worker-ownership strategies by organized labour in Canada. In a period when the number of jobs lost to plant closures seems likely to exceed all prior records, worker-ownership can represent a response to economic restructuring that alters the nature of capitalist social relations. However, I argue that the nature of capitalist development in Canada imposes serious limits on this potential.

The buyout attempt at Inglis illustrates a number of these limitations. I argue that the attempt failed because union practices and policies with respect to worker-ownership have been shaped by the adoption by capital of various strategies which undermine the potential of worker-ownership. In addition, the role of the state in the process of economic restructuring has fostered new forms of worker-ownership which are difficult to translate into effective labour strategy. At the same time, state reforms since the late 1970's have channelled labour's response to closure away from buyouts toward other avenues that offer concrete

returns to labour without threatening capitalist social relations. These processes of restructuring and reformism together can be defined as a 'passive revolution', a term applied by Gramsci to explain the durability of capitalism in the face of crisis.

I argue that worker-ownership has a role to play in labour's response to economic restructuring if the type of limits imposed on labour strategy in the Inglis case are recognized and addressed.

The discussion is organized in the following manner: Chapter Two establishes the terms of reference for this discussion of worker-ownership. A typology is presented which consists of variations on two general types, the corporate and the co-operative models. A review of the debate on worker-ownership traces the development of the co-operative model in the early stages of industrial development. Worker co-operatives are seen as contradictory organizations, drawing support from both revolutionary and reformist quarters. It is argued that the historical development of worker-ownership contains two distinct phases, although there are a number of continuities between phases. The first phase coincided with the expansion of industrial capitalism in the 19th Century, and represented a response by workers of several nations to the conditions of early industrial capitalism. The concept of 'passive

revolution' is employed to explain the confinement of the first phase of development to a liberal-reformist mode of worker-ownership. The second phase is distinguished by a) a resurgence of worker ownership in the 1970's; b) the development of the corporate model of worker-ownership; c) the rise of state interest in worker-ownership, and d) the emergence of worker-ownership in the context of economic restructuring. The relationship between the growth of worker-ownership and the development of the corporate model is elaborated, and the role of the state in this development is examined. It is argued that the resurgence and elaboration of forms of worker-ownership are part of the reorganization of consent under the conditions of post-Fordist crisis. It is suggested that the potential of worker-ownership to alter capitalist relations is contained by a series of passive revolutions.

In Chapter Three I provide a discussion of the research setting and methods. Interviews with plant workers, union officials, and consultants formed the main sources of data. The case study approach seems justified on the grounds that it provides the opportunity to trace the processes and relations in operation within the plant. From the vantage point of the factory, the strategies of labour and capital can be observed in the closure situation, and both the form and outcomes of these strategies can serve as

the basis for some tentative generalizations about the broader forces influencing the phenomenon of worker-ownership.

The strategies of the corporation are the subject of Chapter Four. I trace the history of Inglis and examine the structure of the appliance industry. Corporate strategies are related to the state's role in the development of Canadian capitalism. It is suggested that corporate strategies altered the nature of the labour-capital relation within the corporation. In particular, the expansion of Inglis through integration with the U.S. multinational Whirlpool puts a continental emphasis on corporate development, which occurred primarily through acquisitions and a program of rationalizations. The effects of these strategies -- shifts in class power and the reorganization of production -- led to the decision to close the plant.

Chapter Five focuses on the attempt by the union to initiate a worker-buyout in response to the closure announcement. I argue that the role of the state in the development of worker-ownership resulted in union ambivalence toward worker-ownership as a response to closure. This ambivalence influenced the way the buyout campaign was structured and executed, and ultimately led to failure. I specify a number of ways in which passive revolutionary interventions at the level of the plant campaign exacerbated



the weaknesses of the buyout strategy, while redirecting workers' responses to the closure. These interventions included the process of severance negotiations and the formation of a Labour Adjustment Committee. An analysis of these two undertakings is the topic of Chapter Six, where I explore the relationship between the three elements of the response to closure.

In the concluding chapter, I attempt to draw out some general lessons regarding the role of the state in plant closings, and explore the prospects for worker-buyouts in future cases.

Notes to Chapter One

1. Steelabour, official publication of the United Steelworkers of America, vol.53,#1, Jan.1990.

2. Workers in other plants were also displaced as a result of the Toronto plant closure. More than 100 workers at Inglis' Cambridge, Ont. and Montmagny, Que. plants lost their jobs when the parts they produced for the Toronto plant were no longer required (Inglis Ltd. Press Release, Feb. 15 1989).

## CHAPTER TWO

### WORKER OWNERSHIP: SOMETHING OLD AND SOMETHING NEW

The objectives of this chapter are: to establish the terms of reference in this discussion of worker ownership; to examine key elements of the debate on worker ownership; and to relate that debate to levels of support for worker-ownership in the Canadian context. In this manner I hope to establish a framework for analysis of the local union's purchase initiative at the Strachan Avenue Inglis plant.

#### INTRODUCTION:

Workers' control, workers' participation, workers' self-management: the vast array of meanings that have been attached to each of these terms, ranging in substantive content from revolutionary to reformist to corporatist conceptions, bespeaks an ambiguity characteristic not merely of a lack of scholarly consensus with regard to these terms, but, more importantly, a lack of common motivation on the part of the people who employ them. Often the literature in this field and the debates at conferences on the subject remind one of the strange world which Alice encountered in Through the Looking Glass.<sup>1</sup>

Although directed at the issue of control rather than ownership, Leo Panitch's observations accurately map out the long and winding road travelled in the theory and practice of 'worker-ownership'. This chapter examines the arguments put forward by advocates and critics of 'worker-ownership'.

For the sake of introduction, I present these positions in a simplified manner. Critics argue that worker-ownership can never establish a beach-head in the sea of capitalism; worker-ownership is either simply inefficient and impractical, or is seen as counter-productive to working-class struggles. Advocates argue that expansion of a worker-owned sector of the economy is a means of achieving broader social change, and/or of providing a number of benefits to both labour and capital.

In the discussion that follows I suggest that neither position adequately captures the significance of the worker-ownership phenomenon: a wholesale rejection of worker-ownership amounts to the rejection of a form of the "concrete activities and struggles of the working class"<sup>2</sup> which has surfaced in a wide range of circumstances. At the same time, contemporary advocates of worker-ownership generally fail to adequately address the question of implementation -- 'how do we get there from here?' A variety of implementation proposals reflect the 'lack of common motivation' referred to by Panitch. Corporate goodwill, legislation and the creation of facilitative networks are the most frequently prescribed means for the expansion of worker-ownership.<sup>3</sup>

Few studies have sought to account for the success or failure of these various implementation approaches.

Instead, the "emphasis is on what should be, not on what is."4 As a result, a number of questions remain to be explored. For example, what factors influence which approach -- if any -- will prevail in a given situation? Further, what is the relation between the motivation, the form, and the outcome of worker-ownership initiatives?

To answer such questions, 'worker-ownership' must be examined in the specific context in which it arises. This involves analysis of the manner in which the state, capital and organized labour initiate and/or respond to worker ownership schemes. In this chapter I suggest that the meaning of 'worker-ownership' is presently being contested in the Canadian context, and that it is important, as Panitch implies, to examine the different forms and processes through which worker-ownership is advocated in order to grasp its potential.

#### DEFINING WORKER-OWNERSHIP:

Before proceeding, it is necessary to clarify our terms if the aforementioned ambiguity is to be avoided. Discussions of worker-ownership have often been subsumed under more general treatments of 'workers' control' or 'industrial democracy'. Such approaches place worker-ownership in the context of broader initiatives to restructure workplace relations, and therefore merit some attention. Sandra Albrecht's review of 'forms of industrial and econ-

omic democracy'<sup>5</sup> is an international comparison of workplace reforms which impact on the relative decision-making power of capital and labour. Albrecht identifies workers self-management and worker-ownership (along with collective bargaining, co-determination, and work humanization) as important developments in the 'institutional arrangements' governing decision-making at the level of the firm.<sup>6</sup> Albrecht argues that such developments must be studied as features of specific political and economic contexts and in relation to each other in order to assess the transformative powers of such initiatives.<sup>7</sup> The test of this power, according to Albrecht, is that changes "result in increased decision-making power on the part of labour with a corresponding decrease in managerial prerogatives and capital ownership."<sup>8</sup> Regarding worker-ownership specifically, Albrecht observes that ownership does not necessarily translate into workers' control since ownership plans have been implemented in a number of contexts and in a number of forms.<sup>9</sup>

Numerous authors have provided typologies of worker-ownership.<sup>10</sup> (see Table 2.1). These schemata are most commonly organized along the axes of workers' participation in the ownership and/or control of particular firms.

TABLE 2.1  
A TYPOLOGY OF WORKER-OWNERSHIP

MODEL	OWNERSHIP	CONTROL	SOURCE
1. Corporate			
a. Direct Ownership	Individual employee holds share personally, restrictions on eligibility	Non-voting share	management or
		Votes based on shares held	individual
	All workers eligible to hold shares	Votes based on shares held	management
		All workers hold share, one vote per worker	labour
b. Trust	Shares held in trust, distributed according to predetermined criteria	Worker-designated trustees	labour/management
		Management-appointed trustees	management
a. or b.	varies as above.		state/ 'privatization'
2. Co-operative			
a. Owner-controlled co-operatives	Restricted, only members are owners	One member/ one vote. No vote to non-member workers	labour (buyout) (new firm) / state (privatization) / management (conversion)
b. Labour-controlled co-operatives	All workers are owners	One person/ one vote	

SOURCES: see Endnote #9, this chapter.

'Ownership' refers to a legal claim to a portion of a firm's assets and earnings, which is generally represented by some form of 'share' in the firm. 'Control' describes a wider range of practices from direct governance of production tasks to the setting of company strategy and policy; in most discussions, a minimal operational definition refers to the right to vote at shareholders' meetings.<sup>11</sup>

Occasionally the source of the initiative is also considered, distinguishing between labour- and management-sponsored plans. A further elaboration has developed with state 'privatization' schemes involving the sale of government services to employees' groups. Along this same dimension, yet another distinction is often made between enterprises which originate as worker-owned, and conventional enterprises which are converted to some system of worker-ownership.

It is possible to identify numerous models of worker-ownership on the basis of variations in ownership, control, and source, as Table 2.1 illustrates. Long<sup>12</sup> offers a distinction between two general models of worker-ownership which is helpful in focusing this debate: a) the co-operative model, and b) the corporate model.

In the co-operative model, 'membership' is the basis of ownership and control. Since some co-operatives employ non-member wage-labour, variations in ownership patterns



exist within this model. Toscano<sup>13</sup> identifies "owner-controlled" co-ops as those which employ non-member wage-labour; all members work in the co-op, but not all workers are members of the co-op. Members are those who hold shares which carry voting rights and represent the dollar value of the shareholder's investment in the company -- ownership of a share determines participation in control of the firm. In "labour-controlled" firms, all workers purchase a share or a 'membership certificate' at a fixed rate not reflective of fluctuations in the value of the firm; input of labour within the firm entitles workers to both ownership and control. In either case, members' holdings in the firm are limited to a single share or members' certificate, and control is based on the principle of 'one member -- one vote.'

In what Long<sup>14</sup> refers to as the corporate model, employee acquisitions may occur directly through the stock-market or through a corporation's 'Employee Stock Ownership Plan' (ESOP), designed specifically to attract employee investment.<sup>15</sup> ESOP's may take the form of stock option plans which simply offer selected employees an opportunity to directly purchase shares at a fixed price for a fixed period of time. In addition, an ESOP may be designed as a share purchase plan. Share purchase plans offer discounts, payroll deductions, employer financing, employer contribu-

tions or some combination of these means to provide direct assistance and incentive for employee share acquisitions.<sup>16</sup>

Within the corporate model, patterns of ownership and control vary according to the design of each firm's plan. Eligibility may be restricted to senior personnel, or offered to the majority of employees. The size of an individual's holdings may be restricted on the basis of salary or rank. Ownership does not necessarily translate into control under the corporate model, since firms may offer non-voting shares to employees or require that shares be held in trust.<sup>17</sup> In the trust arrangement voting rights are exercised by plan trustees, who are usually representatives of management.<sup>18</sup>

In addition to these structural differences between co-operative and corporate models of worker-ownership, there are also differences in both the geographical distribution and historical development of each form. The corporate model is dominant in North America, while the co-operative model is widespread in Europe, with notable clusters of worker co-ops in France, Italy, Great Britain and the Mondragon region of Spain.<sup>19</sup>

As Long<sup>20</sup> notes, the corporate (ESOP) model is a recent innovation inspired by U.S. legislation providing tax-breaks to corporations establishing ESOP's.<sup>21</sup> Co-

operatives on the other hand have roots in the 19th century, and have been inspired by religious movements, bourgeois 'philanthropy', and working-class resistance to capitalist domination.<sup>22</sup>

#### THE WORKER OWNERSHIP DEBATE:

The debate on 'workers-as-owners' shares its origins with the co-operative 'movement' in the early stages of industrial capitalism. Central issues of concern were a) whether co-operatives could prove to be economically robust, and b) whether there was a role to be played by co-operatives in forging a new social order from the cauldron of emergent capitalism. The early-eighteenth century experiments of Robert Owen in Britain and Charles Fourier in France are generally regarded as the inaugural moments of the co-operative tradition, although there were sporadic antecedents to both. Both of these men sought to establish a new social order (and in Owen's case a 'moral' order) by embedding work within co-operative communities. Through these communities Owen and his fellow 'utopians' sought to forge a "union of masters and men"<sup>23</sup>, overcoming class antagonisms through education, by example, and on the basis of a 'rational superiority' to the old order.<sup>24</sup> Owen's scheme involved the reconstitution of work, marriage, the family and domestic labour along communal lines.

These latter elements won Owen some support from supporters of women's rights in the early 19th century, and women played a prominent role in the Owen-inspired co-operative workshops.<sup>25</sup> Although Owen's ideas for broader reforms withered in the face of pressures to organize and maintain the working class family system based on the nuclear family and male breadwinner, links between co-operative production and feminist practice had been transposed from the 'private' to the 'public' sphere.<sup>26</sup>

In practice, Owen's reform of work bore greater resemblance to the present-day 'Human Relations' and 'Quality of Work Life' industrial relations approaches than to co-operative models. Labourers' working and living conditions were improved, although extension of democratic control to workers in Owen's model factories was neither the object nor the avenue for achieving these reforms.<sup>27</sup> Owen's implementation strategy also failed to challenge power relations between capital and labour: Owen eschewed class politics in favour of universalistic appeals for support from fellow philanthropic capitalists and sympathetic statesmen.<sup>28</sup>

Despite failing Albrecht's test for transformation (see above) the utopians, and Owen in particular, inspired a series of experiments in producers' co-operatives<sup>29</sup> and provided the critical foundation for subsequent political

movements.<sup>30</sup> In Engels' judgement "[a]ll social movements, all real advances made in England in the interests of the working class were associated with Owen's name."<sup>31</sup>

Marx gave support to these Owen-inspired experiments, stating that

By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried out without the presence of a class of masters employing a class of hands.<sup>32</sup>

The co-operative factories demonstrated that the collective power of labour was not what it appeared to be -- "a power with which capital was endowed by nature"<sup>33</sup> -- but was a capacity in the command of workers themselves. As well, workers in the co-operative factories had achieved and demonstrated the ability to organize and carry out production, providing a concrete example of an alternative to capitalist production in the midst of capitalism.

According to Marx, the potential of co-operative factories to improve the condition of the working class was limited because the factories were localized undertakings, isolated from each other and from broader political initiatives.<sup>34</sup> As such, the factories posed no threat to the "geometrical progression of monopoly" and

...noblemen, philanthropic middle-class spouters, and even keen political economists ... all at once turned nauseously complimentary to the very co-operative system they had vainly tried to nip in the bud by deriding it as the Utopia of the dreamer, or

stigmatizing it as the sacrilege of the Socialist.<sup>35</sup>

To enhance the 'transformative power' of the co-operative factories, Marx advocated they be "developed to national dimensions, and fostered by national means" within the broader working class struggle for political power.<sup>36</sup>

Marx cited the Paris Commune of 1871 as an example of how co-operative production could occur in this broader context, and how such transformation challenged those who otherwise endorsed co-operatives:

[The Commune] wanted to make individual property a truth by transforming the means of production... But this is communism, "impossible" communism! Why, those members of the ruling classes who are intelligent enough to perceive the impossibility of continuing the present system -- and they are many -- have become the obtrusive and full-mouthed apostles of co-operative production. If co-operative production is not to remain a sham and a snare; if it is to supersede the capitalist system; if united co-operative societies are to regulate national production upon a common plan, thus taking it under their own control... what else would it be, gentlemen, but communism, "possible" communism?<sup>37</sup>

Marx's observations contribute at least three points to the debate. First, the factories and the Commune are seen to provide cultural and practical lessons in workers' self-management abilities. Second, a linkage is advocated between initiatives within the sphere of production and initiatives that are 'external' to production. Through alliances with working-class political parties, members of co-operative factories can form part of a counter-offensive

to the process of capitalist monopolization. Finally, in speaking of the "obtrusive and foul-mouthed apostles", Marx observes that such potentially transformative practices can and do draw support from the state and capital while this potential remains unrealized.

Rosa Luxemburg offers a much more pointed critique of production co-operatives.<sup>38</sup> As part of a retort to Bernstein's 'revisionary' program for social democracy, Luxemburg's analysis turns on the question of whether or not co-operative production is necessary or sufficient to transform capitalism. For Luxemburg, the domination of exchange over production which is characteristic of capitalism negates the potential of co-operatives either to improve the immediate conditions of labour or to contribute to any progressive political strategy. The competitive nature of capitalist market economies leaves labour in co-operatives open to the intensification of work and the possibility of unemployment as a result of market fluctuations.

The workers forming a co-operative in the field of production are ... faced with the contradictory necessity of governing themselves with the utmost absolutism. They are obliged to take toward themselves the role of the capitalist entrepreneur -- a contradiction which accounts for the failure of production co-operatives, which either become pure capitalist enterprises or, if the workers' interests continue to predominate, end by dissolving.<sup>39</sup>

In Luxemburg's view, the only way for producers' co-operatives to escape these market forces was by linking up with

consumers' co-operatives to ensure a steady market. This limits the producers to the manufacture of light consumer goods. The producer-consumer circuit further restricts co-operation to localized spheres of activity, which implies the dismantling of a highly developed, globalized capitalism. However, co-operatives' inability to encroach on core capital goods industries results in an insufficient base for such transformation of capitalist economies -- co-operation instead is merely "an attack on the twigs of the capitalist tree."

As outlined here, Luxemburg's assessment generates a number of working hypotheses for the worker-ownership debate. The 'self-exploitation' hypothesis assumes that co-operative workers will fail to achieve productivity gains in response to the whip of the market except through the investment of 'sweat equity', which will either prove inadequate or cause workers to abandon their undertaking. The 'marginalization' hypothesis asserts that co-operative production is unsuited to (or unattainable in) heavy industry given the assumption that co-operative industries must be insulated from market forces in order to sustain themselves. This insulation is the basis of the 'network' hypothesis, which allows that producers' co-operatives might survive in concert with other forms of co-operation. Luxemburg also advances a 'degeneration' hypothesis,<sup>40</sup>



suggesting that co-operatives in production are self-extinguishing phenomena; in an unspecified way, the contradictory process of workers 'taking toward themselves the role of the capitalist entrepreneur' causes the co-operative to backslide into a 'pure capitalist enterprise.'<sup>41</sup>

Britain's Beatrice Potter was one of many who shared Luxemburg's pessimistic evaluation of worker co-operatives. Like Luxemburg, she held that co-operatives were inclined to degenerate: if government-by-workers didn't lead to commercial failure, then commercial success would lead to the failure of government-by-workers.<sup>42</sup> Potter also presented a 'class-fragmentation' hypothesis, arguing that worker co-operatives would lead to the development of sectional interests, dividing the labour movement between co-operators and non-co-operators, and dividing the community along producer/consumer lines.<sup>43</sup>

Despite the mixed response to co-operative factories, workers' collective control over production in some form or other appeared with some regularity in the political programs and actions of mid-eighteenth to early nineteenth century Europe. These projects ranged from the reformist initiatives of Britain's Christian Socialists, to the soviets of the Russian revolution and the Factory Councils of Turin. According to Greenberg, Gramsci was inspired by the 'ubiquity' of these initiatives and his own

involvement in the Factory Councils movement to view the councils as a central mechanism in the process of socialist transformation.<sup>44</sup>

For Gramsci, the factory councils were extensions of pre-existing levels of working class organization already present in the factories. Once "freed from the limitations imposed on them by the entrepreneurs", workshop committees would serve as the 'embryo' of a new state, unifying economic and political structures and giving workers an active role in constructing a 'new order'. The councils would 'weld the present to the future' by initiating the process of revolution from within the capitalist order. This structure of workers' democracy "would be a magnificent school of political and administrative experience" providing workers with the opportunity to develop social/productive leadership skills. And, in addition to meeting these strategic objectives, Gramsci argued that workers' self-government would lead to improved production because

the more the productive human forces acquire consciousness, liberate themselves and freely organize themselves by emancipating themselves from the slavery to which capitalism would have liked to condemn them forever, the better does their utilization become.<sup>45</sup>

Gramsci's strategic role for the councils rested on their acting in conjunction with trade union's and workers' parties to form an 'historic bloc' capable of combining

leadership in the sphere of production with leadership in civil society.<sup>46</sup> It was through this historic bloc that the working class might wage a 'war of position' against bourgeois hegemony, developing working class consciousness and organizations capable of 'surrounding', transforming and supplanting the bourgeois state.<sup>47</sup>

The failure of the council movement to construct such a bloc did not negate the councils' importance as an experiment: Boggs suggests that the councils had a lasting impact, providing a new dimension to proletarian culture in Italy.<sup>48</sup> Italian political parties and trade unions play major roles in the contemporary co-operative sector, with over 60% of Italy's extensive network of workers' co-operatives promoted and developed by federations formed by the Italian Socialist, Communist, and Republican parties.<sup>49</sup>

With notable exceptions, among them the Italian case, co-operative forms of production have been restricted to a marginal economic status within the advanced capitalist economies of Europe and North America. While co-operative experiments were a response to the expansion of industrial capitalism, they represented only one of a number of responses. Thornley suggests that middle class influences on the British co-operative movement made it less viable as a political strategy for the working class. Instead, co-operatives "with their moral codes, adult education insti-

tutes and Sunday schools, assisted in developing ... authority systems among the working class". Toward the turn of the century, co-operatives began distancing themselves from the expanding British trade union movement. At the same time, the expansion of the trade union movement and the formation of the Labour party drew away support for the co-operative movement by opening up alternative channels for working class activism.<sup>50</sup>

In North America, the Knights of Labour were the continent's foremost Anglophone proponents of co-operation. However, after limited short-term successes with co-operative factories,<sup>51</sup> the Knights were eclipsed by the American Federation of Labour and the (Canadian) Trades and Labour Congress. These organizations, emphasizing "class collaboration", turned the labour movement toward the avenues of collective bargaining and (non-aligned) participation in electoral politics: trade union activities focused on wages and work conditions rather than on questions of ownership and control of the means of production.<sup>52</sup> The co-operative initiative was relegated to small regional networks which viewed consumers' and producers' co-operatives as 'pragmatic' (and apolitical) economic instruments.<sup>53</sup>

The development of the trade union movement and the extension of electoral politics to the working class (which

coincided with the abandonment of co-operative undertakings) suggest Gramsci's concept of a "passive revolution" whereby

[t]he acceptance of certain demands from below, while at the same time encouraging the working class to restrict its struggle to the economic-corporate terrain, is part of [an] attempt to prevent the hegemony of the dominant class from being challenged while changes in the world of production are accommodated within the current social formation.<sup>54</sup>

Co-operative factories were a proposed (partial) resolution to the contradiction between the increasingly socialized character of the forces of production and the ever-increasing concentration of the economic ownership of those forces in the transition from competitive to monopoly capitalism. In proposing to shift ownership from capital to labour, co-operative production indicated a period in the development of social forces which "threaten[ed] to bring about revolutionary or quasi-revolutionary changes in the relations of production and in the 'social order'."<sup>55</sup>

In effect, the potential of co-operative production was confined to its liberal-reformist mode in Britain and North America as working class resistance was redirected through the establishment of the institutions of industrial relations and working-class entry into electoral politics. This "channelling" represents one of several forms of "passive revolutionary intervention" identified in Cuneo's analysis of the concept.<sup>56</sup>

In addition to this structural, 'objective' terrain of passive revolution, Cuneo identifies a second terrain, that of the 'subjective'. As Marx noted (see above), putative support for co-operatives came from some unlikely quarters -- the decline of the co-operative option can also be attributed to trade union ambivalence to co-operative models that were as often instances of bourgeois philanthropy as of workers' self-organization.<sup>57</sup> This ideological diffuseness, or 'political ambiguity' as Quarter calls it, undermined support from the growing trade union movement.<sup>58</sup> It was the limited nature of co-operation as practiced by many of its proponents and the opening of economic and political representative structures which combined to diminish the transformative potential of co-operatives. It is noteworthy that spontaneous forms of workers' self-management and co-operation continued (and continue) to emerge in situations such as strikes and threatened shutdowns of plants.<sup>59</sup>

#### WORKER OWNERSHIP IN CONTEMPORARY CANADA:

How can this discussion be linked to the debate concerning the contemporary phase of worker-ownership? The discussion presented so far seems related to the current debate in a very general way. In addition, the concept of "ownership" is generally subordinate to that of "control", and neither is specified with the rigour apparent in more recent investigations. However a number of central concerns

are sustained in the debate surrounding the emergence of the 'new worker co-ops', as well as new forms of worker-ownership such as the ESOP. As with earlier observations, these questions have been posed with both the firm and the national economy as a units of analysis. Issues related to the economic viability of firms with varying degrees of worker-ownership have been identified. Also of concern is the capacity of worker-ownership to alter social relations both within a given firm and within a given social formation. The relation of co-operatives -- in their creation and operation-- to existing capital, trade unions and the state is a third concern carried from early discussions to the present.

If the first phase of the history of worker-ownership is "threaded with dualities" based on the tension between paternalistic reformism and the threat of independent working class political and economic power,<sup>60</sup> the current phase is a genuine cat's cradle of contesting claims and new forms of worker-ownership. Despite the continuities noted previously, four developments distinguish the current period as a new phase. These developments are:

- a) the quantitative growth of worker-ownership;
- b) the emergence of the corporate model;
- c) a rise in state interest in worker-ownership;

d) the emergence of worker-ownership in the context of economic restructuring.

a) The Growth of Worker-Ownership:

First, and most generally, is the rapid growth of worker-ownership in both co-operative and corporate forms. The growth of the co-operative model has both international and national dimensions. As of 1986, the Italian worker co-operatives numbered over 20,000, with membership of more than 200,000. In France, co-operatives employ over 40,000 people, while in Great Britain more than 20,000 are so employed. The bulk of these European co-operatives have been formed since the late 1970's.<sup>61</sup> Worker co-operatives in Canada, though still rare, have more than doubled their numbers since the early 1980's -- presently numbering almost four hundred -- after nearly half a century without significant formation-rate increases.<sup>62</sup> Of Canadian co-operatives, 70% are located in Quebec, with half of these emerging between 1982 and 1985.<sup>63</sup>

b) The Corporate Model:

The corporate model itself is the second factor of the new phase. The ESOP is a recent innovation, originating with the efforts of Louis Kelso and Russell Long.<sup>64</sup>

Russell and Long advanced the ESOP model in the U.S., advocated federal and state legislation to promote ESOPs, and



saw ESOPs expand from 300 nation-wide in 1973 to 8,000 in 1986.<sup>65</sup> In Canada, a 1986 Toronto Stock Exchange survey of T.S.E.-listed companies indicated that 63% had some form of ESOP in place, with 80% of the plans introduced since 1983.<sup>66</sup> For the most part, this growth took place without benefit of the legislative framework that accompanied U.S. expansion: legislation was proposed in Ontario in 1986, but was not in place until 1988.<sup>67</sup>

c) The Role of the State:

The role of the state in the recent expansion of worker-ownership is the third aspect of the current phase. This has been demonstrated in the U.S., where legislation stimulated growth of the corporate/ESOP model. In Britain, the Conservative government has continued the initiatives of predecessor Labour governments, supporting worker co-operatives and also developing corporate models of ownership, especially as part of its various 'privatization' schemes.<sup>68</sup> Thornley also notes that local governments in Britain increasingly assisted co-operative initiatives in response to pressure from community groups concerned with rising levels of unemployment.<sup>69</sup>

A study by David Laycock, the most extensive treatment of the role of government in the Canadian case, indicates that formal attention by the federal government to the development of worker-co-operatives commenced in 1984, with

the release of a national task force report on co-operative development.<sup>70</sup> Prior to this time, "minimal and intermittent" assistance to co-operatives was provided within the framework of short-term job-creation programs aimed at specific groups within the labour market (e.g. youth). Projects arising in this manner were intended to provide 'stop-gap' employment rather than create a free-standing worker co-operative sector, and the few isolated co-operatives that were formed under the auspices of these programs tended to dissolve when federal grants were withdrawn.<sup>71</sup>

Since 1984, federal involvement in the development of worker co-operatives has increased marginally. The federal government has created cabinet responsibilities for liaison with the co-operative sector, has sponsored regional and community development projects designed to create worker co-operatives, and has funded studies and conferences on the prospects of worker co-operative development.<sup>72</sup> The most significant of these sponsorships was a 1986 grant from Employment and Immigration to Quebec's Confédération des Syndicats Nationaux (CSN), which provided \$900,000 for the creation of a consulting group to service trade unionists interested in creating new co-operatives or converting companies facing threatened or actual closure.<sup>73</sup>

More recently, a \$249,300 Innovations grant was awarded by Employment and Immigration to the Canadian Co-

operative Association (CCA) -- an umbrella lobby group representing several sectors of Canadian co-operatives, to co-ordinate a study of mechanisms for facilitating worker co-op buyouts under conditions of plant closure and/or industrial restructuring.<sup>74</sup> These two projects represent an 'innovation' in another respect. For the federal government's part it places co-operative development under the policy mandate of Employment and Immigration, emphasizing the link between labour-market policy, industrial restructuring, and the potential of worker co-operatives. On the part of the CCA, it is the first concrete support offered to the development of worker co-operatives. The CCA, and its fore-runner the Co-operative Union of Canada, had historically devoted its efforts to the consolidation of a consumers'- and marketing-based co-operative movement in Canada, while worker co-operatives were regarded with indifference or suspicion.<sup>75</sup>

In addition to this indirect attention to workers' co-operatives, the federal government of Brian Mulroney has offered support of a more direct nature to the corporate model of worker-ownership. In November 1989 Harvey Andre, minister responsible for Canada Post, announced that a sale of the Crown corporation to employees would be one way of achieving the goal of privatization.<sup>76</sup> In January 1990, the federal cabinet approved the formation of an ESOP at

Telesat Canada, which is under the joint ownership of the Crown and a consortium of telephone utility interests. The creation of the plan would give an estimated 80% of Telesat employees a total of 3.2% interest in the company, and this stake would be voted by a trustee. The ESOP is seen as a prelude to the eventual sale of all government holdings in Telesat.<sup>77</sup> The federal government also announced in February 1990 that the privatization of PetroCan would be effected in part through the creation of an employee-share ownership plan.<sup>78</sup>

Despite these two types of involvement in worker-ownership, no coherent policy or administrative framework has been established at the federal level.<sup>79</sup> Instead, the co-operative and corporate models of worker-ownership are incorporated within projects administered by business assistance, regional development and employment programs.<sup>80</sup> Laycock argues that the orientation of existing programs to conventional business forms reduces the prospects for state intervention as a positive factor in the development of worker-co-operatives: established programs favour initiatives such as the corporate/ESOP model which can be "more easily translated" into the terms of these programs (and in fact require little direct state intervention to flourish).<sup>81</sup>

Given Canada's federated state structure, it is to be expected that some of the state's interest in worker-ownership has manifested itself through provincial involvement in worker-ownership initiatives. Indeed, provincial jurisdiction over the incorporation of co-operatives has been established since efforts by the Co-operative Union to lobby for a federal policy framework on co-operatives failed in 1909, due to the combined resistance of the Retail Merchants' Association and provincial rights advocates in the Senate.<sup>82</sup> Despite this long-standing authority over co-operative matters, provincial initiatives targeting worker co-operatives are recent in vintage and uneven in their distribution.<sup>83</sup>

Although worker co-operatives are in operation in every province of Canada, only three provincial governments have established programs offering technical and financial assistance for the development of worker co-operatives. Of these, Prince Edward Island has the most recent and smallest program. Quebec, home of the majority of Canada's worker co-operatives, has the most highly developed program. Established in 1983, provincial efforts consist of two related programs; a network of regionally-based consulting groups, and a network of regional development groups. The former provide technical assistance to prospective co-operators, while the latter bring together local business,

labour and other interests in order to forge a consensus regarding the types of worker co-operatives suitable for a given area. The development agency also provides financing of worker-ownership projects.<sup>84</sup> While the creation of this system has generally been regarded as a strong factor in the development of worker-ownership, the state's leadership in this respect has not always been benign. For example, the development agencies formed a number of co-operatives in 1984, attempting to privatize Quebec Liquor Board outlets by converting them to worker co-operatives. This initiative deflated under the weight of a Quebec Supreme Court injunction obtained by the union representing liquor store employees.<sup>85</sup>

These development programs, created when the Parti Québécois held office, continue to operate on reduced budgets under the intensified scrutiny of the Bourassa Liberals.<sup>86</sup> In 1989, the government agency that finances co-operative development began promotion of "joint ventures" wherein a 'worker co-operative group' purchases a minority stake in a closed or closing firm in order to save jobs. Under this arrangement, 'non-worker' investors have acquired up to 71% of one firm, while guaranteeing only that workers will hold one seat on the board of directors, and that all stakeholders will be offered the first right of refusal if other stakeholders decide to sell out. The 'joint-venture'

approach shifts the financial commitment of the state onto other investor groups while reducing the relative power of workers in a quasi-co-operative. A provincial government spokesperson voiced "very strong support" for this type of arrangement as the future direction for investment in worker co-operatives.<sup>87</sup> The shift away from worker co-operatives to investor co-operatives was followed in 1990 by a proposal from the provincial government to subsume the co-operative development programs under more general business assistance programs also in existence.<sup>88</sup>

In 1984 Manitoba's New Democratic Party government established a program which offered loan guarantees and consultative services to groups seeking co-operative incorporation, either as start-ups of new business or as buy-outs of failing firms. The program has stimulated the growth of co-operatives from a single venture in 1984 to over thirty by 1989.<sup>89</sup> In many of these cases, financial guarantees for small business rather than restructuring of workplace relations was the objective for co-operative incorporation. The provincial program did not seek active involvement from unions when they were present in buy-out situations, but instead offered financing to firms that were prepared to reorganize small partnerships as co-operatives. As a result, in co-operatives for which information is available, the norm is that ownership is not widely distributed and

hired labour is present.<sup>90</sup> The programs have been retained under the stewardship of a subsequent Conservative government, and the 'efficiency' of the program may account for this: feasibility studies conducted by government consultants ensure low risk of business failure for eligible firms and therefore low likelihood that government loan guarantees would be called upon.<sup>91</sup> As a result, jobs are retained at low cost to government.<sup>92</sup>

Provincial governments have also undertaken a number of initiatives involving the corporate model of worker-ownership. While no Canadian jurisdictions offer corporate tax advantages akin to the U.S. ESOP programs, four provinces -- British Columbia, Ontario, Quebec and Alberta -- offer assistance to employees purchasing shares in their employers' corporations.<sup>93</sup> The government of British Columbia introduced an ESOP plan in that province in 1988. The B.C. plan provides a 20% rebate (up to \$2,000.00) to workers who invest in their employers' firms. The plan was announced on the heels of a major privatization campaign by the government, which resulted in the provincial highways maintenance system being divided up and tendered to twenty-eight private contractors. Of these, eleven are worker-owned companies created by government highways employees who lost their jobs as a result of the privatization. The employee-owned firms were not eligible for the ESOP assist-



ance to start their companies, but it was available as a means of raising capital once the companies had been established. Government officials claimed the ESOP plan was intended to generate working capital for B.C. companies, to encourage harmonious labour relations, and to "exert a positive influence on corporate performance." When it was introduced, critics of the plan noted that there was no guarantee that worker-investors would participate in the management of firms.<sup>94</sup>

Legislation in Ontario was introduced in 1988.<sup>95</sup> Under that province's ESOP, grants are offered to employers, employee groups and individual employees to defray the costs of implementing a plan for employee purchases of newly issued shares. Employers can receive a grant covering one third of their expenses, up to a maximum of \$10,000.00. 'Employee groups' can recover up to 50% of ESOP negotiation, evaluation, and implementation expenses, up to a total of \$5,000.00. Individual employees are eligible for a reimbursement of 15% of their total share purchase price, to an annual maximum of \$300.00. Shares registered to individual employees are held in escrow for a two year period, but must carry voting rights. Shares are issued to individuals rather than to a workers' collective representative body, and no individual may hold more than 10% of the company's total stock. Under the Act, unions may act as an 'employee

group' for the purposes of implementing the ESOP, but there is no stipulation that a union, where present, must be involved in any stage of the plan. Eligible corporations must pay 25% of wages and salaries to employees in Ontario, and have either gross revenues or gross assets of less than \$50 million.<sup>96</sup>

The plan was promoted by the provincial government as a means of providing "an enhanced environment of co-operation and participation in the workplace by employees and employers" and of providing a "new source of equity capital for small and medium sized businesses in Ontario."<sup>97</sup> The plan has received some support from the corporate sector, but has been rejected by both small business and the Ontario Federation of Labour.<sup>98</sup> For corporate Ontario, ESOP legislation can offer a supplement to existing company programs by offering employee subsidies for new share issues in existing programs. In these cases, equity financing offers greater flexibility than debt financing, since equity capital does not involve the rigid repayment schedules which can accompany conventional business loans. However for the majority of Ontario's businesses, which employ fewer than ten people, the plan simply did not provide an adequate basis for the generation of capital since it opened up only a very narrow pool of prospective investors for the small business sector.<sup>99</sup> Given

the level of pre-existing ESOP plans within corporations and the objections of small business, it is not surprising that in the first eighteen months of the program's existence -- from January 1988 to June 1989 -- only five firms registered a new plan with the program's office.<sup>100</sup>

Although the Ontario legislation has not made a great impact in its early stages, organized labour has withheld its support for the same reasons it has expressed reservations about ESOP's in general. An ongoing concern has been that corporations attempt to "give workers a bit of ownership in exchange for their loyalty and identification with the corporation", which is seen as a threat to rank and file union support.<sup>101</sup> While the legislation stipulates that employee shares must have voting rights, these shares are individually held and widely dispersed, two conditions which do not favour the translation of employee ownership into collective control. Since the plan applies only to new share issues, management retains the power to control the proportion of shares released for employee purchase. As well, the legislation, by failing to grant unions a privileged position in bargaining for ESOPs on behalf of their members, allows for the (management) creation of an 'employee group' within the firm with the capacity to rally individual shareholders around corporate objectives on the basis of employees' shareholder status. So, despite its

limited application to date, the Ontario ESOP legislation bestows state sanction to the ESOP as a mechanism operating at the level of the firm to simultaneously accumulate investment capital and organize the consent of workers to corporate objectives.

The nature of federal and provincial involvement suggests that the state is prepared to undertake the development of worker co-operatives as a means of sustaining employment, and that restructuring of work relations is secondary to this objective. The recent developments in Quebec suggest that where such change seems viable, the state is prepared to actively redirect co-operative development towards models which reinforce rather than alter class power in the workplace. The corporate model has also been applied as a means of presenting 'privatization' as a form of 'democratization', without ensuring changes in corporate structures that would enhance workers' power in a firm. Finally, provincial governments have put forward legislation designed to enhance the corporate model's appeal as a means of generating consensus within firms.

The growth of worker-ownership, the emergence of the corporate model, and the involvement of the state in these developments are all embedded in the fourth, contextual, factor of interest here.

d) Economic Restructuring:

The renewed interest of corporations and the state in worker-ownership is occurring in conjunction with a broader pattern of restructuring involving changes in the nature of work, work relations, and locations of production. As Panitch notes, this is an ongoing process in capitalism as a system, and involves simultaneously the restructuring of labour markets, the restructuring of the state, and the restructuring of capital.<sup>102</sup> Panitch suggests that since the early 1970's, the conditions supporting the post-war stability of capitalist democracies have eroded, and that the ongoing process of capitalist restructuring has entered a 'new stage'.<sup>103</sup>

The period between the end of World War Two and the early 1970's is characterised as a period of relative economic stability, which derived from the contemporaneous development of 'Fordist' regimes of accumulation and the development of the welfare state.<sup>104</sup> Fordism was premised on the development of mass consumption, with wage levels tied to advances in productivity resulting from innovations in the social and technological organization of work.<sup>105</sup> A number of factors contributed to the stabilization of Fordism in the post-war period. First was the consolidation of monopoly capital, facilitated by the centralization and concentration of capital in the pre-war depression as well

as the wartime expansion of productive forces which could be converted to peacetime operations at the cessation of hostilities. The presence of pools of skilled labour, disorganized by wartime displacement, fascist repression, and later the ravages of the Cold War maintained 'wage discipline' and stabilized profit levels in the core industries.<sup>106</sup> Labour peace and consumer demand were buttressed by state social welfare and industrial relations interventions. Women, actively excluded from the monopoly sector in Canada immediately following World War Two, were recruited to provide labour to the expanding retail sector, state sector, and in clerical roles across sectors where consolidation required co-ordination and control.<sup>107</sup> Finally, the expansion and stabilization of international trade under U.S. hegemony provided new markets for goods and capital investments and produced employment stability in industrialized nations.<sup>108</sup>

Since the early 1970's this stability has eroded, producing a protracted period of crisis of global proportions. The consolidation of European and Asian industry undermined U.S. hegemony, replacing it with a 'multipolar' global system based on continental trading blocks centred in North America, Europe and Asia.<sup>109</sup> According to Lipietz, inter-capitalist competition spawned a crisis in profitability as productivity increases were pursued through

investments in fixed capital. The costs associated with capital-stock debt-burdens contributed to a profit squeeze, since competitive forces limited the ability to recoup the debt-servicing costs of technical innovation through price mark-ups. This crisis was exacerbated by wage and labour-market rigidities, which were in part the result of the rise in labour's collective power as organized under Fordist regimes.<sup>110</sup>

The 'new phase' of restructuring derives from these changing conditions. The restructuring of labour markets, the state and capital are occurring in the context of the emerging multipolarity of the global economy. The increased globalization and mobility of capital provides new strategic responses to crisis, undermining the basis of consent in the Fordist period while at the same time straining the state's capacity to mediate globalized class antagonisms within the nation-state.<sup>111</sup> Portes and Walton identify strategies commonly employed by capital in its effort to maximize the extraction of surplus value from labour. Among these are a) relocation of production to areas of cheaper labour, either within the nation or abroad, and b) use of cheap sources of labour within the local market.<sup>112</sup>

When we consider the concentration of Canadian working women in the competition-vulnerable industries such as textiles, clothing and electronics -- and in services,

which employs 83% of the female workforce -- the gender dimension of such accumulation strategies becomes readily apparent.<sup>113</sup> Safa underscores the point in her discussion of runaway shops, noting that when production facilities move out of North America and put women out of work here, it is most often women who take up the work that is then relocated in 'less developed countries'.<sup>114</sup> A recent study of firms in the Toronto clothing industry found that women held 79% of jobs that were lost due to closure in 1989.<sup>115</sup> The displacement of women workers in this way reinforces the myth of women's 'secondary' status in the workforce and perpetuates their relegation to a 'reserve army of labour', supplying cheap labour-power with which capital fuels its international expansion.<sup>116</sup>

With the intensified internationalization of capital, corporate strategies based on mobility across internationally and domestically segmented labour markets become both necessary and feasible in the competition for profit.<sup>117</sup> To effect these strategies a general shift of resources from consumption to investment must occur in order to finance relocations, new technologies and corporate restructuring, which involves state policies aimed at inducing this shift through wage controls, corporate subsidies, and cutbacks in consumption-oriented welfare programs.<sup>118</sup> As globalized capital migrates to low wage areas and re-



organizes production domestically through innovations in the technical and social organization of production, the international and national dimensions of restructuring crystallize locally in layoffs and closures.<sup>119</sup>

David Wolfe has observed that the crisis from which present forms of restructuring are emerging is in effect a crisis in the capitalist form of class domination, destabilizing its political, economic, and ideological aspects.<sup>120</sup> Cy Gonick's analysis suggests restructuring as a process which can be observed and understood at four levels in addition to that of the international economy: the plant, the enterprise, the national economy, and the state. In plants, management both intensifies work and alters the incentive system, primarily through concession bargaining and schemes such as 'Quality Circles'.<sup>121</sup> In Burawoy's analysis, the strategic response to this crisis at the point of production constitute a fusion of the three 'moments' of domination in a factory regime of "hegemonic despotism." The new despotism operates within the factory or enterprise under the coercive force of labour's vulnerability to capital mobility, with workers facing collective job loss for the failure to meet productivity demands; at the same time, efforts to secure consent to the reorganization of work, technological displacement and concession bargaining are based on appeals to workers' collective interests in

retaining employment by maximizing profit opportunities for the employer.<sup>122</sup> As Table 2.2 suggests, capital is disproportionately inclined to exercise its mobility option in the face of organized resistance to workplace restructuring.

It is at the level of the enterprise that the cornerstone of hegemonic despotism -- the 'rational tyranny of capital mobility' -- operates. Corporations re-organize production by shedding less profitable plants, by acquiring and 'rationalizing' other companies in order to secure market shares, and by redistributing product mandates to maximize economies of scale. Closures and layoffs result from this restructuring, which is facilitated by the state through industrial assistance programs, through restructuring of market forces, and other mechanisms, including direct subsidies for acquisitions.<sup>123</sup> The Ontario Federation of Labour noted in 1971 that from June 1970 to June 1971, in Ontario alone there were more plant shutdowns in a year than in any decade up to 1971 since the "crash of '29".<sup>124</sup> These events affected almost seventeen thousand workers in 138 instances of plant closure. Two-thirds of these workers were employed by foreign interests operating half of the plants involved. Since that time, closures have become such a 'normal' phenomenon that in 1979 the government of Ontario established the Employment Adjustment Service to deal with

workers displaced from employment by plant shutdowns. Ontario job-loss figures have ranged from a 'low' in 1984-85 of 14,761 to a peak of in 1982-83 of 45,569 jobs lost, with about a quarter of the terminations resulting from full closures.<sup>125</sup>

Whereas most closings in the 1970's involved the retreat of U.S. branch-plants, in the 1980's this was not the case. Analysis of a study by the Social Planning Council of Metropolitan Toronto reveals that Canadian firm closures accounted for 68% of all closures and 72% of jobs lost due to closures and mass layoffs in Toronto between 1981 and 1984.<sup>126</sup> Between 1984 and 1988 job loss due to full or partial plant closures in Ontario remained fairly steady at about 13,500 per year. In 1989, the first significant increase in the 1980's saw job loss exceed the 17,500 mark in Ontario. Job eliminations resulting from permanent plant shutdowns accounted for more than half of the total 1989 figure, and rivalled 1982 levels. Again the majority of closures -- 69% -- involved Canadian-owned plants.<sup>127</sup>

These changes at the enterprise level reflect changes in the national economy. While business decline and insolvency remain a factor in Canadian-based plant closures, corporate restructuring and relocation to other areas have

Table 2.2

Unionization and Plant Closure in Ontario Selected Industrial Groups		
Industrial Group	% of operating plants in sector unionized	% of closed plants in sector unionized
Food & Beverage	63.0	85.7
Textiles	56.9	83.3
Clothing	41.8	44.4
Wood Industries	54.1	100.0
Printing/Publishing	28.5	50.0
Primary Metals	68.9	100.0
Machinery	35.1	63.3
Electrical Equipment	46.2	84.6
Petroleum/ Coal Prod.	66.7	100.0
Misc. Products	27.2	50.0

Table 2.3

Reason for Job Loss (Firm Level)	
Reason (*)	%
Business Decline	50.9
Rationalization	36.8
Relocation	33.0
Corporate Priority Shift	24.6
Bankruptcy	22.8
Technological Change	19.3
Management Problems	17.5
Escape Union/ Seek Lower Wages	14.0
Inadequate Facilities/Location	10.5

Source: Social Planning Council of Metropolitan  
Toronto. 1985. \* see note.<sup>128</sup>

become a growing factor in shutdowns (see Table 2.3), as Canadian capital consolidated domestically and expanded internationally from the 1970's onward. Since that time, the degree of Canadian control over Canadian non-financial industries has been increasing while American control declines -- as Bellon and Niosi put it, "the economy is being Canadianized at the expense of American control."<sup>129</sup> In addition, Canadian investment in the U.S. has grown at a far greater rate than U.S. investment in Canada since the 1970's.<sup>130</sup> Canadian corporations most often enter international markets through direct investment in production facilities rather than through domestic production for export, in order to overcome trade barriers and exploit cost advantages.<sup>131</sup> Attracted south by lower tax rates, lower wage rates, an anti-union environment in some states, and access to large American markets, Canadian capitalist have purchased firms in the U.S. and set the groundwork for the consolidation of production on a continental basis.<sup>132</sup>

Wolfe's analysis suggests that the Canadian state plays a role in the process of restructuring by facilitating accumulation through the elaboration and maintenance of property and exchange relations, and by actively promoting economic expansion through interventions which vary at different periods in the development of capitalism. "Accumulation strategies" can be identified on the basis of the

manner in which the state ensures the continuation of conditions of accumulation and unifies the capitalist class under the leadership of a hegemonic fraction of that class.<sup>133</sup>

From the 1970's to the early 1980's, the 'Canadianization' of the Canadian economy and the expansion of Canadian firms into the U.S. constituted a strategy of 'continental nationalism'. Federal policy fostered the growth of domestic capital through state regulation of foreign investment and by direct state intervention in key industrial sectors. This domestic consolidation served as the basis for multinational expansion by Canadian-based capital, with the principal target being the U.S.<sup>134</sup>

By the late 1980's two developments pressed the limits of the strategy of 'continental nationalism'. The rise of protectionism in the U.S., in non-tariff forms and in calls for stronger measures from U.S. business interests, threatened Canadian access to U.S. markets. At the same time, the reorganization of the Canadian capitalist class produced a dominant fraction of "finance capitalists... [with] an especially strong interest in promoting the free flow of capital and commodities across the 49th parallel". According to Carroll, the implementation of the Free Trade Agreement (F.T.A.) with the U.S. -- along with other initiatives -- answers these developments with a shift in accumu-

lation strategy to what he terms "continental neoliberalism."<sup>135</sup>

In negotiating the F.T.A., the Canadian state has not operated as the agent of a single bourgeois fraction, but rather as the mediator of internal social forces -- among these the various fractions of Canadian capital and the internalized American capital fraction.<sup>136</sup> The Agreement represents a convergence of the interests of U.S. business operating in Canada and the dominant fraction of the Canadian bourgeoisie. This dominant fraction had little to lose from the withdrawal of U.S. branch-plants, and much to gain in favourably redefining its relation to the American economy. A bi-lateral agreement secures access for direct investment and trade without either party being exposed to the competitive threat posed by more generalized trade liberalization.

Adoption of the F.T.A. was not championed with equal enthusiasm by all fractions of the Canadian capitalist class. In fact, the Electrical and Electronics Manufacturers Association (EEMAC -- an umbrella business interest group representing, among others, appliance manufacturers) predicted that entire industry sub-groups would be eliminated by the trade deal.<sup>137</sup> But while 80% of electrical and electronics firms are Canadian-controlled, non-Canadian (predominantly U.S.) firms account for 55% of industry

sales.<sup>138</sup> These large-scale enterprises have much to gain from any policy initiative that enhances their ability to 'rationalize' production on a continental scale.

The significance for labour is that the dominant fraction's ability to shift production to the U.S. -- through relocation and direct investment -- allows capital to 'whipsaw' national working classes and increase pressure on Canadian labour to engage in bidding wars with less-organized and relatively less protected workers in the U.S. Additionally, the Canadian capitalist fraction threatened by competition from the trade deal can be expected to militate for changes in labour legislation and policies comparable to those in the U.S., where 'right-to-work' legislation and unwieldy certification requirements (among other things) thwart the growth of unions.<sup>139</sup>

The FTA is a cornerstone of "continental neo-liberalism", which is premised on the enhancement of 'market forces' and the free flow of capital and commodities. The accumulation strategy also involves a tight money policy (high interest rates), government fiscal restraint (cuts to social welfare spending, reduction of the social wage), deregulation, privatization (transfer of state-consolidated capital to capitalists), restoration of a 'free market' (in terms of labour markets, the elimination of rigidities presented by trade unions, unemployment insurance) -- in



short, and in effect, the intensification of the "local effects of the global trend toward hegemonic despotism." At the same time, there is a need to reconstruct a class compromise within firms, and to mediate the effects of the new despotism within the nation if the hegemony of the dominant class is to be maintained and accumulation is to continue unabated.<sup>140</sup>

...and Worker-Ownership:

If one recalls the continuities of the worker ownership debate identified earlier in the discussion -- the issue of economic potential, and the potential of worker-ownership to transform social relations within firms and in the larger society -- a number of features of the period of restructuring since the 1970's can help explain the growth of worker-ownership and the different types of support and implementation which are evident.

For organized labour in the capitalist democracies, the onset of crisis in the 1970's precipitated a shift in strategic direction away from efforts to secure compromise to more direct challenges to the rights of capital. In European nations, demands for democratic control over production and investment were blended -- partially -- into pre-existing corporatist structures of the Fordist compromise. These initiatives most often took shape at the national level, in the form of the Swedish wage-earners'

fund for example, but also included calls for more direct control, as in the autogestion movement in France at this time.<sup>141</sup> In Canada, the focus came to bear on the domination of the Canadian economy by the U.S. While the NDP Waffle pressed for workers' control in industry as part of its proposed solution to U.S. domination, this element was not pursued with any vigour by the labour movement or the mainstream of the NDP. With the NDP holding the balance of power federally, the establishment of the Foreign Investment Review Agency (FIRA) in 1972 was seen as a national measure to provide Canadians with greater control over the economy. For labour in the early 1970's, the emphasis was on establishing the autonomy of Canadian labour from international unions as a means of developing a Canadian response to crisis. A key goal of this battle was gaining control of the nature and direction of the collective bargaining process, and establishing Canadian interests in that framework as distinct from U.S. organizations. The overall response was comprised of the pursuit of improvements in advance notice, severance pay, and labour adjustment legislation and support for the strategy of 'repatriating' the Canadian economy as a means of ensuring that strengthened regulations on restructuring and closures could be enforced.<sup>142</sup> The 1970's also saw the formation of capitalist -labour alliances aimed at

securing sectoral adjustment programs from the federal government.<sup>143</sup>

Two factors in the shift from a 'continental nationalist' to a 'continental neo-liberal' accumulation strategy have undermined labour's orientation. First, inflation, rising unemployment, and the strategic initiatives of capital in a changing international economy sparked labour militance which tested the limits of collective bargaining, and prompted reaction from capital and the state. A shift to a "new era of coercion" in labour relations revealed the increasingly despotic character of neoliberalism.<sup>144</sup> Second, the federal government's free trade overtures represented the abandonment of national economic regulation in favour of continental integration.

In the early 1980's labour responded to changing conditions with a number of initiatives, calling for legislation requiring capital to prove cause for a shutdown, for economic sanctions against runaway shops, and for the right to strike during the life of a contract over issues -- such as closures -- which were unforeseeable when agreements were signed. There were also demands for public controls over investment and industrial development in key sectors.<sup>145</sup> By 1986, the Canadian Labour Congress broadened these demands in a call for "workers... to begin to build the kinds of institutions, the kinds of enterprises that will be the foundation for a new society." This approach retained

collective bargaining as the central mechanism of the labour movement. Additionally, though, it called for gaining control of pension and other investment funds in order to use them for "socially useful and job creating purposes", and for the development of "an action plan to create and support unionized worker co-ops as a form of economic development."<sup>146</sup>

The extent to which policy has translated to action has been limited; nonetheless indirect and direct forms of worker-ownership are now officially on the 'workers' agenda'. As one model of the indirect approach, the Solidarity Fund of the Quebec Federation of Labour has grown from \$10 million at its creation in 1984 to \$285 million in 1989, and has been used to save and create jobs in that province.<sup>147</sup> Another national labour organization, the Canadian Federation of Labour, established a venture capital fund in 1989, while the Ontario Federation of Labour set up a Social Investment Fund. Such plans speak to the neo-liberal challenge to labour only in a partial way. A veteran of the Inglis closure, speaking at the OFL convention where the Ontario fund was debated, commented:

Frankly, it's a yuppie solution to the problem of capital mobility. It does not address the problems of a plant closure.

Critics of the plan attempted to extend the applications of the fund to the financing of worker-buyouts of threatened

plants, but were unsuccessful in this bid.<sup>148</sup> The Ontario fund has been mandated to support housing co-operatives and environmentally sensitive projects, while the funding of buyouts was excluded on the grounds that worker-ownership had been used to undermine contracts and break up unions. There was also a concern that workers would "look at the world from the perspective of owners rather than from the perspective of workers."<sup>149</sup> As they stand, these plans are in a position to take advantage of tax breaks offered in provincial and federal legislation brought forward in 1988 and 1989. These proposals provide tax credits to investors in labour-sponsored investment funds, and provide credits to all investors in target companies -- those in which investment promotes job-savings or -creation.<sup>150</sup>

In Canada, organized labour's participation in more direct worker-ownership initiatives has been sporadic and ad hoc, with the exception of the Quebec labour movement. Despite a rise in the frequency of plant closures in the post-fordist era, only a handful of successful worker-buyouts were in operation as of June 1990, when a study by Quarter & Brown identified 29 cases. Of these, half were in the province of Quebec, and nine of these featured unions affiliated with the CSN.<sup>151</sup> In 1987, the CSN established a network of consulting and development groups to facilitate worker-

buyouts and worker co-operatives. These 'groups-conseils' were similar to those established by the provincial government's earlier program, but focused on the interests of the CSN's union membership. The development of an independent labour agency may be related to the provincial government's emphasis on co-operatives as investment tools for troubled capital, rather than as organizations addressing issues of terms and conditions of work and work relations.<sup>152</sup>

In other areas, labour's involvement in direct worker-ownership has not been guided by comprehensive policies or programs, although there have been signs of more active interest in the late 1980's. For the most part unions have acted on a case-by-case basis, evaluating the potential for worker-buyouts according to the circumstances of particular plant closures. For example, the International Woodworkers of America declined participation in the buyout of a Victoria B.C. plywood mill in 1985 because a business plan, filed to obtain provincial funding, called for base wage rate cuts of over 30%. Yet in the following year, the IWA was active in organizing and arranging financing for the buy-out of Sooke Forest Products and its rebirth as Lamford Forest Products under a worker-owned system.<sup>153</sup> Other unions in Canada have investigated worker-ownership as a response to plant closure, most notably the USWA, which

has begun to transport some of its U.S. experience to Canada. The USWA in the U.S. has engineered 17 buyouts of troubled U.S. steel operations using various ESOP type mechanisms. The USWA in Canada has adopted a policy calling for legislation to require corporations shutting down plants or lines to offer these for sale to employees, and for the establishment of a program to evaluate the worker-buyout potential of closures. As part of a strategy of "dealing with free trade plant-by-plant," the National office has committed itself to training its staff to provide some expertise on worker-buyouts.<sup>154</sup> To date, the most concrete action taken by the USWA in Canada has been its involvement in the Inglis closure and buyout attempt, as will be discussed in Chapter Five. In addition, unions have co-operated with management-initiated 'employee buyouts' at a number of locations sprinkled across the country.<sup>155</sup>

Organized labour's involvement with worker-ownership in general has been based on questions of the economic viability of worker-ownership, and on the impact of worker ownership on social relations, both within firms and beyond. The early experiments with ESOP's in the U.S. were dubbed 'lemon socialism' because for the most part they involved firms which were in desperate condition. The question of risk levels remains central in current considerations. With the ESOP in particular, unions see little benefit in provid-

ing investment sources from workers' savings or trading shares for wage concessions when control over that investment is not part of the bargain.<sup>156</sup> Support for co-operatives is conditional as well: in the Victoria Plywood case, the mill was antiquated and expensive to maintain, two factors that had prompted its original operator to close it in the first place. The IWA saw no advantage in attempting to upgrade equipment that been run into the ground and then discarded by its multinational owner, particularly when the viability of the plant depended on drastic wage cuts. Former employees of the mill, however, chose to end 17 months of living on severance pay, UI premiums and welfare -- they decertified their local, accepted financing from the provincial government, organized the co-operative, and returned to work at reduced wages.

This case, as well as the Inglis case, reveals a limitation of the buyout in general. The economic viability of worker-owned firms is often a product of the investment decisions made by previous owners, decisions made without input from workers or their unions, and on the basis of profitability rather than long-term employment stability. Workers facing plant closure inherit the outcomes of these decisions, and of decisions related to the company's market position and product line -- in other words, the effects of a lack of control over the production process prior to



having the opportunity to take such control. In the assessment by the Canadian office of the USWA, when these circumstances result in a closure decision, "save the plant" campaigns

to the extent that [they] encourage the people affected [by closure] to build up unrealistic hopes and expectations, ... can have a negative impact on participation in other adjustment-related activities and programs.<sup>157</sup>

The impact of both the corporate and co-operative models of worker-ownership on social relations is also a concern for organized labour. The concern that ESOPs can reorient workers to the goals of management at the expense of rank and file solidarity has already been noted. There is also a concern that worker-ownership can divide workers into two 'classes', both within firms and beyond. As one IWA spokesperson commented:

We would not look favourably on ... a 'two-class' co-op where there was one wage for shareholders and another for non-shareholders. Nor would we be very happy with a co-op that set itself up in direct competition with unionized firms by undercutting union wages.<sup>158</sup>

This concern is reminiscent of Potter's class fragmentation thesis, suggesting that privileged groups of workers may perpetuate capitalist relations under the guise of co-operatives, basing control over work on ownership of capital rather than on performance of labour. There is also the recognition that, through self-exploitation, groups of

workers can put downward pressure on wages for other workers in their sector. And while unions have reservations about applying models that produce such results, the state in Manitoba and Quebec have promoted the former type of limited co-operative, while in British Columbia the provincial government has financed the latter. So while organized labour has recognized the potential of worker-ownership in theory, problems of practical application have yet to be resolved within the broader framework of union activity. If examples are a factor in organized labour's orientation to worker-ownership, as the debate on the OFL fund suggests, then capital and the state are playing a role in setting the terms of the debate since most examples to date involve either the initiative of capital, the support of the state in some form, or both.

For capital, the corporate model of worker-ownership offers a number of strategic appeals in the 'post-Fordist' era. As part of an overall 'compensation' package for employees, ESOPs can provide management with financial flexibility by shifting a portion of costs from the relatively fixed wage bill to variable dividend payments, which can be deferred without interrupting production. Wages, on the other hand can only be deferred by reducing operations, by risking antagonism through wage cuts or, in more extreme cases, through filing for bankruptcy. Another incentive

rests in access to equity financing through ESOPs. Since funds transferred to the ESOP plan remain under management control until shares are sold, a cash reserve is available. Both these features represent a shift of resources, within the firm or enterprise, from consumption to investment which provides the means of financing further projects of corporate restructuring. ESOPs have also been adopted as a 'poison pill' defence against corporate takeovers. New issues of stock to employees dilute the value and voting rights of other outstanding shares, making it difficult for would-be raiders to gain majority control. In cases where employee shareholders have voting rights, they tend to side with management against corporate raiders, perhaps preferring the devil they know to the devil they don't know.<sup>159</sup>

The perceived ability of ESOPs to generate consensus within firms may motivate capital to implement such schemes. A Toronto Stock Exchange survey found that 80% of management from corporations with ESOPs felt that share-ownership had a positive influence on motivation, while 60% felt that it had a positive influence on profitability. These subjective impressions must be leavened by Long's finding that ownership tends to have such effects when it is combined with mechanisms for involvement in corporate decision-making.<sup>160</sup>

REORGANIZING CONSENT: A PASSIVE REVOLUTION?

The state's orientation to worker ownership forms part of the broader response to the crisis which had its roots in the 1970's and resulted -- through the 1980's and into the 1990's -- in the emergence of continental neoliberalism as a set of practices fostering continued capital accumulation. Concurrent with this, to borrow Burawoy's terminology, relations in production shifted toward a form of hegemonic despotism. Each of these developments has been based on the increased mobility of capital, and requires the maintenance of these mobility rights as a basic condition of operation. State interventions at the federal level in the form of the FTA, and provincially, as in Ontario's labour adjustment initiatives, have sought to mediate domestic class relations without curtailing the international strategies of capital. At the same time, the local effects of these global strategies have effectively dismantled the class compromise which prevailed in the immediate post-war era. Carroll has suggested that this "management of change" in the absence of consensus is a feature of what Gramsci termed "passive revolution."<sup>161</sup>

Organized labour's resurrection of calls for limits on the rights of capital and for intervention in investment strategies and other sacrosanct corporate prerogatives has progressed toward some concrete proposals that have the

potential of challenging the domination of capital over labour. Worker-ownership is one of these. Yet, as the discussion above has attempted to show it is the corporate model of worker-ownership -- operating under the sanction of both capital and the state -- which is most widespread, and this model sustains rather than alters the accumulation strategies of capital. The co-operative model as well has been subsumed under policy initiatives of the state, gaining support when employment can be preserved without challenging capital's proprietary rights.

Bradley and Gelb outline the utility of worker co-operatives for the state's management of change in the instance of plant closure. The authors suggest that while market forces should regulate the formation and extinction of firms, state support for worker buyouts can meet a number of objectives. First,

by relieving social and political pressures for more conventional [industrial policy] measures which ... prove more damaging to a substantially free-enterprise economy, the [worker-ownership] strategy can assist to reconcile the institutions of free enterprise with those of representative democracy.<sup>162</sup>

Bradley and Gelb go on to identify three features of worker-ownership as a state response to plant closure. First, in contrast to conventional industrial policy such as income maintenance, adjustment and industrial subsidies, worker buyouts are isolated, situation-specific, and therefore a

"self-extinguishing" form of state intervention. This approach is seen to provide a "cooling-out" period during which layoffs can be avoided or slowed down without committing the state to ongoing involvement. Second, worker takeovers are seen as a consensus generating mechanism, uniting "divided, alienated elements of an industrial enterprise" and generating approval of industrial policy at the same time. Third, the establishment of worker-owned enterprises shifts responsibility away from the central state and onto those most directly and seriously affected by the collapse of a firm, including both workers and local governments facing a loss of tax revenues.<sup>163</sup>

Presented in these terms, a policy of state support for worker-ownership reads like a recipe for neoliberalism, with its emphasis on market forces and the minimalist state. At the same time, as form of 'management of change' in a period of restructuring, worker-ownership may represent an aspect of the 'passive revolution' identified by Carroll. An essay by Cuneo specifies a number of modes passive revolutionary interventions and several levels of analysis for the investigation of the durability of capitalist social relations in periods of capitalist restructuring and crises.<sup>164</sup> One mode of intervention involves the 'breaking of fetters' on the forces of production, and Cuneo provides the example of Canada's Free Trade Agreement with the U.S.

In this case, Canada's trade regulations, the threat of U.S. protectionism, and a relatively organized workforce imposed limitations on the ability of Canadian capital to operate on a continental basis. The FTA was a means of transcending these limitations. Another intervention involves 'imposing fetters' on the consequences of changes in the forces of production in order to avert threats to the dominant class.<sup>165</sup> This can be achieved through the granting of partial reforms which do not threaten the material interests of the dominant class, as well as through the incorporation of the leading ideas and personnel of the subordinate class.

It is possible for these two interventions to occur at the same conjuncture, insofar as the developments resulting from the breaking of fetters are met with a response from the subordinate class which challenges the status quo. I have suggested the relationship between the consolidation of continental neoliberalism and the resurgence of worker-ownership in the preceding discussion, and provided illustrations of the manner in which worker-ownership initiatives have been limited in their implementation. In Chapters Five and Six I will attempt to analyze the extent to which passive revolutionary interventions influenced the outcome of the Inglis plant closure. In the course of this analysis an attempt will be made to further elaborate the concept of passive revolution. Since the strategies and tactics of the

dominant and subordinate classes are interlaced, I will attempt to identify the reciprocal effects of this relation.

#### CONCLUSION:

In this chapter I have outlined two models of worker-ownership and discussed variations and applications of each. In addition, the debate on worker-ownership has been reviewed; it has been suggested that there is continuity over time in the concern with a) economic viability of worker-ownership and b) the impact of worker-ownership on social relations within and beyond the workplace. It was argued that the initial experiments in worker-ownership were eclipsed by an expansion of political and industrial reforms and undermined by the adoption of co-operatives by bourgeois philanthropists and other non-revolutionary innovators.

The recent expansion of worker-ownership was presented as a distinctly new phase, characterized by the development of the corporate model and an increase in the state's involvement with worker-ownership schemes. It was argued that this phase was a product of the changing nature of Canadian capital and the global economy in the post-fordist era; that plant closures were a central feature of the era, and that developments in the practice of worker-ownership could be characterized as a passive revolution.



In the remainder of the study I present a discussion of my research methods; following this is a summary of Inglis' history. The latter chapters present findings on the plant closure, and evaluate the strategies of labour, the corporation, and the state in that situation.

Notes to Chapter Two

1. Panitch, Leo. 1986. Working Class Politics in Crisis: Essays on Labour and the State. London: Verso. p.215.
2. ibid. p.223.
3. Laycock, David. 1987. Co-operative -- Government Relations in Canada. Saskatoon: University of Saskatchewan, Centre for the Study of Co-operatives. p.58.; Mungall, Constance. 1986. More Than Just A Job: Worker Co-operatives in Canada. Ottawa: Steel Rail. p.215ff.
4. Gerritsma, Mary. 1986. Women in Worker Co-operatives: Creating Signposts to a New Way of Working. M.A. Thesis, University of Toronto.p.42.
5. Albrecht, Sandra L. 1983. "Forms of Industrial and Economic Democracy: A Comparison of Prevailing Approaches." Mid-American Review of Sociology. vol.8, #2. pp.43-66.
6. ibid. p.58. Albrecht distinguishes these approaches from forms of 'economic democracy' (also discussed in her review) which involve increasing participation in decision-making at the level of the economy as a whole.
7. ibid. p.59.
8. ibid.
9. ibid. pp.56-58.
10. For example: Long, Richard J. 1984. "Employee Ownership and Worker Co-operatives: Methods and Motives". in Skip McCarthy, (ed.) Employment Co-operatives: An Investment in Innovation. Saskatoon: Centre for the Study of Co-operatives, University of Saskatchewan. Toscano, David J. 1983. "Toward a Typology of Employee Ownership." Human Relations. vol.36 #7.pp.581-602. Quarter, Jack & Judith Brown. 1990. Unions and Worker Ownership: A Conceptual Framework. Paper presented to the Annual Meeting of the Canadian Sociology and Anthropology Association, Victoria, B.C.

11. e.g. Long, R.J. op.cit. Toscano, D.J. op.cit. The separation of functions and restricted nature of these concepts as defined here is for the purpose of identifying variations in models of worker-ownership. It is recognized that ownership and control are inter-related, and that control is sometimes exercised in cases where formal/legal ownership is not present. Similarly, legal ownership may not involve active control. Edward Greenberg suggests five specific areas of control that need to be examined in analysis of worker-owned firms. These are: design of production, control over the work process, choice of product, distribution of earnings, and determination of earnings. (1986. Workplace Democracy: The Political Effects of Participation. Ithaca, N.Y.: Cornell University Press). Through such analysis of specific firms, it would be possible to distinguish whether workers' 'legal ownership' was accompanied by 'real ownership'. In this distinction, identified by Wallace Clement in his discussion of property relations in Canada's coastal fisheries, the latter term involves the types of control suggested by Greenberg. (See Clement, Wallace. 1988. The Challenge of Class Analysis. Ottawa: Carleton University Press. p.107). These terms have also been applied by Poulantzas and Carchedi among others ( Poulantzas, Nicos. 1975. Classes in Contemporary Capitalism. London: New Left Books. Carchedi, Guglielmo. 1977. On the Economic Identification of Social Classes. London: Routledge & Kegan Paul).

12. Long, R.J. op.cit. p.24.

13. Toscano, D.J. op.cit.

14. Long, R.J. 1984 op.cit.

15. Toronto Stock Exchange. 1987. Employee Ownership at Canada's Public Corporations. Toronto: Toronto Stock Exchange. p.6.

16. ibid., pp. 12-14.

17. Toscano, David J. op.cit.

18. Toronto Stock Exchange. op.cit. see also Quarter, Jack. "Worker Ownership: One Movement or Many?" in Jack Quarter & George Melnyk (eds.) 1989. Partners in Enterprise: The Worker Ownership Phenomenon. Montreal: Black Rose Books. p.9.

19. Long, Richard J. op.cit. p.26.

20. ibid.

21. For a discussion of tax advantages see Albrecht, op.cit.p.57; also, Quarrey, Michael, Joseph Blasi & Corey Rosen. 1986. Taking Stock: Employee Ownership at Work. Cambridge, Mass.: Ballinger Publishing Company. pp.9-16.

22. Several works trace the heritage of worker co-operatives: Mellor, Mary, Janet Hannah & John Stirling. 1988. Worker Co-operatives in Theory and Practice. Milton Keynes: Open University Press. ch.1-2.; Melnyk, George. 1985. The Search for Community: From Utopia to a Co-operative Society. Montreal: Black Rose Books. pt.1.; Wacjman, Judy. 1983. Women in Control. Milton Keynes: Open University Press. ch.2. A particularly well-organized synopsis of the British experience is provided in Thornley, Jenny. 1982. Workers' Co-operatives: Jobs and Dreams. London: Heinemann Educational Books.

23. Butt, John. 1971. Robert Owen: Industrialist, Reformer, Visionary. London: Robert Owen Bicentenary Association.

24. Mellor, Mary et.al., op.cit. p.5.; Marx, Karl and Freidrich Engels. "The Communist Manifesto", in McLellan, David (ed.) 1977. Karl Marx: Selected Writings. pp.243-245.

25. As Balbo notes, 'women-centred networks' in working-class families, neighbourhoods and communities were an essential and ubiquitous part of the production, sharing and exchange of resources (Balbo, Laura. "Crazy Quilts: Rethinking the Welfare State Debate from a Woman's Point of View." pp.45-71 in Showstack Sassoon, Anne (ed.). 1987. Women and the Welfare State. London: Unwin Hyman Ltd. p.53). Doubtless these experiences provided an unacknowledged expertise in mutual aid, self-management, and collectivist organizing abilities. Sheila Rowbotham explores the potential affinities among collectivism, co-operation and feminism particularly as bearing on the resolution of the 'private/public' split. See "Feminism and Democracy" pp.78-109 in Held David and Christopher Pollitt. New Forms of Democracy. 1986. London:Sage Publications.

26. Mellor, et al. pp.4, 32ff.

27. Mellor, op.cit.

28. Marx, K. & F.Engels. ibid. Butt, John. op.cit.

29. Thornley, op.cit.pp.18-25.

30. Marx & Engels, op.cit. p244.
31. Engels, Frederick. 1970. Anti-Dühring. New York: International Publishers. p.288.
32. Marx, Karl. "Inaugural Address to the First International." in McLellan, David (ed.) op.cit. p.536.
33. Marx Karl. 1967. Capital. New York: International Publishers. Vol.1, p.333. See also Vol.3, p.827: "Capital... becomes a very mystic being since all of labour's social productive forces appear to be due to capital, rather than labour as such, and seem to issue from the womb of capital itself."
34. Marx, "Inaugural Address" in McLelland op.cit. p.536.
35. ibid.
36. This does not necessarily mean nationalization of industry. While the struggle for state power remains a central concern for Marx, there is the suggestion that efforts to expand the co-operative system to the fullest extent possible, given the existing level of development of material forces and social forms of production, should be undertaken by workers' national organizations. This interpretation is consistent with the Gramscian idea that such institutions are prefigurative, 'embryonic' forms emerging through the counter-hegemonic struggle within capitalism.
37. Marx, Karl. "Address of the General Council of the International Working Men's Association on The Civil War in France, 1871." pp.36-82 in Marx, Karl & V.I. Lenin. 1940 The Civil War in France: The Paris Commune. New York: International Publishers. p.61.
38. Luxemburg, Rosa. 1970. "Reform or Revolution?", pp.33-91 in Waters, Mary-Alice (ed.) 1970. Rosa Luxemburg Speaks. New York: Pathfinder Press, Inc.
39. ibid. p.69.
40. This term was coined elsewhere. Mellor, et.al. , op.cit. p.67.
41. ibid. Although Luxemburg does not state how this might occur, at least two possible scenarios can be identified. In some cases, financial difficulty in the firm might lead to differential investments being made, with managers in a

position to make greater investments to save the firm, and managerial power accruing concomitantly. Alternately, the success of a firm might make the required entry investment too costly for potential co-operators, who would instead be hired on as wage-labour. Thornley mentions cases of the former (op.cit.); Edward Greenberg (op.cit. Ch.2) identifies the mechanism through which the latter might occur in his study of northwest U.S. plywood operations, although it is not explored.

42. Cited in Mellor, et all, op.cit. pp. 19-21.

43. Thornley, op.cit. p.27.

44. Greenberg, E. 1986. op.cit. p.134.

45. Gramsci, Antonio. 1977. Selections From Political Writings (1910-1920). (Quintin Hoare ed., trans. John Mathews). New York: International Publishers. Part 2, pp.65-124. See also Simon, Roger. 1982. Gramsci's Political Thought: An Introduction. London: Lawrence and Wishart. Ch.10.

46. Simon, p.86.

47. Carnoy, Martin. 1984. The State and Political Theory. Princeton: Princeton University Press.

48. Boggs, Carl. 1976. Gramsci's Marxism. London: Pluto. pp.97-98.

49. Thornley, op.cit. pp.153-154. See also Oakeshott, Robert. 1978. The Case for Worker Co-ops. London: Routledge & Kegan Paul.

50. Thornley, op.cit. pp.21-28.

51. Kealey, Gregory S. & Bryan D. Palmer. 1982. Dreaming of What Might Be: The Knights of Labour in Ontario, 1880-1900. Cambridge: Cambridge University Press. pp.365-369.

52. Brodie, Janine & Jane Jenson. 1988. Crisis, Challenge, and Change. Ottawa: Carleton University Press. pp.32-33, p.37.

53. Melnyk, op.cit. p.21.; Bridault, Alain & Ginette Lafrenière. "Social History of Worker Co-operatives in Quebec." Chapter 8, pp.161-174 in Quarter & Melnyk (eds.) op.cit. p.161.

54. Sassoon, Anne Showstack. "Passive Revolution and the Politics of Reform." pp.127-148 in Sassoon, Anne Showstack (ed.). 1982. Approaches to Gramsci. London: Writers and Readers Co-op Society Ltd. p.133.

55. Cuneo, Carl. 1990. Is Pay Equity an Instance of Gramsci's 'Passive Revolution'? Paper presented at the Annual Meeting of the Canadian Sociology and Anthropology Association, Victoria B.C. p.10

56. ibid.

57. This decline was not experienced in the same degree in all capitalist economies during the turn of the century. On the contrary, Italian and French co-operatives were well established and have maintained a fairly constant presence, with the exception of the World War Two period. Nonetheless, these two cases do not contraindicate the conclusion with respect to the Britain and North America; they suggest that across cases, co-operatives vary in their relation to the balance of forces engaged in hegemonic struggle. Thornley (op.cit. Ch.7-8) suggests that a stronger trade-union/co-operative link existed in these countries, and that the state actively developed (and contained) co-operatives through the provision of public works contracts. Bottomore suggest that the presence of working class parties with revolutionary orientations was influential in both France and Italy. (Bottomore, Tom. "The Working Class Movement." pp. 149-157 in Bottomore, Tom & Patrick Goode (eds.). 1983. Readings in Marxist Sociology. Oxford:Clarendon Press. p.150). An historical-comparative study might indicate the factors determining the fate of co-operatives in given nations during 'passive revolutions' and other periods of political and economic reorganization. Unfortunately, such an inquiry is beyond the scope of this study.

58. Quarter, J. op.cit. pp.1-32 in Quarter & Melnyk, op.cit. p.21.

59. Rinehart, James. 1987. The Tyranny of Work. (2nd ed.). Toronto: Harcourt Brace Jovanovich. pp.197-203. See also: Bernard, Elaine. "Workers' Control of B.C. Telephone: The Shape of Things to Come?" pp.201-219 in Warburton, Rennie & David Coburn (eds.). 1988. Workers, Capital, and the State in British Columbia. Vancouver: University of British Columbia Press.

60. Mellor, et.al. p.30.

61. Long, R.J. op.cit. p.34.

62. Mungall, C. op.cit. p.21; Quarter, Jack. "Starting Worker-Owned Enterprises: Problems and Prospects." Ch.2 in Quarter and Melnyk, (eds.) op.cit.p.33.

63. Roy, Alain. "Forestry Co-ops pre-dominate, national survey shows." Worker Co-op. vol.8 #2. Fall 1988. The title of the article is misleading: forestry co-ops were only 18% of the national total, with other 'production' and 'services' co-ops representing 32% and 50% of the total, respectively. The growth of co-operatives in Quebec is discussed in Chapter Five.

64. Quarter, J. "Worker Ownership: One Movement or Many?" in Quarter and Melnyk, (eds.) op.cit. p.7.

65. Quarry, Blasi & Rosen, op.cit. pp.5-6.

66. Toronto Stock Exchange, op.cit. p.6.

67. Province of Ontario. 1988. "An Act to provide an Incentive to Ontario Employees of Small and Medium Sized Corporations to Purchase Newly Issued Shares of Their Employer Corporation." Chapter Three, Statutes of Ontario.

68. Mellor, et al., op.cit. pp.50-52; Thornley, op.cit. pp.1-5, ch.6.; Wacjman, op.cit., pp.28-31.

69. Thornley, op.cit., pp.117-118.

70. Laycock, D. op.cit. p.134.

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73. ibid.; This grant was followed by another in 1988 which was directed to a regional co-operative development agency in Quebec. The \$1.6 million grant represented 75% of a project designed to test co-op models and create 400 jobs. Worker Co-ops. vol.8 #1, Summer 1988. p.13.

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75. Laycock., op.cit.; for a discussion of the history of the CCA and CUC, see MacPherson, Ian. n.d. Building and Protecting the Co-operative Movement: A Brief History of the Co-operative Union of Canada 1909-1984. Ottawa: Co-operative Union of Canada. See also MacPherson, Ian. 1979. Each for All: A



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76. Financial Post. Nov.1,1990.p.1.; Globe and Mail. Nov.1,1990. p.B1.; Toronto Star. Nov.1,1990. p.A13.

77. Globe and Mail. Jan.13, 1990. p.B7.

78. Globe and Mail. Feb.22,1990. p.A1,p.B1.

79. The federal government has established a 'Co-operative Secretariat' within the Department of Agriculture. This office has co-ordinated an interprovincial report on development strategies for worker co-operatives, although again, worker co-ops are not the principle mandate. (Worker Co-op. vol.8 #3. winter 1989, p.20).

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81. Laycock, D. ibid.

82. MacPherson, I. n.d. op.cit. pp.24-28.

83. Laycock, D. op.cit. p.140.

84. Laycock, D. op.cit. p.148.

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### CHAPTER THREE

#### RESEARCH METHODS

##### RESEARCH DESIGN:

My choice of Inglis' Toronto plant as a research site was based on a number of factors. Among the early 'post-FTA' plant closings, the Inglis case was the first where a worker-buyout campaign formed part of a local union's overall strategic response to a closure announcement. It was a core manufacturing company with a mixed-gender workforce of almost six-hundred people. The Toronto plant was the centre-piece of a long-standing Canadian enterprise, and there were indications that the closure was tied to the changing role and strategy of the U.S.-based Whirlpool Corporation, which held an ever-increasing portion of the firm's shares. The closure had been announced and the response from labour was still in formation when I became aware of the situation in late September of 1989 and sought research access.

Events at Inglis make it possible to study the relationship between the development of local/national labour strategies and international capital restructuring. In particular, there is the opportunity to study the 'buyout



strategy' in this context. And it is possible to examine the internal-domestic relations between labour, capital and the state in process, as workers seek to forge alternatives to collective unemployment and despair.

The research for this study had two principal elements -- a series of interviews with members of the various groups involved in the closure/buyout, and document analysis. A third, unanticipated element -- participant observation -- introduced itself during waiting periods before and between interviews. As I witnessed the daily operations of the union and Labour Adjustment offices, I enjoyed informal chats with the continuous flow of people through these offices. Many questioned me about my work, offered their personal observations, and even suggested research strategies I might pursue. While this observational data has not been analyzed systematically, it has been woven into the fabric of the study, providing depth and colour to my research experience.

#### IDENTIFYING GROUPS FOR STUDY:

My research design was not a pre-cut template I superimposed on reality, but evolved as I learned more about this reality and the relations that comprised it. Initially, I intended to interview representatives from company management, government agencies, non-governmental agencies involved in worker-ownership development, the

various levels of the USWA, local union officers, and plant workers.

Several circumstances called for a modification of this list. First, I learned early in the project that plant workers were represented by not one but two locals of the USWA, Local 4487 for the office, technical and boiler workers, and Local 2900 for the production and assembly workers. Second, I learned that the Labour Adjustment Committee (LAC)<sup>1</sup> played a central role in the union's overall response to the closure announcement. It became apparent that a picture of the situation would remain incomplete unless I also sought information from the second, smaller local representing office, technical and boiler workers and from members of the LAC.

My interest in two other groups was to prove fruitless. In the case of government representatives, it became evident through my initial review of documents and early interviews that government participation in the buyout effort was sporadic and of low intensity. This was evidenced by the fact that many of the other participants were at pains to identify a government official they would recommend as an interview participant. In some cases a name was offered, but without my informant having any certainty regarding the official capacity of the individual concerned. While different levels of government played a more active

role in the adjustment process, information regarding this participation was readily available from non-interview sources. Therefore, I chose to examine governmental interventions in terms of departmental mandates, policies, and legislation rather than through interviews with individuals acting in their official capacities.

Company management offered no co-operation in my study. For two reasons, I had decided to approach this group last in requesting interviews. First, the acceleration of the closure process meant that the largest and most central group -- the plant rank and file -- would be dispersed from the plant within two months of the commencement of my research. In gaining access to workers, time was indeed of the essence. However, management's power to restrict my access was also a consideration. When a company sensitive to consumer sentiment puts over six hundred people out of work, one might expect it to be defensive about its public image and attempt to exert some control over information made available to the public. I approached workers without seeking management's approval so that I could preempt any efforts to block my access.

My strategy in gaining access was also based on the possibility that any defensiveness might be turned in my favour. It was my hope that by talking first to workers and their union representatives, the company would feel a need

to 'balance' the story by presenting me with their interpretation of events. I also anticipated some curiosity and concern over my research that might get my foot in the door of front office.

Sadly, these expectations were not fulfilled. After several games of telephone tag I made contact with the plant manager, who said he would not feel comfortable participating in my research or granting access to other management personnel. In his words: "I wouldn't want to put my people through all that". Since I had no desire to live through my own version of Roger and Me,<sup>2</sup> it was necessary to seek other sources of information. Management's reservations about my project pressed me to formulate a 'Plan B': my assessment of the company's strategy and actions is based on its own public statements, on company reports and other documents available to the public, press releases and newspaper articles, and accounts of company meetings provided by those in attendance.

Compared with the difficulties in securing government and corporate interviews, my access to other groups was virtually trouble-free. I arranged and conducted interviews with officials from both local unions, officials from the national steelworkers office, plant workers from the larger local 2900, the labour adjustment co-ordinator, members of

the LAC, and representatives of worker ownership development groups serving as consultants in the buyout attempt.

SEEKING INTERVIEWS:

My field research began in October 1989, shortly after a newsletter from the Toronto-based Worker Ownership Development Foundation informed me that a worker-buyout was being considered at Inglis as a response to the announced closure of the Toronto plant. I contacted the Foundation to obtain more information and was referred to the National Research Director of the USWA, who in turn referred me to the president of the local that was pursuing the buyout option.

I was concerned that I might be seen at worst as an academic 'ambulance chaser'<sup>3</sup> and at best as a curious intruder in an unhappy situation. My anxiety about this was quickly dispelled. As it happened, the president of Local 2900 was a part-time graduate student, and he intended to write a paper on the events surrounding the plant closure. We discussed my research objectives, needs and intended methods, and I left a copy of my interview schedule for his perusal. At our next meeting I was granted access to the local membership; my contact said he welcomed the perspective of someone who 'wasn't caught up in the middle of this mess', and hoped there would be an opportunity for us to share information bilaterally. It was also suggested that

workers might be more candid with me in the expression of their views since the president was an obvious advocate of the buyout strategy whereas my position was less clear.

The president provided me with the local's seniority report, which served as the main pool from which my plant-worker interview sample was drawn. The report lists union members by name, department, job class, pay level, sex, and seniority/hire date. From this list of 506 names, I selected 15 as interview candidates. The sample was constructed to loosely reflect the distribution of jobs throughout the plant; half of the candidates were from the assembly-line, and I selected at least one candidate from each other major department (see Appendix A, Table A.1). In departments where it was possible to do so, I sought an equal balance between male and female interviewees. To increase comparability, I selected men and women with similar seniority, pay levels, and job classes.

From the large group of assembly-workers, I sought as wide a range of seniority levels as possible -- from two to twenty-nine years. In smaller departments, I spoke with those who had been at Inglis for at least ten years, slightly less than the fourteen year average seniority level for plantworkers as a whole. I also preferentially selected some individuals whose length of employment approached the thirty-year mark. In speaking with long-time workers, I

hoped to glimpse some of the changes at Inglis over time, as experienced by the workers themselves.

My original sample was altered when one candidate was unavailable due to sickness and two others were unavailable because a special production run made it difficult for them to obtain release time. In these cases, I chose alternates with similar characteristics according to the seniority report. I also interviewed two other people on the basis of convenience sampling. These individuals were in the office making enquiries during their breaks and were willing to participate in my study. They complemented the sample profile I was seeking, so I included them in the study.

As the largest and most highly differentiated group in the study, the members of local 2900 were the only group for whom I developed such explicit criteria. In the case of the office and boilerworkers local, I was referred to an executive contact person and attempted to secure access to the membership of that local. My contact had reservations about inviting me to conduct research and we 'negotiated' access for several weeks. In the end I had to satisfy myself with a long and informative interview with this contact, which occurred after hours and off premises. The only documentation available to me was the local's seniority report, from which I copied information longhand in a donut shop.

Arranging interviews with other key participants was less problematic. Preliminary inquiries identified the Labour Adjustment Committee, the USWA national office, and the worker-ownership consulting firm as significant actors in the process since they were involved in the formation and execution of labour's strategy. The next stage was to contact the actual individuals involved and request interviews. In each case interviews were granted and conducted. From the Labour Adjustment Committee, I spoke with three labour representatives on the tripartite body. Two principal staff from the consulting firm discussed their role in the buyout and other related issues. In the case of the USWA national office, however, my contact was taken ill on the day of our proposed interview. Two other members of the national research staff, one directly involved in the worker buyout attempt and the other involved in supporting research, filled in for the unavailable participant. In total, I interviewed 28 people in the course of this research (see Appendix B, Tables B.1 and B.2).

#### DOING INTERVIEWS:

Interviews for this study were conducted from October 1989 to January 1990. For each group in the study I constructed an interview schedule based on open-ended questions (see Appendix A). Plant workers were also asked to respond to several items seeking information such as age,



sex, marital status, household composition, job duties, and union participation. Apart from the one exception noted above, one-to-one interviews occurred at the plant during working hours, or at the offices of non-plant participants. Plant-workers were relieved from their work duties by a call from the union office to the individual's supervisor. It was explained that the worker was needed for 'union business' and participants in my study were signed out without loss of pay. Interviews were tape-recorded and transcribed verbatim at a later time except when ambient noise levels or other factors prohibited tape-recording. This occurred in four cases, and instead of tape-recording, notes were taken during the interview and refined later.

Initially, I followed the interview schedules very closely, hoping to make up for my inexperience with preparation and organization. It quickly became evident that a more rewarding approach was to regard the schedule as a thematic checklist rather than as a script. The open-ended nature of the interviews meant that the participants had the ability to shape the discussion and emphasize their own views of what was important in the closure situation. I learned to adapt the order and substance of my schedule to the expressed concerns of research participants. With follow-up questions and 'linking' phrases, I attempted to touch on my concerns without stifling the introduction of

unanticipated issues. I tried, when appropriate, to incorporate these insights in subsequent interviews with other participants.

ANALYZING INTERVIEW DATA:

The data derived from my interviews can be loosely categorized in two ways. The first I shall term descriptive/corroborative, where I sought information from the participants on their role in the closure/buyout, their recollections of events leading to the closure, and their relationships to other groups and to the plant. In the case of plant workers, the latter included description and discussion of the participants' particular job and general working experiences at the plant. Information of this nature served to map out social relations and events at the plant. With some participants this portion also included requests for documentation.

A second aspect of the interview data is the thematic/evaluative component. In responses to questions and in unsolicited comments, participants offered evaluations of the role of their own and other organizations, of the underlying causes of the closure, and of the limits and possibilities of various elements of the response to the closure. Some reflected on their own experiences and circumstances and related these to 'larger' events. Toward the end of my

research involvement, some of these analyses were retrospective, since the buyout option was eventually abandoned.

Analysis of the descriptive/corroborative data involved a reconstruction of events and relations based on first-person accounts. These accounts were compared with other interview and documentary data in order to achieve this reconstruction. Analysis of the thematic/evaluative data involved organizing similar statements from interviewees into several categories. These categories were: a) 'operations' -- data pertaining to the technical and social organization of production; b) 'buyout' -- data pertaining to interviewees' involvement in and assessment of the buyout; c) 'aftermath' -- encompassing labour adjustment, severance payments, and other post-closure concerns; and d) 'synthetic' -- referring to interview data suggesting links between events, groups or issues.

#### DOCUMENT ANALYSIS:

The second element of the study -- document analysis -- was not independent from the interviews, but occurred simultaneously, and was to some extent integrated with the interview activity. Document analysis informed my interviews and brought issues to light which I later raised in interviews. I also sought corroboration or clarification of documents in my talks with participants. Conversely, some of the documentary sources were obtained during interviews.

This occasionally occurred at my request, but often participants would offer items that provided background or detail for the issues raised in our discussions.

In other cases, documents provided the sole channel for understanding aspects of the study. This was particularly so with respect to information on the corporation. I sought general information through reports in the business and popular press. More detailed information was obtained through a review of Inglis' annual reports from 1955 -- 1988. This was supplemented and corroborated through consulting Statistics Canada's Intercorporate Ownership.<sup>4</sup>

My research contacts provided me with helpful documentary sources pertaining to the Inglis workforce and the development and implementation of labour's response to the closure. I was given two drafts of the buyout pre-feasibility study prepared for the union by consulting firms. This report featured information on the assets and market position of the firm, the nature and condition of plant equipment, and the obstacles confronting the buyout strategy. I obtained a 'buyout kit' from the buyout consulting firm which provided an overview of issues and concerns in such projects.

In addition to the local's seniority report, I received the LAC's survey of the workforce which identified training needs and aspirations, education levels, language

groups in the workforce, and other characteristics. This information allowed me to construct a profile of the workforce.

Newsletters from different levels of the labour movement discussed the Inglis closure and elements of the local's response. The broader labour position was also represented by research documents and position papers of the national office of the United Steelworkers of America, the Ontario Federation of Labour, and the Canadian Labour Congress.

Information on the role of government in general adjustment issues, and with respect to worker-ownership in particular, was obtained through a review of legislation, documents for various programs, and reports from federal and provincial commissions. I also had access to selected research reports from municipal governments.

Document analysis met two main objectives. First, it provided quantitative and/or historical material otherwise unavailable. Second, documents provided corroboration of interview data. Analysis was conducted with an eye to reconstructing the events leading to the closure, and an eye to identifying the relations that form the context of these events.

**RATIONALE:**

Gannagé<sup>5</sup> identifies two issues of concern in choosing a case-study methodology. The first is the need to develop theory in tandem with concrete research. In addition, the case-study approach should 'fit' the research question(s) being posed.

As the concrete manifestation and intersection of two theoretical subjects -- 'labour strategy' and 'capital restructuring' -- the plant and its constitutive relations suggests itself as an appropriate unit of analysis. Since the worker-ownership option forms part of labour's strategy in the case at hand, questions about the place of worker-ownership in emerging strategies may be posed through the case-study approach. In Canada, concrete research focusing on issues of worker-ownership has not yet been undertaken in a systematic way. As Gerritsma<sup>6</sup> puts it, "the emphasis is on what should be, not on what is". In studying the concrete context in which a worker-buyout attempt emerged, I hope to contribute in a small way to our understanding of 'what is'.

The qualitative methods suggested in the case-study approach were also appropriate for a number of reasons. The 'loose' nature of the interviews allowed participants to identify issues and events they deemed important. As an outsider with my own expectations and preconceptions, a

more rigid and formal approach on my part might have suppressed some of these insights. The interview process and the observations which complemented the interviews helped form my sense of the key groupings in the study. On a different level, I found my own social and communicative skills were better suited to two-way discussion of issues than to the somewhat artificial 'fill in the blank' format. The fact that many participants asked their own questions of me and sought a comparison of our views suggested to me that the interviewer-interviewee dichotomy was at least partially reduced.

The sampling technique was based on a concern with establishing the nature of relationships in the case, rather than with generalizing to a wider population. Since the research focuses on group relations rather than on the distribution of the properties or characteristics of individuals, the main challenge was to draw an exhaustive list of the groupings involved. However, distinctions based on seniority and sex were deemed important in sampling from the plant-worker group, since these factors condition one's relation to wage-labour. Because of the size and diversity of this group, it seemed wise to seek participants from as many departments as possible. Each had a different position in the organizational structure and the labour process at the plant, and therefore might offer different experiences

of the key relations. For representatives of groups other than the plant-worker group, group membership and availability were the grounds for inclusion in the study.

LIMITATIONS:

While the case-study approach offers a way to conduct fairly intense investigation of a specific site, this study remains incomplete on some counts.

First, I did not conduct any systematic first-hand observation of the labour process itself. To do so would have required the knowledge and the consent of management, which I did not obtain. To partially compensate for this gap, I gained a sense of the flow of production and of social relations in the plant through analysis of the seniority report and of organizational charts. I also relied on the reports of workers I met both through arranged interviews and by chance. This was supplemented by chance observations as I moved around the plant to interview sites which had been provided by the union. It is difficult to say whether my own 'detached' observation of work would have provided a picture of work comparable to that reported to me by workers themselves.

The study also treats the relation between the workplace and the 'outside world' in a superficial way. While interview questions probed household finances and composition, no observations or other data were collected in



the domestic or community settings of workers. While much research has illustrated the complexity and centrality of these relationships,<sup>7</sup> I am compelled to view any glimpses of my participants' other domains through the 'filter' of their experiences at work.<sup>8</sup>

In addition, I was unable to collect sufficient data to examine issues related to ethnicity and race. The seniority report provided no reliable way to sample for these characteristics, while the length of time and the management cooperation required to pursue other strategies was not available. The exception was a survey by the Labour Adjustment Committee which identified language groups in the workforce. And it may be worth noting that my sampling procedure did produce an ethnically diverse interview group. But, at best, I am equipped only to make qualified inferences on the basis of similar studies. This dimension was not addressed systematically: no documentation provided any indications of the significance of ethnicity, and neither myself nor other research participants raised it as a central issue. This does not suggest there is nothing of importance to be said on the matter. On the contrary, one of the workers with whom I discussed my project made a point of asking whether I had spoken with any of the black workers. I can only guess at the significance of this inquiry. But it must be said that neither by design nor by maximizing chance opportun-

ities was I able to conduct any meaningful research on these dimensions.

A limitation which has direct bearing on the theoretical framework elaborated in Chapter Five was the lack of interviews with state and management representatives. As a result of this void, any discussion of these actors' intentions and/or motives is precluded. Instead, my argument is made from an analysis and interpretation of documents and observable patterns of behavior. The implications for a passive revolutionary interpretation of the Inglis closure are discussed in more detail in Chapter Five.

#### CONCLUSION:

A plant in the process of preparing for shutdown is a highly-charged environment where the methodological concerns of a neophyte social researcher rightly take a back seat to the immediate tasks of workers and their representatives. It is difficult to imagine a case where one could be present during the 'window in time' just prior to and following a plant closure without confronting numerous logistical barriers to the implementation of an ideal research plan. Time constraints and the competing concerns of my hosts resulted in sampling that was less rigorous than would otherwise be desirable, and therefore, generalizations from my sample to the plant population are only tentative and suggestive of further research. Similarly, the one-

factory sample constituting this case study makes all generalizations to other cases conditional at best.

However, the case-study method does retain merit. As Burawoy notes in defense of his 'extended case-study' method, another mode of generalization is possible:

This second mode... is the extension from the micro context to the totality which shapes it. According to this view every particularity contains a generality; each particular factory regime is the product of general forces operating at a societal or global level. It is the purpose of [his] analysis to expose those forces as they impinge on quite specific factory regimes.<sup>9</sup>

While this study is not so ambitious as to express and articulate a 'totality' with a specific factory, it does attempt to identify the general forces leading to a plant closure and conditioning the emergence of worker-ownership as a labour strategy. It is an attempt to 'extend' particular concrete observations to a more general theoretical framework relating to the transformation of Canadian capital. The study also involves a lateral extension from this theoretical framework to the more specific theoretical framework addressing the character of worker-ownership and its prospects as a labour strategy.

Notes to Chapter Three

1. The Labour Adjustment Committee was a joint committee established under the auspices of the federal Industrial Adjustment Service and the Ontario Ministry of Labour's Employment Adjustment Branch. Government program representatives, management and union personnel served on the committee, which had a mandate to co-ordinate retraining and reemployment activities for workers and management in the plant. The adjustment process and the committee are discussed at greater lengths in Chapter Six.

2. Michael Moore's 1989 film, Roger and Me, deals with massive layoffs and closures at General Motors' Flint, Michigan, operations. The entire film is built on the running gag of Moore in vain pursuit of an interview with G.M. president Roger Smith.

3. The term 'ambulance chaser' is usually reserved for opportunistic lawyers who seek profit from others' misfortunes by urging accident victims to hire their services to undertake even the flimsiest lawsuits. One of the buyout consultants confided that he sometimes felt like an 'ambulance chaser' since his services seemed to be called upon only in cases of corporate disaster. In contrast to the archetypal lawyer of this stripe, however, the buyout consultants did not seem to have the same self-serving motives.

4. Statistics Canada. (various years). Intercorporate Ownership. catalogue no.61-517. Ottawa: Ministry of Supply & Services.

5. Gannagé, Charlene. 1986. Double Day, Double Bind. Toronto: Women's Press. p.24.

6. Gerritsma, Mary. 1986. Women and Worker Co-operatives: Creating Signposts to a New Way of Working. M.A. Thesis. University of Toronto. p.42.

7. e.g. Gannagé, C. op.cit.; Pollert, A. 1981. Girls, Wives, Factory Lives. London: Macmillan.

8. Pollert, A. op.cit. pp.9-10.

9. Burawoy, Michael. 1985. The Politics of Production: Factory Regimes Under Capitalism and Socialism. London: Verso. p.18.

CHAPTER FOUR  
COMPANY HISTORY

INTRODUCTION:

In Chapter Two I discussed the nature of capitalist development in Canada in a general way. This chapter will focus specifically on the growth of Inglis Ltd. and its transition from a Canadian capital-goods manufacturing enterprise to a consumer-goods subsidiary in the corporate web of the U.S.-based Whirlpool Inc. In tracing this path, I examine the corporate characteristics and strategies leading to the eventual closure of the Strachan Ave. plant. I examine how the process of corporate restructuring altered the relationship between labour and capital, and how this, in turn, influenced both the closure decision and the union's ability to respond to that decision.

THE LAUNCHING OF INGLIS:

The John Inglis Company was founded in Guelph, Ontario in 1859 and was moved to Toronto in 1881, where the Strachan Ave. plant became the company flagship.<sup>1</sup> The company produced farm implements, boilers, and other metal products under the direction of the Inglis family. A family death in 1936 prompted sale of the company to a three-member

partnership which formed the British Canadian Engineering Company and secured the Inglis name. In 1938, contracts were signed with the British and Canadian governments and the Strachan Ave. Plant began production of Bren guns and other armaments. Two years later, these contracts were renegotiated, with the two governments taking ownership of the facility and hiring the company to manage it on a fee basis. A plant in Scarborough also began production in this manner.<sup>2</sup>

This relationship between the federal government and the company stimulated expansion, and at the close of the war (1945) Inglis purchased the Canadian subsidiary of Britain's English Electric Company. The company also began purchasing facilities from the federal government, a process that continued to 1957, when a Scarborough arms plant was purchased. Acquisitions and post-war conversion allowed Inglis to diversify its operations: by the mid-1950's the company operated a general engineering division, producing nuclear reactors, hydro-electric turbines, pulp processors, equipment for basic metals industries, and steam turbines for naval vessels. Other capital goods operations included an industrial refrigeration and air conditioning division and an electrical division. As well, linked to the post-war development of mass consumption, Inglis formed a consumer

goods division producing domestic appliances, fuel pumps and water heaters.

Following World War Two the capital and consumer goods divisions expanded, although sales growth in the capital goods divisions was more volatile than in the consumer products division, where the company's market share continued to increase. Commenting on the troubled divisions, the company's annual reports during the 1950's sound like chapters from a protectionist manifesto: U.S. domination of the Canadian capital goods market is attributed to heavy U.S. investment in Canada (leading to capital purchases from U.S. firms), liberal application of customs laws, and an excess of tariff concessions by the Canadian state. In its 1956 Annual Report, the Inglis board was very clear in expressing its view on the pressures and parties involved in the faltering of the capital goods industry:

We must not underestimate... the very difficult role that secondary industry in Canada has to play in endeavouring to meet the very high wage standards set by a prosperous primary industry and at the same time meet both low wage and high volume foreign competition, with a minimum of tariff protection. These two factors should be carefully considered both by Government in relation to tariff policy and organized labour in relation to wage demands.

From the mid-1950's to the mid-1960's Inglis (in an attempt to make its capital goods divisions viable) pursued a number of strategies. A niche in the domestic market was provided as the company secured a number of contracts to

supply heavy equipment for government mega-projects of this period, primarily in the areas of nuclear and hydro-electric power generation. Operations were reorganized as the industrial refrigeration unit was shed and the electrical division was merged with general engineering. These changes contributed to a 32% decline in the workforce -- from 2,775 to 1,893 -- between 1956 and 1960. While slight increases were made following 1960, the number of employees hovered around the 2,000 mark until the early 1980's when Inglis acquired the operations of Canadian Admiral. Only at this time did employment levels in the firm meet the high point of 1956.

In addition to government contracts and corporate "streamlining", Inglis joined other capital goods industries in an energetic "Buy Canadian" program intended to strengthen the domestic market. As well, licensing agreements were obtained in the late 1950's and early 1960's for the manufacture and sale of U.S. mining and milling equipment in Canada. Product innovation in the turbo-generator industry resulted in tariff protection for the firm's operations in that field. Acquisition of a U.S. pulp and paper machinery firm gave Inglis a foothold in both the domestic and export markets for those goods. As the domestic market for industrial-electrical applications softened at the turn of the decade, the company maintained its electrical divi-



sion for a short period through a reliance on export markets.

Despite these initiatives, capital goods operations were incapable of rallying to a profitable position. To maintain overall earnings, Inglis shifted its corporate strategy, and began to focus on the consumer goods division as its primary source of profits and growth. Beginning in the 1950's, Inglis enhanced its participation in the more 'protected' domestic consumer goods market<sup>3</sup> by expanding its product line through licensing agreements, notably with Whirlpool-Seeger (now Whirlpool Inc.), a U.S. appliance manufacturer. Through these agreements, Inglis manufactured and sold Whirlpool-designed products in the Canadian market, and also dedicated a small portion of output to the U.S. export market. By 1966, this division accounted for 85% of sales, while capital goods operations were streamlined and eventually phased out by 1970.

Inglis' licensing agreement with Whirlpool was the prelude to a more intense relationship between the two companies. Construction of Inglis' Stoney Creek factory -- which began production in 1967 -- was financed by a \$2.5 million convertible loan from Whirlpool Inc. Whirlpool promptly exercised its conversion option and began to acquire an expanding stake in Inglis. By 1971 Whirlpool held 43% of Inglis shares, the largest single block.

Simpsons-Sears (which retailed Inglis products under the brand-name "Kenmore") held the only other significant block with 20%. The remaining 33% was held by approximately 1200 private shareholders.

This pattern remained fairly stable until 1985, when Whirlpool enlarged its ownership of Inglis to 51% (see Figures 1-3). In 1987 Whirlpool bought (what had become) Sears' shares to acquire a 71% interest in Inglis. This increase was accompanied by the replacement of Inglis executives and upper management by Whirlpool personnel. In December 1989, in the wake of the Strachan Ave. plant closure, Whirlpool absorbed all outstanding shares to make Inglis a wholly-owned subsidiary of the U.S. firm.<sup>4</sup>

#### INTO THE 'WHIRLPOOL'...:

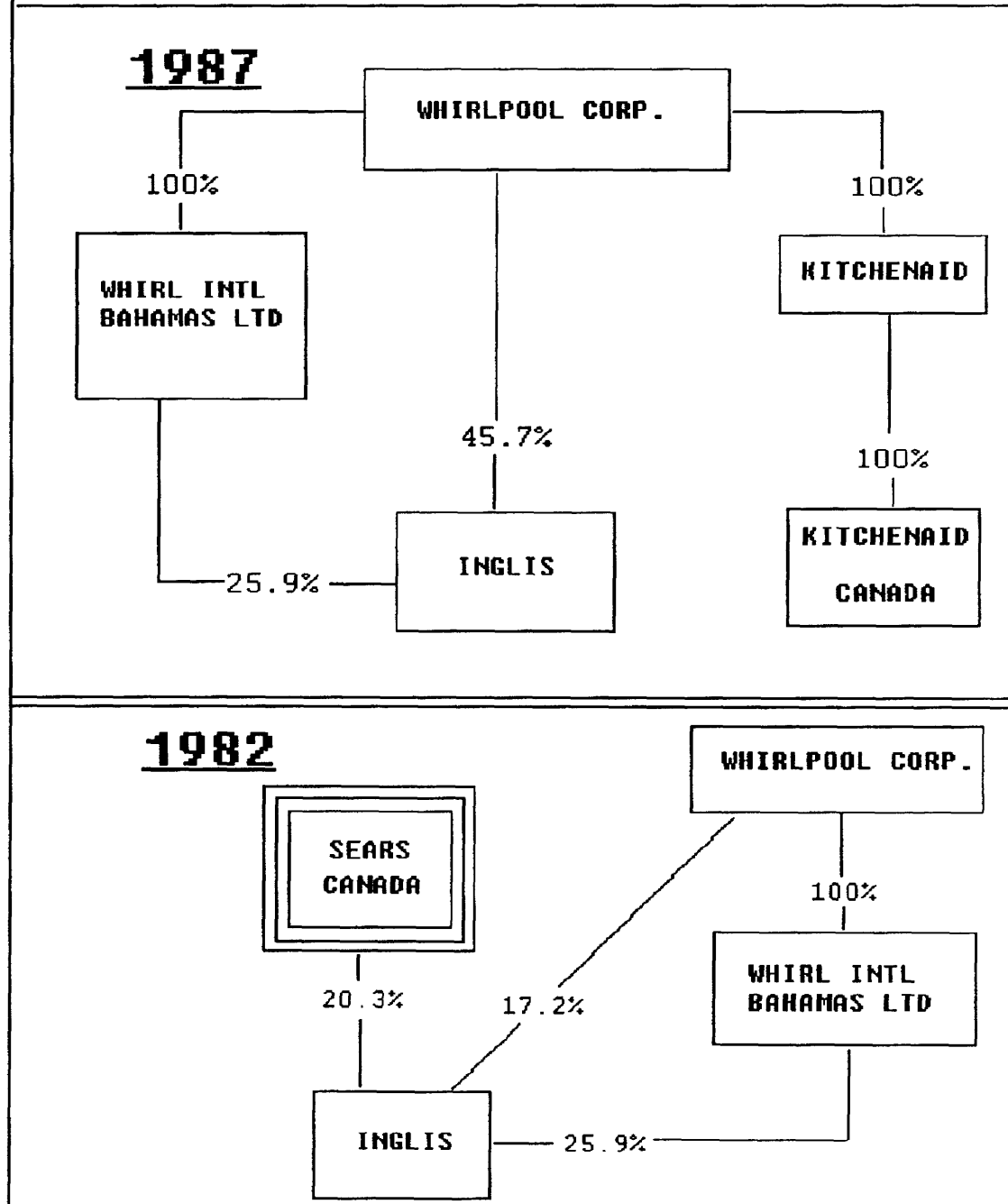
The Whirlpool-Inglis configuration reflects the current state of affairs in the Canadian appliance manufacturing industry.<sup>5</sup> The sector is characterized by foreign control, and concentration of ownership and market shares. Three leading manufacturers together hold 70% of the Canadian market for fridges, stoves, washers, dryers and dishwashers: Camco, with 51% of its shares held by U.S.-based General Electric; White Consolidated Industries, a branch of Sweden's Electrolux; and Inglis, under Whirlpool control. This industry is mature -- as reflected in high market saturation -- and as a result deals primarily in a

'replacement'<sup>6</sup> market. The bulk of sales traditionally has occurred through large national-chain retailers, though sales to home-builders represent a growing part of the business. Simply put, the North American 'white goods' industry is low growth. Despite an upturn since 1988, manufacturers and analysts predict that Canadian laundry appliance sales will slow down over the next few years. This prediction is based on the present flatness of the housing market and the expected suppression of consumer demand for durable goods anticipated as a result of implementation of the federal Goods and Services Tax.<sup>7</sup>

Leading appliance manufacturers have responded to slow sectoral growth by adopting the strategies of acquisition, expansion of new markets, and corporate 'rationalization'. Like other major players in the industry, Whirlpool has attempted to maintain growth and profits under stable demand conditions by initiating change on these fronts. As one analyst puts it: "every big manufacturer is chasing the same strategy -- to sell a full line of home appliances for the low, middle, and high ends of the market."<sup>8</sup> A small part of this drive for market shares takes the form of product innovation and improvement. The more common route to market concentration is to acquire smaller manufacturers of limited product lines aimed at particular market niches.

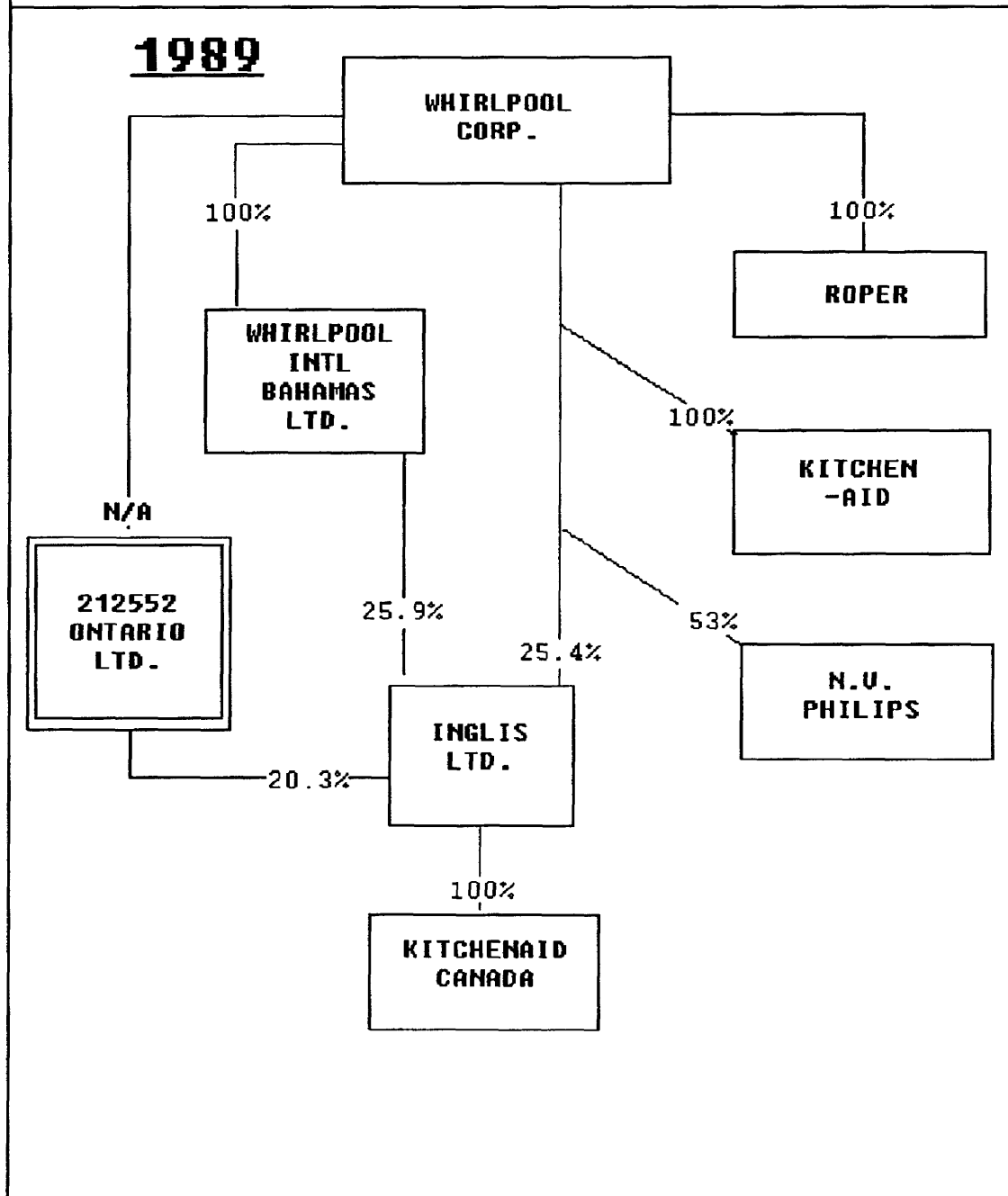
**Figure 1. Whirlpool/Inglis Corporate Ownership, 1982, 1987.**

Source: Canada. (various years). Intercorporate Ownership. Ottawa: Statistics Canada.(cat.no.61-517).



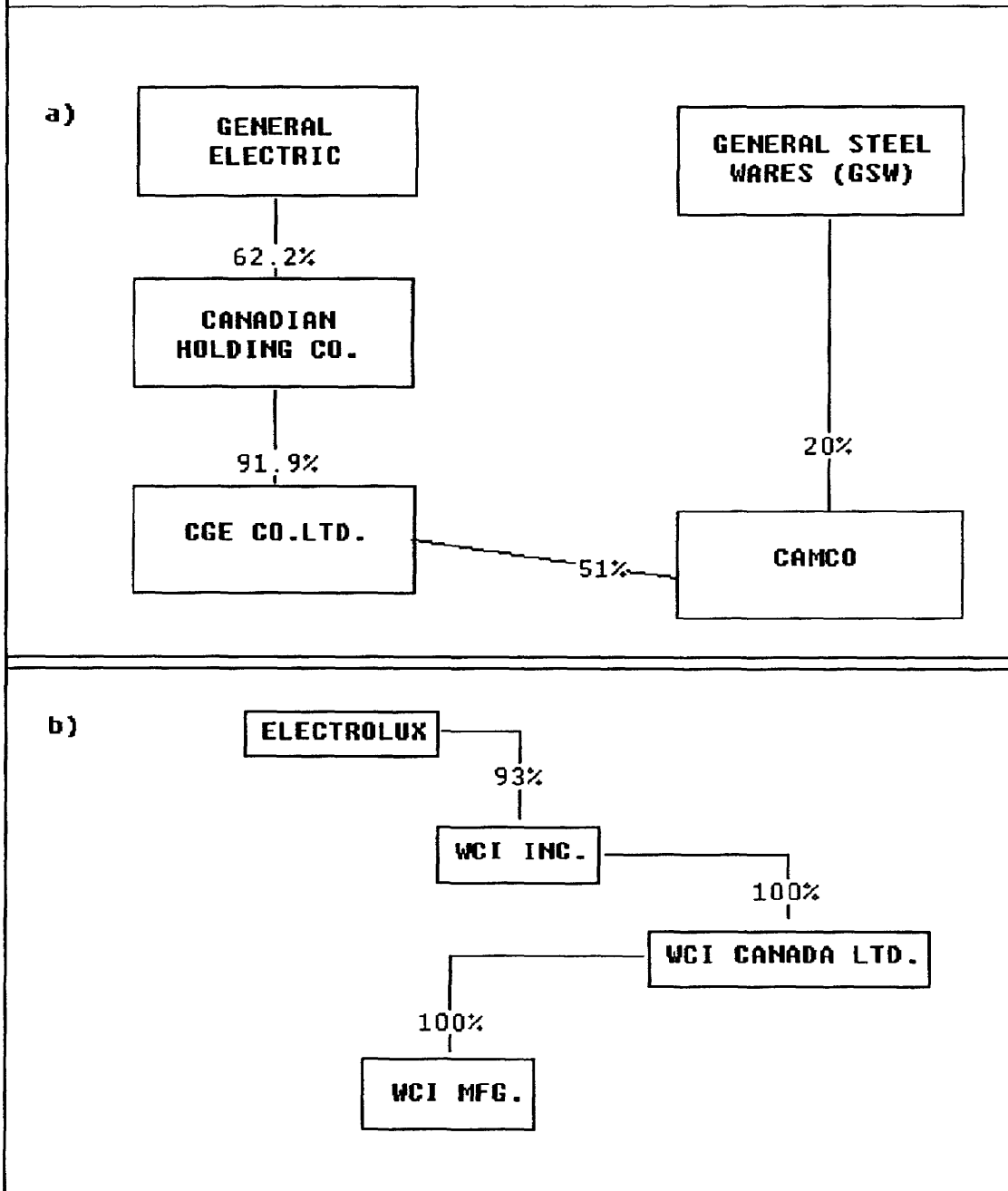
**Figure 2. Whirlpool/Inglis Corporate Ownership, 1989.**

Source: Canada. 1989. Intercorporate Ownership.  
Ottawa: Statistics Canada. (cat.no. 61-517).



**Figure 3. Corporate Ownership of Inglis' Main Competitors:  
a) Camco b) White Consolidated Industries(WCI)1987.**

**Source: Canada. 1987. Intercorporate Ownership.  
Ottawa: Statistics Canada (cat.no. 61-517).**



From the late 1970's to the early 1980's this drama was played out on the Canadian stage. When the Canadian appliance division of Westinghouse was cut adrift by its U.S. parent in 1976, White's takeover bid was blocked by the Foreign Investment Review Agency (FIRA).<sup>9</sup> The division was picked up by Camco, which had been created by merging the appliance operations of Canadian General Electric with the only independent Canadian appliance manufacturer of the time, General Steel Wares (G.S.W.). As a result of these moves, by 1981 Camco dominated the Canadian market with a 40% share, and was the greatest competitive threat to W.C.I., Inglis and Admiral, each of which held about 16% of the market.<sup>10</sup>

Of the smaller firms, Admiral floundered when it too was shed by its U.S. parent in 1979. Admiral was eventually picked up by Montreal's York Lambton conglomerate, which emptied the Admiral purse and sent it into bankruptcy. At this point Inglis stepped in. Combining its resources with a government aid package, Inglis picked up Admiral operations and improved its competitive position relative to Camco. As a result of these changes, the Canadian appliance manufacturing industry has transformed into, as Crookell puts it, "[a] world of giants ... [where] the small firms have been or will be devoured or crushed unless they are very nimble indeed."<sup>11</sup>

Whirlpool employed the same corporate techniques in 1986, when it acquired KitchenAid, a manufacturer of premium-end dishwashers and trash-compacters with operations in both Canada and the U.S.<sup>12</sup> As part of this deal, KitchenAid's Canadian operations were handed over to Inglis. In 1988, Whirlpool made a move to capture the low end of the market by feuding with General Electric over Roper Corp., a manufacturer of bargain appliances for the U.S. market. General Electric came out of it with the Roper factories, Whirlpool taking the Roper brand name. Now G.E. sells stoves to Whirlpool, which then sells them as Roper products.<sup>13</sup>

While slugging it out in the flat North American market where its presence was established,<sup>14</sup> Whirlpool also embarked on a second strategic initiative: in 1988 it secured a berth in the more dynamic European market by purchasing the operations of the second largest European appliance manufacturer, Philips of the Netherlands. In this deal, Whirlpool gained 53% of the company for \$350 million, with an option to purchase the remainder by 1991. A plant in Britain was scuttled, and 2,000 employees were cast off from Philips headquarters in Italy.<sup>15</sup>

Almost by definition, acquisitions and market-entry involve the third feature of a corporate strategy -- a 'rationalization' program: in conjunction with increased control of the North American industry, Whirlpool chopped



600 managerial/administrative jobs made redundant by consolidation, and reorganized production into 'profit centres' dedicated to specific brands and products, presumably to maximize on economies of scale and diminish the threat of work stoppages to overall production. The acquisition of Philips and expansion into the European market also provided a motive for restructuring by closing plants: 'excess' productive capacity could be sold for cash to finance these takeovers designed to secure and expand Whirlpool's market position.

It was within this framework of corporate restructuring that the sale of Strachan Ave. was proposed. A number of factors exposed Inglis' Toronto operation to the negative impact of Whirlpool's restructuring project.<sup>16</sup> Foremost of these was the integration of Inglis operations in Whirlpool's global strategy. Initially the Whirlpool-Inglis relationship seemed to benefit both parties: Inglis made the transition from its declining capital goods operations to the burgeoning consumer goods sector without massive capital outlays for product development; Whirlpool acquired an outlet for its product in the protected Canadian market.<sup>17</sup> This integration also had more ominous implications. With the acquisition of Philips, Inglis' importance as a 'profit centre' dropped in status from marginal to virtual insignificance: Philips generated 31% of Whirlpool's

1988 revenues, while U.S. production accounted for 48%. At the same time, Inglis' entire operations represented only 5% of Whirlpool revenues, and Strachan Ave. earnings are only a portion of this figure.<sup>18</sup>

Holding such a peripheral position in the Whirlpool organization, Strachan Ave. languished in the absence of significant capital investment: Toronto workers kept the plant running by the 'tape and glue' method<sup>19</sup> while profits were siphoned off to fund corporate acquisitions and restructuring, both within Canada as well as in the U.S. and Europe. One long-time worker commented on the change resulting from Whirlpool's approach:

It's managerial sabotage... Since Whirlpool took over, skilled tradesmen have no mandate to repair machinery, it's just improvisation, chewing gum and baling wire, that gets done. They just get them running to keep production going [plant worker, Local 2900].

Another worker -- a technician -- described the effects this way:

...we were on top with 60-65% of the market. They [Whirlpool] treated us like a cow, just milked and milked. But they didn't realize you have to feed the cow. Now the cow has no more milk [plant worker, Local 4487].

If prolonged neglect diminished the plant's value as a production unit, it's attractiveness as a real estate property was on the rise. Located just across the Gardiner Expressway from the Canadian National Exhibition grounds, the Strachan Ave. plant sits on more than eleven acres of

prime downtown Toronto real estate. Inglis owns half this land outright. For several months prior to the closure announcement, a number of development projects which would incorporate the Strachan Ave. lands. were proposed. Among these were railway relocation, the extension of Front St. and associated rebuilding of the Gardiner Expressway, and plans related to Toronto's failed Olympics bid. In fact, the plant sat in the middle of an urban development frenzy. Just across the tracks, the former Massey-Ferguson plant was bulldozed to make room for a high-density data processing complex, which represents greater tax value while still qualifying as an industrial-commercial site under zoning by-laws. A block down the road, the Molson plant, rebuilt less than 30 years ago, went on the auction block as a result of restructuring in the brewery industry. It is estimated that revenues generated by the sale of each acre of Inglis' Toronto land would be equivalent to the 1988 profits of Inglis' entire Canadian operations.<sup>20</sup>

The sale of the Toronto plant offered a quick source of revenue, and did not necessarily imply a reduction of Whirlpool's productive capacity. The corporation's Clyde, Ohio, plant employs 2,000 non-union employees to service Whirlpool's 50% market share in U.S. washing-machine sales. As a core unit providing substantial earnings to the corporation, the Clyde plant has been maintained as one of the

largest and most modern appliance factories in North America. The capacity of the U.S. operation is roughly ten times greater than that of its Canadian counterpart, so expansion of production to service the comparatively small Canadian market would entail very little adjustment at the Ohio plant.<sup>21</sup> In the words of a Strachan Ave. machinist:

Here [at Strachan Ave.] they have to hire more people to increase production. This plant pushes its outdated machinery to the limits and it's always breaking down. The Ohio plant has the capacity to take on our production runs with just what's sitting there. All they have to do is crank up the machinery [plant worker, Local 2900].

In addition to concentrating the manufacture of one product at one site, shifting production to Clyde would reproduce another pattern in Whirlpool's 'rationalization'. As an official of Local 2900 observed:

...[W]hat's interesting is that Whirlpool's restructuring so far has involved closures in union shops. They've shut down St. Joseph's, Michigan in the States, St. Paul, Minnesota, sections of Evansville, Indiana, Horseshmith, Arkansas. In Canada there's Stoney Creek, us [Strachan Ave.]. It's interesting that they haven't shut down the non-union shops in Ohio, etc.... in fact now we're at the point where most of their operations are non-union, so there's obviously a definite policy, it's not coincidental [Local 2900 union executive].

Increasing productivity at the Clyde plant by 'cranking up the machinery' (and hence the pace of work) would be simplified by the absence of an organized workforce determined

and able to negotiate such proposed changes in working conditions.

FIGHTING THE CURRENT...:

The presence of an organized workforce had been a factor for consideration in the Inglis organization since World War Two. During the war Strachan Ave. workers were organized as Local 2900 of the United Steelworkers of America.<sup>22</sup> Plants at St. Catherines and Scarborough were also organized by 1956, when all three locals simultaneously undertook a three week strike to achieve collective agreements. Inter-local co-ordination was not evident in 1959, however, when Strachan Ave. was the lone local to strike in order to reach a settlement. The resolution of the 1959 negotiations marked the beginning of a period of relative labour-management peace in the Inglis organization. From 1959 to 1970 no further work stoppages due to labour-management disputes occurred at any of the plants.<sup>23</sup>

During the 1960's as Inglis divested itself of capital goods operations, the impact of restructuring was moderated by two circumstances. When the St.Catherines plant was closed in 1960, operations were consolidated with the Scarborough plant. Facilities at Strachan Ave., which formerly served St.Catherines, were freed up for expansion of the consumer goods operation. In these circumstances, some employment opportunities were retained within the company. When the Scarborough plant itself was sold in

1965, Inglis put it on the market in full operating condition. Since Inglis was leaving the capital goods field, there was no concern about competitors obtaining the productive capacity. When Canadian General Electric purchased the plant it continued operations, and most of the former Inglis employees were retained.

From 1970 onward, the intensification of the Inglis-Whirlpool relation changed the nature of the Canadian operations and the labour-capital relation. The period from 1970 to 1982 was a time of rapid expansion and reorganization, punctuated by long and bitter strikes, as Whirlpool gained control of Inglis operations. As the Whirlpool-financed Stoney Creek plant geared up for full production, it received a 'baptism of fire'. Workers there struck for four months in 1970 to achieve their first contract designed to reflect conditions in the plant operating at full capacity. When it eventually became fully operational, the addition of the Stoney Creek plant's capacity combined with high consumer demand to boost sales throughout the early seventies.

At the same time, product lines not licensed through Whirlpool were dropped, further reducing Inglis' autonomy. Whirlpool's increasing muscle was flexed in 1974, when it responded to a strike at the Strachan Ave. plant by importing products from its U.S. factories to serve the Canadian

market usually supplied from Toronto. The strike stretched out over nineteen weeks, and foreshadowed others that would follow.

The company's resilience in the face of strike action was reinforced when, in 1982, Inglis -- with FIRA approval and \$4 million in federal and Ontario provincial grants -- purchased the assets of Canadian Admiral.<sup>24</sup> Three plants were acquired (Cambridge, Ont., Mississauga, Ont., Montmagny, Que.). Jobs at the Montmagny plant were protected by a clause of the subsidy agreement which stipulated the Quebec plant would remain fully operational.<sup>25</sup> Nonetheless, the company began redistribution of operations amongst its four other plants. Product lines were shifted from the Toronto and Stoney Creek, Ont., plants to facilities in Cambridge, Ont. and Mississauga, Ont.<sup>26</sup> Work stoppages in any of the company's five plants would now affect only one or two products at the most. Further, the plants acquired through the purchase of Canadian Admiral, though unionized, were not represented by the U.S.W.A. This provided structural fortification to the "'embedded logic' of Canada's collective bargaining system"<sup>27</sup> which disaggregates workers into plant-bound units increasingly facing wider corporate strategies.

By 1986 the result of this 'rationalization' process was that Stoney Creek had lost all product mandates and was

closed, and the Strachan Ave. plant was in the vulnerable position of having its productive capacity dedicated to a very narrow range of washing-machine models. Operations were further dismembered when administrative and marketing departments were moved from Strachan Ave. to a newly constructed facility in Mississauga, Ontario. This move reduced the unionized office staff complement at Strachan Ave. from over 150 members to less than thirty. Reflecting an increasingly hostile bargaining climate, four out of the five most recent collective agreements negotiated at Strachan Ave. involved work stoppages. The last of these, in 1986, went on for 25 weeks.

The 1986 bargaining round precipitated the first official acknowledgement that the Strachan Ave. plant faced closure. At a plant meeting in October, 1985, plant workers were told by management that a Free Trade deal with the U.S. would lead to a shutdown unless workers took a three year wage freeze, gave up C.O.L.A. provisions, and increased productivity by 20%.<sup>28</sup> In the wake of this threat, in 1986 the company announced that it would not continue its development of a new product line and a replacement facility for the Strachan Ave. plant<sup>29</sup>, two projects which until then had counterbalanced long-standing rumours that the plant would be phased out. Sensing a change in the way the wind was blowing, the union refused concessions and held out



for improved pension and early retirement provisions, job security language, and new disability and medical coverage.

A steward from local 2900 explained this approach:

...it's well known that most people who take cuts, concessions usually end up closing down anyway. You can have the big stars like Chrysler, which have a massive influx of dough from the federal government down there...[but] the ones that don't make the headlines, they go kaput. Workers end up losing the two years where they could have gained something along the way [Chief Steward, Local 2900].

The local also sought and obtained a letter of intent from Inglis management stating that no reduction or elimination of operations would occur at the plant. This 1986 letter was still in effect when the company announced in February 1989 that the plant would shut down.

...AND DOWN THE DRAIN:

A press release from Inglis corporate headquarters in Mississauga, Ont., dated February 15, 1989, declared the company's Toronto operations would close during the second quarter of 1991, affecting 650 jobs in Toronto, 85 jobs in Cambridge Ont., and another 25 jobs in Montmagny, Que. Simultaneously, Inglis announced that the Cambridge division would commence production of "selected models of dryers... for export to the United States market" as part of its "North American partnership with Whirlpool Corporation."

This restructuring resulted in the loss of a total of sixty jobs at Cambridge.

The company's explanation of the Strachan Ave. closure was that

[t]he aged two-storey construction and multi-building layout of the Toronto plant would have required a massive capital investment which could not have been recovered in today's highly competitive global appliance market.

The union, its buyout-consultants, and the company were all in agreement that the plant was aged and run-down. However, the condition of the plant was not itself the cause of the closure, but rather an effect of the lack of investment in capital stock. This neglect was, in turn, part of the larger corporate strategy previously described.

Despite its poor condition, the plant was not closed because it was losing money. On the contrary, since 1971 Inglis has been consistently profitable, and increased its profits more than fivefold from \$2.1 million in 1988 to \$10.8 million in 1989. Just as consistently, the workforce of Strachan Ave. has contributed to corporate earnings. A local 2900 representative argued that labour costs were not a factor in the closure:

Labour costs per unit went down in this plant over the last ten years... we've got less employees and we're putting out more product. It was twenty-one dollars per unit [to produce a machine] and it went down to eighteen, nineteen and change, so labour

cost is not a factor [in the plant's demise -- Local 2900 union executive].

Even with run-down equipment, Strachan Ave. labour/unit costs averaged 10% less than those of the only other washing-machine manufacturer in Canada, Camco's Montreal plant. Similarly, when the last dryers were manufactured at Strachan Ave. in 1984, they were produced at a lower cost than the Cambridge plant was able to produce them when it took over production. This was in spite of the fact that labour/unit costs were 40% lower at the Cambridge plant.<sup>30</sup>

Nor is the Free Trade threat floated by the company in 1985 and 1986 an adequate explanation of the closure. While the Free Trade Agreement eliminates a 12.5% tariff on appliances imported to Canada, this would not significantly alter the terrain of inter-firm competition. Firstly, the nature of the product and its market discourage new entrants from outside North America. The three leading firms have an established presence in a highly-saturated market. Further, shipping costs on finished appliances are prohibitive for 'off-shore' competitors.<sup>31</sup> So the main competitive threat would come from within the North American market, specifically from U.S. manufacturers. However, since all three leading North American producers have operations and established market shares on both sides of the border, the only new 'competitive' dynamic would be that units within

trans-national firms would be scrutinized in terms of opportunity costs, productivity growth and profitability. Even so, the elimination of a 12.5% tariff might not be the death-knell of the Canadian industry: when the tariff on major appliances was reduced from 20% to 12.5% between 1984 and 1988, Canadian appliance manufacturers withstood the reduction with competitive production costs. Industry insiders and analysts estimate that a further 15% reduction in Canadian production costs would be available by upgrading process technology and through other plant modernization methods.<sup>32</sup> Such measures, declined by Inglis/Whirlpool, would have more than offset the removal of the current 12.5% tariff.

The Free Trade agreement allows Whirlpool to meet a number of objectives. In the short run, it allows the corporation to profit from the sale of Strachan Ave. without sacrificing its position in the Canadian market, since tariff elimination allows exports from the Ohio plant to be priced competitively in Canada. (The February, 1990, purchase of all outstanding Inglis shares by Whirlpool ensured that these funds would not be dispersed amongst other shareholders<sup>33</sup>). This offers more immediate returns than the long-range cost recovery implied by upgrading the Strachan Ave. plant.

The ability to integrate operations and markets on a continental basis also allows Whirlpool to continue its displayed tendency to dismantle operations where workers have developed the capacity of resistance. Whereas previously this form of restructuring had taken place within Inglis' Canadian operations, the Free Trade environment allows for the elevation of this strategy to the international level without penalizing capital with tariff charges. Canadian workers must face new weapons in capital's labour-discipline arsenal: Burawoy calls this development the 'new despotism', wherein "...states and communities are pitted against one another in their attempts to attract and retain capital. They outbid each other in granting tax shelters and relaxing both labour legislation and welfare provisions."<sup>34</sup> Regarding the Strachan Ave. closure specifically, the important point is that Free Trade did not induce a new strategy, but rather facilitated the shift of an existing strategy to a different level.

#### CONCLUSION:

In this chapter I have traced the growth of Inglis Ltd. and described its transition from an independent producer of capital goods to a wholly owned subsidiary of U.S. based Whirlpool Corporation. I have examined how the ongoing process of corporate growth and restructuring

impacted on the labour-capital relation within the firm, and how these developments led to the decision to close the Strachan Ave. plant. In this final section I summarize events and set the context for the following chapter by extracting the factors shaping the local union's ability to respond to the closure announcement.

The early growth of Inglis occurred, as Clement says of modern Canadian industrialization in general, "courtesy of the [Second World] war and the Canadian state."<sup>35</sup> Through military and 'mega-project' contracts during and following the war, Inglis was able to accumulate capital sufficient for a move into the more dynamic consumer goods sector. This was done through the vehicle of licensing agreements with Whirlpool's predecessor Whirlpool-Seeger. Initially, Inglis gained the advantage of reorienting production without massive capital outlays by trading equity in the company. This arrangement ensured the continued flow of profits for Inglis, and a new source of profit for Whirlpool.

As the appliance industry has matured, the leading producers have carved out their shares of the market, and growth occurs either through productivity improvements or through acquisitions. As noted, acquisitions have been the key element of corporate strategy for the leading firms, and the result has been high concentration of ownership. At

present, acquisition opportunities are virtually exhausted in North America, although the three leading firms may attempt to consume each other<sup>36</sup>: the alternative strategies involve overseas expansion or the search for productivity gains through corporate 'rationalization' schemes involving both plant modernization and the reshuffling of product mandates.

Each of these strategies has had an impact on the workforce at Inglis, and in particular on the people employed at Strachan Ave. Corporate acquisitions channelled funds away from capital investments at the plant and contributed to the degeneration of the facility.<sup>37</sup> Strachan Ave. gradually offered fewer returns for a technological upgrading than for a quick sale. The presence of several different unions in newly acquired plants spread across a wide geographic range posed obstacles to the development of inter-plant strategies to counter the initiatives of capital.

Acquisitions were the central element of the company's rationalization program: jobs at Strachan Ave. became less secure as products were transferred to less embattled sites within the company, even when transfers did not result in productivity gains. The apparent logic is that if labour compliance or submission can be attained in the short run, technological and other innovations can be

more readily imposed and translated into productivity gains in the long run.<sup>38</sup> Having been whittled down to a single product line by this process of rationalization, Strachan Ave. was in an extremely vulnerable position.

When the Free Trade deal became a reality, shifting production to the unorganized Clyde Ohio plant became the preferred alternative. While wage rates are comparable at Strachan Ave. and Ohio, the size and condition of the Ohio plant are expected to allow for productivity gains.<sup>39</sup> Past corporate practice and current conditions support the assumption that Clyde workers' lack of union representation also figured favourably in corporate decision-making. Strachan Ave. could be disposed without interrupting production for the Canadian market, freeing up capital for Whirlpool's European acquisition foray.

To summarize, the Strachan Ave. closure was a product of Whirlpool's expansion, through acquisitions, in both North America and Europe. Deterioration of the plant combined with appreciating property values to make the sale of the plant an attractive supplement to this expansion. The Free Trade Deal with the U.S., itself a product of the continentalist aspirations of the dominant fraction of Canadian capital, allowed the U.S. appliance giant to 'rationalize' its expansion project on a continental basis. The proximity of an unorganized workforce and sophisticated



production facility in Ohio provided greater likelihood of uninterrupted production and the 'neutralization of capital/labour conflict.'

A number of factors affected the local union's ability to respond to the closure announcement when it finally came. On the positive side, the closure was announced almost eleven months prior to the close date, which exceeded the sixteen week minimum notice period under Ontario law. Although there is probably never enough time in such situations, the local did have the opportunity to develop and implement a planned response. The time period allowed the local to enter into negotiations with the company, something the company was compelled to do since a letter of intent in the collective agreement stipulated that there would be no major reduction in operations for the duration of the contract.

On the negative side, workers at Strachan were organizationally isolated from other workers in the Inglis and Whirlpool chain of operations. It would be difficult to develop a strategy that confronted management's actions beyond the plant level. The fact that the plant was located in Toronto complicated the option of seeking community support, whereas in a small, single-industry community a plant closure of such magnitude might rally a greater proportion of the population with much less effort.

The local's response was shaped by these and other factors. Ultimately, it developed a "three-prong" strategy: an attempt was made to purchase the plant in order to keep it running, with 'outside' business partners if necessary; a severance package was negotiated which exceeded the minimum requirements of Ontario's Employment Standards Act; a tri-partite labour adjustment committee was established to provide workers with retraining and re-employment opportunities. In the final three chapters, I examine the three 'prongs' of union strategy, as well as the manner in which they relate to each other.

Notes to Chapter Four

1. Except where noted, the company history is based on Financial Post Information Service cards (various years: Maclean Hunter) and on Inglis' annual corporate reports (various years) held in the business section of the Metro Toronto Reference Library. Statistics Canada's Inter-Corporate Ownership (various years) was also consulted for corroboration. Oral histories provided during my interviews helped put flesh on information obtained from the above sources.

2. One might argue, half seriously, that the precedent for a state-directed transfer of plant ownership had been set, and further that this time around workers should be granted the opportunity to organize production, since capital has demonstrated less success organizing civilian production in the national interest than was the case with military production. Sarcasm aside, this raises what I think is an important, if somewhat obvious question -- why is militarism a sufficient context of crisis for such intervention, whereas the present situation is not?

3. Mahon, Rianne. 1984. The Politics of Industrial Restructuring: Canadian Textiles. Toronto: University of Toronto Press. p.16.

4. Toronto Star. Dec.15, 1989, p.F7.

5. This discussion is based on a 'pre-feasibility study' prepared for District Six of the U.S.W.A. by consultants examining the prospects for saving jobs at Inglis (United Steelworkers of America. Inglis Plant Closure Study. Final Draft Report, December 13, 1989). As well the Canadian Appliance Manufacturers Association (CAMA) prepared an annual, Major Appliances: Industry Forecast.

6. In a 'replacement' market, there are few new consumer entrants. Instead most purchases are for the 'replacement' of prior purchases. Low growth is assumed since most consumers who are willing and able to buy a washing-machine (for example) have done so.

7. Financial Post. Feb. 28, 1990. p.3.

8. Business Week. May 2, 1988. p.121.

9. Crookell, Harold, "The Impact of Government Intervention on the Major Appliance Industry in Canada" in Canadian Industrial Policy in Action. (The Collected Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada, Vol.4). p.61. 1985. Toronto: University of Toronto Press.

10. ibid. p.62.

11. ibid. p.51.

12. ibid.

13. ibid.

14. Although Whirlpool's hold on the washing machine market is fairly secure, competition by the 'five dragons' of Southeast Asia has eroded domestic producers' sales in other electric appliances (Bellon, Bertrand & Jorge Niosi. 1988. The Decline of the American Economy. Montreal: Black Rose Books.p.17 ). Along with this threat, the strategy of gaining sales by taking over and 'rationalizing' competitors has resulted in a 20% reduction in jobs in the U.S. household appliance industry between 1973 and 1980 (Barry Bluestone, cited in the introduction to The Other Macdonald Report. Drache, Daniel and Duncan Cameron, eds. 1985. Toronto: James Lorimer & Co.).

15. Business Week. Sept. 5, 1988. p.70.

16. These factors are outlined in the second chapter of the pre-feasibility study (see note 5 above).

17. Whirlpool's need to retain this outlet in order to realize profit in the Canadian market and recoup its loan ensured Inglis that Whirlpool financing would provide greater flexibility in financial and operational planning than might result from 'outside' financing. This fusion of industrial and financial capital functions into an analogue of 'finance capital' at the level of associated firms temporarily resolved the "inherent dynamic of fractionation vs. integration" between the two forms of capital since the security of Whirlpool financial capital depended on "the continuity of the sale of its product, and therefore [on] the neutralization of capital/labour conflict." (W.K. Carroll, "Neo-liberalism and the Recomposition of Finance Capital in Canada." pp. 81-112 in Capital and Class. #38, Summer 1989). Whereas institutional lenders might halt production to protect their investments, Whirlpool might be expected instead to inject itself into Inglis operations to meet the same ends, notably in the matter

of conflict 'neutralization'. This provides the link between Whirlpool's involvement in Inglis and the change in industrial relations at Inglis associated with that involvement. The shift in Whirlpool's orientation from maintaining to closing operations is associated with two factors: a change in ownership structures which altered the Whirlpool/Inglis relation from one of 'unity' to one of 'identity'; the concurrent "eclipse of 'national' economies... and the associated rise of neo-liberal policies", in particular the Free Trade Agreement (Carroll, ibid. p.86).

18.A local union official estimated that from 1971 to its closure, the Strachan Ave. plant provided from 1/3 to 1/2 of earnings for the entire Canadian operation. While this is a significant portion of Inglis earnings, it is comparable with revenues generated by Whirlpool's peripheral financing services -- at 2% of total Whirlpool earnings (United Steelworkers of America. (District Six). Inglis Plant Closure Study. December 13, 1989).

19.This is the term one plant worker used to describe the innovations in equipment repair that were necessary to maintain production despite a lack of funds to properly repair or replace aged machinery (see Chapter Two for a discussion of research).

20.Consultants and union officials interviewed in the course of my research had determined the value of land, at minimum, was \$2 million/acre. Inglis made a profit of \$2.1 million in 1988, although profits rocketed to \$10.8 million in 1989 despite a charge of \$0.87 million to clean up waste from the abandoned Stoney Creek site (Toronto Star, Jan.24, 1990, p.E9). Of course, local governments are implicated in establishing land use, and therefore values and tax revenues, through zoning and planning. One must bear this in mind when examining the role of urban government in retaining industrial jobs in the city core.

21.Inglis Ltd Press Release, Feb.19, 1989. Globe and Mail, Sept.22, 1986, p.A14. Inglis Ltd. Annual Report 1988.

22. War-time production stimulated other changes as well. During the war the workforce was predominantly female, as Inglis took on women workers to meet the demands of expanding operations. Women at the Strachan Ave. plant made up the majority of U.S.W.A. Local 2900 membership when the local was first organized and throughout the war years. (Steelabour. Official Publication of the United Steelworkers of America.Vol.53,#1, 1990. p.14). While the union presence was

to be a constant from this point onward, the presence of women in the plant was not so firmly established. The local did not successfully resist the post-war pressures that saw factories revert to being predominantly male domains. (see Armstrong, Pat & Hugh Armstrong. 1984. The Double Ghetto: Canadian Women and Their Segregated Work. (2nd ed.). Toronto: McClelland and Stewart). Instead, women were induced to commence working with the new 'means of (re)production' that the burgeoning appliance industry was marketing to North American domestic production sites. A woman I interviewed recalled that she was one of only a handful of women working at the plant when she was hired in the early 1960's. At that time, and with union support, she 'pioneered' in what were considered by the company and some of her co-workers to be 'men's jobs'. In spite of such efforts, by the time of the closure in 1989 women still represented less than 20% of Local 2900's membership. (Calculated from Inglis-Strachan Ave./U.S.W.A. Local 2900 seniority report, 1989).

23. Although the avoidance of strikes does not directly indicate workplace harmony, their occurrence is an indicator of the intensity of disputes.

24. For a discussion of Canadian Admiral's subsidiary, see Hiscott, Robert, "Union Responses to Plant Closure Decisions", in Argue, Robert, Charlene Gannagé, and David Livingstone (eds.) 1987. Working People and Hard Times. Toronto: Garamond Press.

25. Crookell, op.cit. p.68. (see note 9 above).

26. Interestingly, while owned by Whirlpool/Inglis, no work stoppages occurred at the Cambridge or Mississauga plants, recipients of the 'trimmings' from the Toronto and Stoney Creek plants. Each of the latter had histories of major strikes -- and each has now closed.

27. Carroll cites Drache and Glasbeek in his analysis of transformations of Canadian capitalism. Carroll, W.K. "Restructuring Capital, Reorganizing Consent: Gramsci, Political Economy, and Canada." pp. 390-416 in Canadian Review of Sociology and Anthropology. 27:3, August 1990. p.405.

28. Globe and Mail. March 15, 1985. Virtually all workers I spoke with during my research referred to this meeting, and made comments such as "...and they say it's got nothing to do with free trade!"

29. Globe and Mail. February 16, 1989, p.A14.

30. Hersh, Michael. 1990. "The Inglis Story", mimeograph.
31. Crookell, H. 1985. op.cit. p.53.
32. ibid. p.58.
33. The Toronto Star. Feb.13, 1990. p.F3. "Inglis holders accept buyout by Whirlpool."
34. Burawoy, Michael. 1985. The Politics of Production. London:Verso. p.151.
35. Clement., Wallace. 1977. Continental Corporate Power. Toronto: McClelland and Stewart Ltd. p.82.
36. Crookell,H. op.cit. p.64.
37. Corporate reports consolidate the financial statements of Inglis operations, and it is therefore not possible to support this assertion by reference to financial documents in the public domain. However, two pieces of evidence support it. The first is the information provided by plant-workers interviewed in the course of this study, who cited the lack of new equipment and run-down condition of old equipment, as well as instances when aged machinery was brought into the plant from other Whirlpool operations which had been retooled or closed. Second, Inglis does customarily announce significant capital projects in the text of its corporate reports: from 1975 to the announcement of the closure, the only such announcement in reference to Strachan Ave. was the 1980 acquisition of additional land for parking.
38. In late 1990, Inglis announced the implementation of 'sociotech design cells' at its remaining factories. This innovation involved workers' meeting with consultants and trainers to "initiate changes in workplace structures and processes with a view to improving quality and productivity." For their co-operation, unions received guarantees that productivity improvements resulting from this consultation would not lead to job cuts -- job reduction would occur by attrition rather than by layoff. Management cited the unions' co-operation as a key factor in the implementation of the work redesign program. The federal and Quebec provincial governments contributed \$5 million to a \$15 million renovation of Inglis' Quebec plant, and the company is spending \$5 million on the Cambridge plant as part of its re-organization. Globe & Mail. October 20, 1990. pp. B1-B2.

39. United Steelworkers of America (District Six). Inglis Plant Closure: Final Draft Report. December 13, 1989. p.8.



## CHAPTER FIVE

### A WORKER BUYOUT: THE ROAD NOT TRAVELLED

#### INTRODUCTION:

In preceding chapters, I have outlined the manner in which economic restructuring has been occurring since the early 1970's, and have outlined the strategy and tactics taken up by Inglis and its parent Whirlpool during this period. In this and the next chapter, I examine labour's response to the announcement of the Strachan Ave. plant closure. This chapter focuses on the union's attempt to keep the plant running by organizing a buyout. It is argued that the nature of union support for the buyout was ambiguous, and the potential of this option was undermined by a series of 'passive revolutionary interventions' by the state. These interventions in turn reinforced the wider corporate strategy of Inglis/Whirlpool.

#### A WORKER-BUYOUT: "SHOW ME HOW IT CAN BE DONE"

When Inglis announced in February, 1989, that it would close the Strachan Ave. plant during the second quarter of 1991, Local 2900 began to formulate a 'three-prong' strategy. This involved pursuit of a means to keep the

plant running, negotiations over severance and other closure issues, and participation in Labour Adjustment Committee activities aimed at retraining and re-employment. In this chapter I discuss the buyout attempt and I discuss severance and adjustment efforts in the next chapter.

The idea of pursuing a buyout was the product of discussions between four people: the president of Local 2900, a Toronto area NDP member of Parliament, the regional director of the Steelworkers, and a worker-buyout consultant contacted by the M.P.<sup>1</sup> The idea was then discussed in meetings of the local union executive, and was met with enough enthusiasm to warrant further efforts. In March 1989, the Steelworkers' international office in Pittsburg sent a consultant up to Toronto for preliminary discussions on the feasibility of a buyout attempt. It was determined that barriers to a buyout existed but were no more insurmountable than those that had stood in the way of successful buyouts elsewhere:

...the international president sent up someone who was familiar with doing these kinds of projects ... he's a consultant and the Steelworkers have him on retainer. He was sent up by [the international president] to see what he could do for us and he came to one meeting and impressed the hell out of me because he was down to earth and he had ways of making the thing work. He knew the problems, but we worked at the blackboard for four hours and he showed us all these ways we could approach them [Local 2900 executive].

These early discussions identified several options for keeping the plant open. The possibilities investigated included: obtaining the opportunity to produce another product for Inglis or its parent Whirlpool; making and supplying parts for some other major appliance manufacturers; the creation of an independent production unit in the appliance industry; and a shift to a new product. A worker-ownership model was the local's preferred means of achieving these ends, though no single organizational structure was identified. Options such as a 'joint-venture' between workers and outside interests were kept open.

Union representatives from Local 2900, District Six, and the USWA national office made contact with municipal and provincial politicians in an effort to generate political involvement in the closure. The leadership of Local 4487 was approached to participate in the early stages of the campaign, but did not do so. According to an official from Local 4487, the membership met to discuss the idea, but were not very interested or supportive. The official also expressed his own view on the attempt:

I just couldn't take the idea, so I didn't really associate with it. It was done mainly for the publicity, I think. But a few companies have tried this in the U.S. and failed. I was talking logic, and they [the Local 2900 executive] was talking politics. But the publicity dies out -- although it may have helped their bargaining position... I just think they should have put money into training instead of the study [Local 4487 executive].

The buyout campaign centred around a 'pre-feasibility study', and the USWA sought funding for this study from local and provincial governments. Toronto City Council put up half the cost of the \$75,000.00 project, with the remainder coming from the Metropolitan Toronto Council, the national office of the Steelworkers, and the provincial government. A steering committee composed of local and national union representatives, Metro and City Council representatives, and consultants, was established. Although the provincial government provided funding for the study, it did not play an active role in the steering committee.

As one of the conditions for Metro funding, the union was obliged to hire a management consulting firm to direct the study:

...they phoned us up and said you can have the money but we'd like to have a 'legitimate' consulting group involved. That's where Company X came in and that's another problem that the union found itself with because we became tied to X and they're a management consulting group, so their interests are not exactly worker interests. They give you the traditional stuff... They gave us all the reasons which we already knew why it would be difficult to make this thing work... What I wanted from a consultant was to show me how it can be done. That's not the way they did it. We got tied into their approach because... the money came from the city and the city insisted that we do it that way [Local 2900 executive].

The principal consulting firm sub-contracted the services of a co-operative consulting firm with some expertise in the field of worker-ownership. A contradictory relationship

between the two consulting groups seemed to exist. On one hand, members of the small co-operative consulting group felt they had a significant influence on the buyout study:

[The buyout agenda] was really set from here [the smaller firm], in terms of the structure of the [pre-feasibility study]. Most of the initiative for anything that's happened, including the writing of the report, has come from us. We've been the tail that's been wagging the big dog [Company X]. Some of the agenda was set by the steering committee. It was always clear from the people hiring us [the union] that they wanted some form of worker ownership. They wanted to keep people at the skill levels and wage scale they were at, and to keep the bargaining unit [Worker-Ownership Consultant].

On the other hand, the smaller consulting firm felt marginalized, and some of the work that might otherwise have been done was suppressed by the steering committee and the structure of the consulting contract:

Our role was secondary, having to 'work with' Company X, and the people who put the money in wanted a steering committee to bird-dog the thing, so we had to meet with everybody on the steering committee. All of that was a bit cumbersome in terms of speed... and also impeded some of the political discussions that should have gone on, or would have gone on if there had been a different group of people in the room.

If it had been the Steelworkers and ourselves in the room we would have been talking about political strategies much more, whereas it was difficult to do that given that you had first of all a consulting firm that's not interested in getting into political activities or getting into the political dimension of the thing. They'd rather just do a study and tell you yes, no, and document it on a piece of paper ... and also [being] in the room with ... Metro and the City [Worker-Ownership Consultant].

The study surveyed the assets of the workforce and the plant, evaluated governmental and community support for a buyout, and examined the prospects for a new entrant in the appliance industry. It found a skilled and mature workforce operating a run-down plant in a market dominated by a few large corporations.<sup>2</sup> The study written by the consultants identified several factors which limited the prospects for a successful buyout. These included:

- the fact that Inglis intended to remain in the appliance market and was therefore not prepared to hand productive capacity, technology or product designs over to potential competitors;
- Inglis had already arranged alternative internal sources of supply for parts and products (parts from other plants in Canada and elsewhere, finished washing-machines from the plant in Clyde, Ohio);
- the plant facilities were geared to 'white goods' production and other major producers also had secure and satisfactory sources of supply;
- although there was extensive media coverage of the closure and buyout attempt, the plant's location in the large and economically diverse Toronto area meant that community support was not as evident as might be the case in a smaller population centre more dependent on a single industry. As a result, it would be difficult to press for greater levels of intervention by senior levels of government.<sup>3</sup>

While Inglis was not prepared to hand over market shares to a worker-owned or any other operation, the study suggested that if workers shifted to another product area, then Inglis might be prepared to rent or lease the Strachan Ave. facilities on a short-term basis in order to maintain an income

stream from the plant prior to its eventual sale. This proposition was eliminated when Inglis announced that once the company's contractual obligations to the workforce had been fulfilled, it intended to sell the real estate. Tenancy by a worker-owned operation was not on the corporate agenda.

Given the nature of the appliance market and the company's refusal to transfer assets -- even temporarily -- to a workers' group, it was determined that any job-saving effort that involved worker-ownership would require a shift in both product and location. An unsuccessful search for partners, a product, and/or financing was conducted. The director of USWA District Six (Ontario) issued a press release in August 1989, seeking investment partners in the business community. It read in part:

Employers are always complaining that they can't find workers willing to move to the Toronto region ... Well, here is a workforce of 650 who are already here. What I am saying is, let's do business.<sup>4</sup>

Prospective partners and investors were identified by the consultants and through appeals by the union in the media, but not in conjunction with a suitable product. When this search was exhausted, a buyout was deemed to be 'unfeasible.'

Neither the federal government nor the provincial government, which had contributed funds to the study, played an active role in the pre-feasibility study. While the

union had sought government involvement in the study on the grounds that government had a "responsibility to effect outcomes in a positive way", consultants found that the federal government viewed the closure itself as a 'positive' event in the general course of industrial adjustment to a free trade environment.<sup>5</sup> There were federally established programs to support industrial adjustment, but these involved payments to corporations to effect technological change and acquire other operations, as was done when Inglis bought Admiral in 1982. Adjustment programs targeting labour focused on retraining and re-employment for individual workers, rather than providing a means of retaining jobs on a collective basis.<sup>6</sup> No federal programs offered financial support to workers' groups attempting to 'restructure' through capital acquisitions. Nor was it possible to link the buyout to various regional economic development programs of either the federal or provincial government since Toronto, with a diversified economy and 'low' levels of unemployment relative to other areas, was not a priority area for such programs.

The involvement of the provincial government remained restricted to providing a portion of the cost for the pre-feasibility study on one hand, and undertaking retraining and re-employment adjustment on the other. The narrow focus of the province's involvement frustrated the



union's efforts to make progress with the buyout initiative.

One local union official recalled:

The district office dealt with the province and ... talked with [then] Premier David Peterson, so we got money from the province through that. We were pissed off with the province because they never became actively involved with the feasibility study. Everyone except the province took part. We heard that one provincial official didn't want to get involved because Inglis workers were strike-prone, inefficient, and overpaid [Local 2900 executive].

The pre-feasibility study also cited the province's limited involvement with the closure. Similarly, the co-operative consultants found that the province's approach was unsupportive of a buyout. The following excerpt from an interview with two consultants reveals their disappointment with the province's emphasis on conventional approaches to plant closure:

A: We met with [people from the Ontario Ministry of Industry, Trade and Technology -- MITT] and whenever we tried to talk about being proactive in the situation they would tell us 'what they do' and say 'we don't DO THIS', there's a lot of problems... We don't even know how [the province became involved], and it probably happened in a way that created some tensions in the provincial government, probably through the Premier's Office, because that's where [District Six of the USWA] has some clout. But the people at Industry, Trade and Technology resented the fact this [study] was happening. All they did was cover their ass and not do anything they don't have to.

B: It was frustrating. We went to the first meeting and they [MITT] had been in touch with the company. We asked what the company had said and they said they couldn't tell us. So on the one hand they're paying for [the study] because they were forced to, and on the other...

A: They were lined up with the owners.

B: ... or at least they just weren't co-operating at all [Worker-Ownership Consultants].

Although the Premier's Council recommended in 1988 that the province "initiate a full examination of the potential benefits of encouraging broader worker ownership in Ontario companies,"<sup>7</sup> this full examination resulted in the Ontario ESOP plan rather than the introduction of any new programs directed at 'encouraging' worker-ownership in cases such as Inglis, where a corporation was not inclined to offer workers an opportunity to make a purchase.

The more active urban governments were prevented from providing assistance for the establishment of a worker-owned company from the 'ashes' of the Inglis plant. The City of Toronto's Economic Development Committee had endorsed worker buyouts as one response to job losses in the Toronto area, but 'anti-bonusing' restrictions in the Ontario Municipal Act prohibited direct financial assistance to failing firms.<sup>8</sup> Therefore, municipal interventions were restricted to funding the study, although the City of Toronto also attempted to discourage land speculation by passing a resolution that the Inglis site would not be rezoned but remain classified as industrial.<sup>9</sup>

In the midst of the pre-feasibility study, the corporation announced that it was accelerating the shut-

down, moving the closing date from mid-1991 to November 30, 1989. The study had been undertaken in May 1989 and was not completed until December of that year, following the first stage of the closure. Facing a disheartening lack of progress on the buyout front, and confronted with time pressures to negotiate some form of severance package before the official notice of termination was given in August, 1989, the local abandoned the buyout strategy. Turning away from the unpromising interim findings of the study, (and from government programs that did not offer hope for worker-ownership initiatives), the local directed its efforts to severance negotiations and adjustment activities. The union's haste to settle on severance was inspired both by pressure from the membership, and by an offer from management to 'sweeten the pot' if the union would release the company from its 'letter of intent'. This letter, signed by the company during collective bargaining in 1986, contained a commitment by management not to cease operations at the plant during the three year term of the collective agreement. This letter was retained when the union initiated the renegotiation of cost-of-living and pension items in the collective agreement in 1987. Improvements in these areas were obtained, and the contract was extended to 1991. With a concrete and immediate prospect for improving severance benefits at hand thanks to the 'letter of intent', the

amorphous buyout option was shelved. No concrete models of worker-ownership had been developed, and no broader political campaign to save the plant had been mounted.

#### WHY DID THE BUYOUT FAIL?

Why was Local 2900's attempt to buy the Strachan Ave. plant 'unfeasible'? Yes, the company refused to sell the business to workers; yes, the appliance market is dominated by three large firms; yes, an alternative site and product was required; and no, provincial and federal governments did not directly intervene "to effect outcomes in a positive way" by providing support for the buyout attempt. Yet these factors do not explain the failed attempt -- rather, they are the conditions of failure which themselves must be explained. This involves posing another set of questions. First, how can federal and provincial policy regarding economic restructuring in general and plant closings in particular best be understood? Second, to what extent -- if at all -- did provincial and federal interventions influence the outcome of the buyout attempt? And finally, why did the USWA seek external funding for the pre-feasibility study and then accept the conditions imposed on the study by those providing the funding? In what follows I examine the union's orientation to worker buyouts and suggest that it can be related to state and corporate strat-

egies by employing Gramsci's concept of 'passive revolution'.

Organized Labour and Worker-Ownership:

Before looking at the support of the USWA for worker-ownership and buyouts, we need to establish a general framework for analyzing union support of worker-ownership. In examining union support for worker-buyouts in Canada, Quarter and Brown identified three basic orientations. According to these authors, unions can be "philosophically opposed" on the grounds that buyouts are too risky financially and also bear the danger of undermining worker support for unions; unions can be 'conditionally supportive', evaluating opportunities for worker-buyouts on the circumstances of each case; or unions can exhibit "philosophical sympathy" for worker-buyouts by developing internal resources and mechanisms to support such bids.<sup>10</sup> While this framework offers a useful continuum of categories with which to describe variations in different unions' support for worker-buyouts, it is unsatisfactory on at least two counts. First, the general characterization of 'union support' must be elaborated to account for variations in international, national, regional (or district), and local levels of support within unions and across the labour movement.

Second, Quarter and Brown's key factor for explaining variations in union orientations to worker-buyouts is "tradition", which in turn serves as the basis for the development of "supportive networks":

Arguably, there are "objective conditions" that increase the probability of worker buyouts... However, unless there is a supportive context for organizing workers, having a large number of plant closings is unlikely to lead to worker-buyouts.<sup>11</sup>

Two subsidiary problems flow from the use of "tradition" to explain the presence of "supportive networks" which lead to worker-buyouts. First, the definition of tradition itself is problematic: in their discussion of worker-ownership in Quebec, Quarter and Brown refer to the groups-conseils (Quebec provincial government development agencies established in 1984) and caisse populaires (financial co-operatives) as the "traditions" inspiring the Quebec labour movement's development of its own worker-ownership consulting groups in 1987.<sup>12</sup> While the caisse populaires have a history dating from the turn of the century,<sup>13</sup> the recent vintage of both the government and labour-based groups-conseils pushes the limits of even the least rigorous definitions of 'tradition'. Secondly, there needs to be an examination of variations in the type of "supportive networks" which flow from "tradition". For example, is it possible to discern qualitative differences between the groups-conseils of the government and of Quebec labour, the

support for the study done at Inglis, the supportive framework provided by the USWA for buyouts in the United States, and the various ESOP programs of provincial jurisdictions within Canada? If so, these must be identified and explained.

A more fundamental problem in an appeal to tradition as an explanation rests in the idealistic nature of the concept, which obscures both the 'objective' and 'subjective' dimensions of social, economic and political forces which provide the context for the stabilization of practices and ideologies which might be construed as "tradition".

Lévesque's study of the development of co-operatives in Quebec is an illustration of how more concrete analysis can render useful insights.<sup>14</sup> Lévesque argues that in Quebec the state has been motivated by instrumentalist aims in fostering co-operatives. Initially agricultural and fishing co-operatives were fostered by church and state as a means of preserving the French language and Catholic religion by providing alternatives to rural depopulation and the 'cosmopolitan' influences of growing urban centres. They were also promoted as a means of channelling the nascent labour movement of Quebec into activities that promoted social solidarity rather than class conflict.<sup>15</sup> By the 1950's co-operatives, particularly financial co-operatives, were a vehicle of the neo-nationalist "Quiet Revolution",

facilitating the consolidation of a Quebecois bourgeoisie by drawing on regional sources of capital. Changes in government support for co-operatives from the late 1970's onward are seen as a product of the success of the consolidation of an indigenous bourgeoisie. The provincial government no longer offers preferential support for co-operative development -- instead, co-operatives must compete with Quebecois-controlled capital at a time when the success of this capital fraction makes the expansion of co-operatives more difficult than ever before. Lévesque characterizes this shift as an adoption of 'neo-liberalism', wherein worker co-operatives are used as instruments of state policy for the 'streamlining' of the welfare state. In this function co-operatives are one means of privatizing social services; they also offer stop-gap employment in a manner which shifts financial responsibility for the unemployed off the state and back onto those affected; and provide investment opportunities in joint-ventures between capitalist entrepreneurs and workers facing unemployment as a result of plant closure.<sup>16</sup>

Seen in this light, labour's support for worker-ownership in Quebec does not seem as much a product of a set of traditions as an attempt to re-appropriate a vehicle of self-organization in response to the restructuring of capital and the state. To further develop the framework pro-



posed by Quarter and Brown and apply it to the Strachan Ave. closure it is necessary to examine these factors as well as to differentiate support at different levels of a given union. It is from this standpoint I approach the USWA's involvement in worker-ownership in general and the Inglis buyout attempt in particular.

In the U.S., Steelworkers have employed ESOP legislation to make partial or full purchases of more than 15 companies in the steel industry since the mid-1980's. According to the USWA's international president, the purchases have emerged as a response to threats of plant closure and demands for wage concessions from the owners of steel companies suffering under intensified international competition.<sup>17</sup> Earlier attempts to resist the threat of plant closure to USWA members through collective bargaining had failed. The bargaining objectives in the 1980 Basic Steel negotiations included a number of items dealing specifically with plant closures: these objectives included: guarantees that closures would not occur during the life of a three year contract; one year's notice of intent to close or a cash penalty in lieu of notice; access to corporate financial records in cases of threatened closure; and mandatory corporate assistance in retraining, re-employment, and income maintenance. What was achieved fell far short of these objectives -- a 90-day notice period was settled upon,

and for the first time, contract language explicitly recognized management's unilateral right to close a plant.<sup>18</sup>

Lacking meaningful legislated minimum standards and failing to achieve protection through collective bargaining, the union has turned to the ESOP as a means of keeping plants open and gaining something in return for wage and benefits concessions:

..."the major integrated steel producers and some smaller companies as well, [asked] for our member's help... We insisted however, that this help not be viewed merely as sacrifices in the form of straight wage and benefit reductions. Instead, we negotiated contracts under which sacrifices become investments. We reduced the companies' cash-flow problems by trading some of their current cash costs -- wages and benefits -- for deferred compensation in the form of stock ownership... In some instances there was no choice but to form an ESOP or see the company go out of business because of their failing finances."<sup>19</sup>

The ESOP prevailed as the 'forced-choice' model of trading concessions for ownership because the legislative framework offers ESOPs tax and corporate liability advantages not available to co-operatives in the U.S.<sup>20</sup> Speaking of the Inglis initiative, the USWA international president (ironically a former member of Local 2900 himself) was less instrumental in his analysis. It was reported that he viewed the buyout attempt as "a good exercise in democratic socialism that [the union] should pursue vigorously."<sup>21</sup>

In Canada, labour has had slightly more success in resisting concessions and in obtaining legislated standards

for severance entitlements and termination notice. Still, there are few legislated barriers to plant closure in Canada. As Grayson puts it: " One of the only places it is easier [to close a plant] is in the United States."<sup>22</sup> The USWA membership on both sides of the border has been seriously eroded by industrial restructuring and plant closures, with North American membership plummeting from a 1971 high of 1.5 million members down to 610,000 in 1986, although the decline of Canadian membership has not been as dramatic as in the U.S.<sup>23</sup>

To date, the USWA in Canada has not adopted the worker-ownership approach in response to plant closures. In fact, the attempt at Inglis was the first of its kind for the union in this country. However, the advent of the Free Trade Agreement has prompted some consideration of worker-buyouts. In 1989, the USWA Canadian policy conference committed the union to the development of buyout expertise within its ranks.<sup>24</sup> This endorsement must be assessed within the union's overall response to plant closures. For example, a guide-book on plant closure prepared for local unions by the national office in 1989 suggested that a trade-off of severance benefits might result from opting for a save-the-plant campaign. The guide cautioned that such campaigns were seldom successful and might undermine other

adjustment activities by creating a false sense of hope in local memberships.<sup>25</sup>

At the time of the Inglis closure, the USWA in Canada had no policy for implementing worker-buyouts, and expertise in the area had not been developed. As an official at Local 2900 put it, "on the nuts and bolt of it, the Steelworkers were clueless." In addition to a lack of expertise, there was a lack of enthusiasm for the approach taken in the U.S. A staffperson at the national office commented on this:

We haven't pushed for the legislation like they have in the U.S., and I don't think we'd want to. That kind of thing is really just a financing tool for capital. There's nothing to ensure that workers get any control in these situations... and in most situations where a buyout might come up the business is in such bad shape that it's not feasible... or else the plant is part of a larger conglomerate [USWA National Office Staff].

Involvement by the national office occurred in response to the local's initiative rather than as part of a larger coordinated strategy:

Our approach to fighting plant closures is to take on the macro issues -- by fighting free trade, we're fighting the closures... if we had a worker-buyout the idea and support would have to come from the local first, because without that it won't work. In all the recent closures [involving Steelworkers], Inglis was the only one with that kind of interest at the local, and that's why we pursued it [USWA National Office Staff].

Resources from the national office were deployed in seeking government support for the pre-feasibility study, in financ-

ing a portion of the study, and in participation in the steering committee overseeing the study.

An official at Local 2900 expressed disillusionment at what was perceived as a lack of commitment to the buyout on the part of other levels of the organization:

I don't think they're too interested in buyouts at the union level... They sprung some money to do a feasibility study through some people downtown, but big deal. That kind of money is zip to the USWA. If they had said they would invest... in the plant then maybe it would have worked. You're talking about an international union, certainly they could come up with that kind of dough, but talk is cheap [Steward, Local 2900].

The possibility of investment by anyone hinged on the findings of the pre-feasibility study, but the question remains -- why did the union seek external funding and accept conditions tied to that funding which narrowed the focus of the study to strictly business-oriented evaluations of the prospects for a buyout?

This strategy seems to be a result of the following factors:

- there was a need to respond to the local's request for support in a buyout attempt, yet at the same time the novelty of the approach in Canada dictated that some external expertise be called upon. However--

- a lack of support for U.S. approaches to buyouts as defensive measures in an environment of concession bargaining meant that alternatives to the U.S.-based consultant and his approach had to be found.

- the limitations on the scope of the study were not problematic since there was a reluctance to pursue a

broader 'save-the-plant' campaign which might detract from severance negotiations and 'adjustment' activities.

- worker ownership was not seen as an appropriate means of addressing 'macro issues', while at the micro level, a legislative framework existed which might provide the basis of further gains. This framework included the legislated minimum standards for severance and notice of termination as well as the adjustment processes sanctioned by the state.

The emphasis on the pre-feasibility study as the central component of the buyout attempt ensured that the conditions identified in the study -- corporate intransigence, market factors, and the difficulties inherent in developing alternative products and capacities -- would hold sway in the final analysis.

It has been noted that the union's involvement in a buyout attempt was initiated at the local level. Yet here as well the buyout was not integrated with other strategic initiatives:

So far we've done all these things separately, we had a three prong strategy -- severance negotiations, labour adjustment and trying the buyout, and 'never the twain shall meet.' That was a problem we had in our local, all of us were going off in different directions [Local 2900 executive].

In part this was a result of the emphasis on the pre-feasibility study, which dragged on for several months and failed to produce a concrete model for a buyout. The local president found it difficult to mobilize the membership around a buyout in these circumstances:

There was some discussion on the floor, people would ask me how much money they would have to invest from their severance. [But] people were dealing with it from afar. I was the one doing all the negotiating with [the consultants] and actually there was nobody else even from our negotiating committee or executive involved with it... We didn't have a committee at the local here that was putting together a package. The reason we didn't was that it was all so vague and we were told that you do the feasibility study first and then you have something concrete to talk about. Otherwise I don't really know what I'm talking about -- how much DO members invest, how WOULD you run this place profitably? [Local 2900 executive].

This concern over the vagueness of the buyout was reflected by only one worker I interviewed. But while this individual saw the lack of a concrete plan as a factor in the failure of the buyout, it did not reduce his general support for the proposal:

There was no layout for the whole scheme, just talk and analyzing the situation. We never saw how it would actually work, so I guess they scrapped the whole thing... I would go for it. I need a job, I know most of the jobs here, and I believe in the product. If they gave us the tools and the technology I would even drop a dollar or two from my pay to help out the cause if there's a future in it. It's a good idea [member, Local 2900, age 42, light assembly].

In fact, only four workers reported having any knowledge of other buyouts or worker-owned companies, and most confessed a lack of knowledge about how the Inglis proposal might be structured. But of seventeen plant workers interviewed, ten were of the opinion that a buyout was a good strategy for the union to pursue. Of these ten, however, six cited the

run-down condition of the plant and/or the company's refusal to deal with the union on the matter as barriers to a successful outcome. Five others did not support the buyout attempt on these same grounds. Two interviewees offered no opinion on the buyout.

Interviewees were also asked to identify preferences among a worker-buyout, private purchase, government purchase, or the plant to remain open with no change in ownership. A worker-buyout was preferred by six workers, private purchase by one worker, government purchase by one worker, no change was preferred by three workers, and two expressed no opinion. Four workers created a fifth category, preferring any alternative that would retain jobs.

While ten workers expressed support for the buyout attempt, only six preferred a buyout to other alternatives. This discrepancy between levels of support for a buyout and preferred outcomes under the threat of closure may be due to feelings that in the crisis of closure all options, even those deemed less preferable, should be explored.

Since the sample for this study was not designed to support inferences to the total plant worker population, a representative impression of support for the buyout cannot be guaranteed. Nonetheless, data from these interviews corresponds to the findings of Browning and Lewchuk, whose study of another buyout attempt found that older workers and



skilled workers tended to be less supportive of worker-buyouts than were others.<sup>26</sup> Of the four tradespeople in the Inglis sample, three withheld support for the buyout, while one had no opinion.

Among those with a trade, two reasons related to skill were offered to explain a lack of support for the buyout. First, it was perceived that younger tradespeople and apprentices could anticipate a good market for their skills elsewhere, which meant greater employment opportunities without the risk of losing an investment. It was reported by one trades lead hand that all the young tradespeople in his department had found jobs to go to once the plant was closed. This contrasted with the circumstances of other non-trades workers interviewed, none of whom had secured future employment. Second, high wages and high seniority among older tradespeople translated into a fairly healthy severance payment. An older tradesperson with high seniority viewed the closure as an opportunity to use his substantial severance payment to set up a contracting firm, and had taken steps prior to the closure to arrange this transition. Others were interested in a buyout, but reluctant to invest in the plant:

Some old guys would like to make it through the last few years here after all the time they put in and coming into work with people you know, but you'd have to put up too much money [member, Local 2900, age 64, machine shop].

In addition, one tradesman suggested that since skilled workers were largely responsible for equipment upkeep, they were in a priveleged position to observe the poor physical condition of the plant:

Oh I know for sure the skilled trades weren't enthused about the buyout because they knew the state of the machinery... They knew how old and inefficient this plant was and what it would take to make it viable. I would say if I took a poll amongst the skilled tradesmen, the electricians and the toolmakers and the others in maintenance, they didn't think much of the idea [member, Local 2900, age 46, electrician].

The skilled trades workers also voiced their reservations at two specially convened meetings with Local 2900 officials, where the buyout was opposed on the grounds that the plant and machinery were too run-down to represent a worthwhile investment.<sup>27</sup>

Among non-trades workers, older workers and those with high seniority identified reasons for withholding support for the buyout. A maintenance worker who opposed the buyout was eligible for early retirement, and reported on levels of support in his department:

I think it's just something to talk about. I don't think any of the people in our department would invest any of their own money in it, because we're from a very old department, we've got the longest serving guy in Inglis -- 47 years -- in our department. They're all forty-year men, and at this late stage they're afraid of investing and losing the money they would have from this [severance] settlement. They would hang onto their cash [member Local 2900, age 63, maintenance department].

In examining support for the buyout according to sex, unanimous support was shown by the six women in the sample, although most qualified this support with scepticism about the chances for success. Men accounted for the five cases where support was withheld, and also for the two cases where no opinion was offered. Only four of the eleven men in the sample supported the buyout. Differentials in support may be related to differences in anticipated post-closure prospects. Of the men in the study, two were opting for early retirement, one was starting a business, and the remainder were confident that they would find work with ease. Only three men reported worries that their next job might involve decreases in earnings.

In contrast, four of the six women interviewed expressed concern about their prospects following the closure:

- I've always enjoyed working for Inglis. I felt I had a good wage here, good benefits... I can't even imagine what its going to be like to go out there and get a job and work for someone else after twenty-eight years. It's a scary feeling, and I've got my age against me as well, but I mean I still have to work. I can draw a pension form here at age 62 but 62 is a long ways from 54. It IS a scary feeling [member, Local 2900, age 54, assembly line].

- I've never been out of work for very long. I might have to take a lower wage, and if I do it will have to be within walking distance from home, that would save twenty dollars [member, Local 2900, age 52, maintenance].

- I have an uncle working here... he's sixty-two so he'll get his pension and won't have to work. Myself, I'll end up having to work more for less money [member, Local 2900, age 31, assembly line].

- Two years ago I was thinking 'oh great my kids are all grown, now my husband and I can start living' and all of a sudden the carpet's dragged from under you. You're frustrated, you're angry, it causes great depression, and to go out and get a job is not as easy as it was years ago. Now you have to go out and beg them -- and I think it's totally degrading [member, Local 2900, age 40, assembly line].

The average seniority of women was 9.4 years compared to 14.4 years for men, and women were excluded from higher-wage trades jobs in the plant (see Chapter Six). Lower returns in severance payments and less earning power in the labour market may have fortified women's support for the buyout in comparison with support from men.

Although two thirds of the sample supported the idea of a buyout, when asked to report on the range of opinion in their departments, seven workers reported the impression that there was a reluctance on the part of their co-workers to invest severance payments or other funds in a run-down plant. The following statements are characteristic:

- People were saying 'you must be crazy, I'm not spending my severance money on this old place.' If we all had a lot of money stashed away, and a new plant... but even then you'd have trouble with Inglis, even if you get backers, I don't think they want us to buy them out [maintenance].

- There was a lot of discussion in my department. A lot. Among the older people and they've been in the workforce for so long and they could see all the major stumbling blocks [assembly line].

- Most of the people I worked with thought it was just a farce, that it was being done for the publicity [maintenance].

The interviews suggest that support for the buyout varied according to skill-level, age, size of expected severance, and sex. In light of the widespread awareness of the structural factors impeding the success of a buyout -- i.e. the nature of the appliance market, the condition of the plant, the company's rebuff of the proposal, and a lack of an alternative organizational plan -- the reported levels of support are surprising. As noted earlier in this chapter, support may in part reflect a willingness to pursue any possibility in a time of crisis. Nonetheless, given the emphasis on a pre-feasibility study as the basis of the buyout initiative, little active involvement of the rank and file was generated.

Buci-Glucksmann draws on the work of Gramsci to stress the critical nature of such active involvement for working class initiatives:

Relating his reflection on hegemony to the analysis of relations between leaders and the led in the realm of politics, Gramsci notes that consent can either be passive and indirect or active and direct. In the first case ...the state instrumentalizes consent and treats the masses as 'masses for manoeuvre'. On the other hand, any form of active-direct consent requires a real interchange between rulers and ruled... Thinking about the working class movement he goes on... 'it is a vital question to obtain not a passive and indirect consent but an active and direct consent, the participation of all,

even if it provokes a disintegration or an apparent tumult.'... This is a vital question. For the notion of active and direct consent is to be linked to another Gramscian notion: the expansiveness of consent, which excludes any bureaucratic repressive relation between leaders and led, any corporate integration of the led, also any reduction of democracy solely to its legal aspect.<sup>28</sup>

Support remained a passive quality of the workforce rather than an active assent to the campaign -- workers had to "wait and see" what came from the study. Instead it was the availability of alternatives in the form of severance payments and retraining/job-search activities under the direction of the Labour Adjustment Committee which mobilized members' willingness to intervene on their own behalves in the closure. The alternative of a 'tumult', such as a plant occupation, was raised in only one interview when the local president mentioned that there had been some discussion of that possibility. In the end, however, such forms of resistance did not emerge. Rather, workers focused on bringing in the final paycheques 'before the winter began.' A shop steward suggested that a bonus negotiated in the severance bargaining moderated any militant tendencies: workers were offered \$1,000.00 if they remained at work up to the closing date and did not miss more than five days due to sickness or any other reason. A plant worker referred to this bonus as "blackmail."

Worker-Buyouts & The State: A Passive Revolution?

The point of focusing on the union and its strategy has not been to locate the factors leading to the failure of the buyout solely within the union itself. On the contrary, the intention has been to demonstrate that the buyout tactic was shaped both by factors 'internal' to the union and by the strategies of the company and the state. In this section, I attempt to make these factors more explicit, and to trace the relationship between 'internal' and 'external' factors in a theoretically coherent framework.

Gramsci's concept of 'passive revolution' holds some promise of fulfilling this task. As Sassoon notes, the concept is directed at the "explanation of the margin for survival that the bourgeoisie enjoys despite political and economic crises." The concept operates at two levels, according to Sassoon: first as a "category of historical interpretation", and second as a "conceptual tool" for investigation of the manner in which specific political interventions sustain the domination of the bourgeoisie.<sup>29</sup> Cuneo's recent exposition of the concept identifies both the methodological criteria employed by Gramsci and the characteristics of a number of specific 'passive revolutionary interventions'.<sup>30</sup>

Gramsci's interpretation of passive revolution is based on analysis of the composition of -- and relation

between -- social forces, political forces, and military forces.<sup>31</sup> These forces are, in turn, subdivided. Social forces are constituted by the 'material forces of production', from which emerge social classes with specific functions and positions in production (relations of production). Political forces, which refer to the level of organization and self-awareness of social classes, are subdivided into 'economic-corporate' (i.e. the solidarity and unity of tradesmen), 'economic class consciousness', and 'political class consciousness'. The latter two are similar in that there is an identification within a broad social class. However, in 'economic class consciousness' these interests are purely economic and involve mobilization to effect change within established political structures. 'Political class consciousness', on the other hand, involves transcendence of one's narrow corporate interests and recognition that one's own interests "can and must become the interests of other subordinate groups too". Gramsci notes that these levels co-exist within nations and between nations and that national-international variations can intertwine to produce changes in political forces. Military forces are differentiated between the technical capacity to wage battle etc., and the political conditions that would influence the outcome of military engagements.



Passive revolutionary interventions are those interventions which link changes in the composition of forces over time, sustaining the dominant class through interventions of political forces which develop the capacity of the forces and relations of production without threatening the basis of the dominant class' dominance -- "individual and group appropriation of profit."<sup>32</sup> As a response to a weakening or crisis in bourgeois hegemony (the acceptance of bourgeois interests as universal, maintained through leadership in cultural institutions and through material concessions to subordinate classes which do not undermine existing relations), passive revolution refers to state interventions which supplement or replace hegemony with a combination of domination and partial hegemony over subordinate groups.<sup>33</sup> By definition, as an intervention in the transformation of relations between social, political and military forces, passive revolution simultaneously engages objective/economic factors and subjective/political-military factors. Particular passive revolutionary interventions can therefore be analyzed according to the 'balance' between hegemony and domination,<sup>34</sup> and according to what specific impact they have on social and political forces, in terms of both objective and subjective content.

Cuneo has generated a typology of passive revolutionary interventions constructed on the basis of

whether political interventions occur in the context of 'rapid' vs. 'slow' development of social forces. As was suggested in Chapter Two, the consolidation of Canadian capital and its reconstitution within a continental neo-liberal formation represents a period of rapid development. Cuneo identifies two types of interventions which may occur in such periods: those which accelerate the development of the forces of production, and those which decelerate changes in relations of production or 'impose fetters' on the consequences of rapid changes.<sup>35</sup> Gramsci identifies two specific methods of intervention: transformism involves absorption of leading individuals and/or groups from opposing collectivities into the organizations and practices of the dominant class; reformism involves "the acceptance of certain demands from below, while at the same time encouraging the working class to restrict its struggle to the economic-corporative terrain."<sup>36</sup>

As Carroll suggests, the post-Fordist restructuring that signifies Canada's shift to continental neo-liberalism has many features of a passive revolution.<sup>37</sup> The 'continentalization' of Canadian capital has resulted in a shift in the balance between hegemony and domination: the 'new despotism' of capital mobility injects a heightened level of domination while simultaneously undercutting the material basis of consent by precipitating waves of plant

closures and worker dislocations which have occurred from the 1970's to the present.

State interventions have fostered this consolidation of capital -- 'breaking the fetters' on the development of productive forces -- through subsidies for acquisitions, deregulation of the economy, a shift to coercive labour legislation, and most recently, the Free Trade Agreement. Federally and provincially, the state has introduced reforms -- including sectoral adjustment policies,<sup>38</sup> 'improvements' in severance entitlements and notice of termination rights which 'impose fetters' on the consequences of the expansion of productive forces. These reforms -- emaciated offspring of organized labour's demands -- deflect challenges to capital's proprietary rights while focusing struggles over closures, layoffs, and restructuring in general on the economic-corporate level.

Just as Free Trade is an extension of passive revolutionary interventions facilitating the development of continental neo-liberalism, the state's involvement in the growing phenomenon of worker-ownership is a tactical elaboration of passive revolutionary interventions aimed at 'channelling' or 'containing' the effects of the restructuring of productive forces. In the Inglis case, the problem of transition centred on capital retaining its ability

to dispose of its assets at will, and to protect its market share as a source of profit.

Events surrounding the Strachan Ave. buyout attempt reflect the process of passive revolution. This is evident through an analysis of changes in the composition of forces, as well as through an analysis of specific state interventions in the closure. At the level of social forces, the federal government has played a prominent role in assisting the consolidation of the appliance industry dominated by three major firms.<sup>39</sup> In supporting Inglis' diversification and expansion, state interventions contributed to the corporation's ability to exercise its domination over labour through threatened and actual plant closure. In multi-plant firms such as Inglis, the effect of plant closings as 'warnings' to workers in other company plants cannot be dismissed. At the same time, the structure of the industry was seen as a barrier to entry for a worker-owned firm. This difficulty was heightened by the system of property relations associated with the relations of production and the state's neo-liberal aversion to encroachments on this system. In other words, the state was not prepared to confiscate corporate assets on behalf of workers.

At the level of political forces, the state's prior interventions in worker-ownership had been limited to an economic-corporate model, designed to provide stop-gap

employment for labour, and a source of financing for capital. In the Inglis case, the intertwining of national and international forces is significant, since the union in Canada to a large extent based its evaluation of worker-ownership on the experience in the U.S., where government had provided a legislative framework conducive to the growth of corporate/ESOP models. Prevailing legislative models in Canada are a 'weaker' version of these programs, and offer little potential for altering social forces in a progressive way.

As noted, a recomposition of military forces was not evident in the closure. While members of Local 2900 were proud of their militance and solidarity in strike situations, the coercive force of the state was not challenged by threats to the property of the company. It is possible that the prospect of a buyout, the offer of bonuses, and the availability of enhanced severance payments and adjustment services diffused this threat, although there is no way to test this. On the other hand, the localized -- even isolated -- nature of the struggle was not conducive to resistance of this nature from the standpoint of labour.

In terms of specific interventions in the buyout attempt, the circumstances surrounding the pre-feasibility study are most significant. At one level, the 'hands-off' approach of the federal and provincial governments chan-

nelled activity away from the buyout toward the alternative of adjustment services offered under federal and provincial programs. At another level, as an instance of non-intervention, the state was validating the labour-market as a mechanism of regulation and adjustment.<sup>40</sup> The intervention of municipal governments with limited authority over industrial policy ensured that whatever the outcome, its effect would not be widespread.

In its organization and orientation, the pre-feasibility study was a vehicle of transformism: local leadership and the small co-operative consulting firm were absorbed into a project overseen by municipal officials and guided by the narrow logic of management-accounting principles as the criteria of feasibility. Implicitly, the object of the study became the identification of the characteristics of capitalist industry which prohibited a buyout rather than an examination of possible strategies and tactics to alter those characteristics. Further, the format of the study -- as an investigation by a small group of 'experts' -- allowed for only a passive form of involvement in the buyout by local members. Contrast this phenomenon with the campaign to save steel jobs in Youngstown, Ohio. When a major mill announced a closure in the late 1970's, the USWA local undertook a series of 'town-hall' meetings. These generated active community support for a buyout cam-

paign. When a business-oriented feasibility study failed to produce a study that indicated a buyout was possible, it was rejected and another was commissioned which focused on how it could be done. The study developed an innovative plan that was based on a worker- and community- ownership model. Levels of rank and file involvement were high -- workers and their supporters staged a brief occupation of corporate offices. This level of support ensured that state involvement, manifested in a \$300,000.00 feasibility study grant (compared to \$75,000.00 for the Inglis project), was responsive to the goals of workers and their community. The plan ultimately failed for other reasons, but

... by the time [the community coalition's] plan was finally rejected it had mobilized the steelworkers around a carefully reasoned challenge to the "economic inevitability" determined by the decisions of private corporations. The steelworkers themselves reacted slowly to the challenge, and their international office took no part -- it didn't even grant official approval of the takeover plan until... after all the work had been done and when the chances for government support were slim.<sup>41</sup>

As Staughton Lynd, a participant in the campaign, observed: "even neutrality on the part of the international ensured the defeat [of the initiative]."<sup>42</sup> Since the Youngstown campaign, the international has taken a more active role in buyout efforts. As noted, these initiatives have been absorbed within corporate models fostered by state legislation. It has been this later, defensive experience of U.S.

labour which has informed the Canadian outlook on buyouts rather than early initiatives such as Youngstown. To the extent that more active support 'excludes the incorporation of the led', the Inglis experience and the format of the study contributed to a channelling of the rank and file into the non-threatening adjustment and negotiation processes.

CONCLUSION:

In reviewing the events surrounding the Inglis closure, a rough symmetry emerges: while labour pursued a 'three-pronged strategy' of negotiation, adjustment and a buyout attempt, the passive revolutionary interventions of the state had a 'three-pronged' impact on the union's buyout initiative. The state's reformist approach to worker-ownership -- at both national and international levels of political force -- 'decapitated' potential for support at the national (and therefore international) level of the union. The format of the pre-feasibility study transformed the local initiative and the activities of the local leadership from a search for an alternative to the domination of capital over labour as expressed in its mobility and control over the 'fruits of labour', into a confirmation of the logic of that domination. At the same time active support from the rank and file was not fostered by this format. On the other hand, severance negotiations and adjustment activities appealed to workers on an immediate, economic-corpor-



ate level, and in the case of adjustment activities, provided a means for the direct mobilization of workers through retraining programs and job-search campaigns.

The broader impact of passive revolutionary intervention can be characterized in terms of the recomposition of social forces. As Cuneo notes, Gramsci argues that passive revolution introduces an element of a 'plan of production':

... in other words... socialization and co-operation in the sphere of production are being increased, without however touching... individual and group appropriation of profit.<sup>43</sup>

This is evident in two respects. First, in the state sponsored corporate model of worker-ownership there is some degree of redistribution of ownership in firms, and at least the objective of achieving a concert of interests among groups in production. The more significant development however is a result of precluding the transformative potential of worker-ownership. In fending off a potential limitation on capital mobility rights, the passive revolutionary defeat of progressive forms of worker-ownership allows the integration of Canadian capital to continue on capital's terms and to make an unimpeded shift to a continental plane of activity.

In conjunction with this reorganization of social forces along continental lines, there is a recomposition in

political forces. Conventional state restructuring mechanisms such as subsidies are under close scrutiny in the post FTA environment, and troubled firms may begin to look more closely at ESOP-style rescue operations. A shift of responsibility to the municipal and community level may occur in response to the non-interventionist stance of senior levels of government. An embryonic form of this transition is evident in the emergence of 'community-based economic development' organizations since the 1970's, particularly on both coasts of Canada.<sup>44</sup> At the same time, the shift to a common continental marketplace for labour and capital pits national working classes in a competition for employment. This dynamic may foster links between working classes -- or as Mahon observed in the textiles industry -- it may push labour to co-ordinate its interests with those of capital in order to achieve sectoral employment stability.<sup>45</sup>

The recomposition of social and political forces represents 'two terrains' of passive revolution, the 'structural, economic, objective' and the 'subjective'.<sup>46</sup> On the latter terrain, the struggle is largely on the ideological level, and the outcome of passive revolutionary intervention is influenced by the differences in the dominant and subordinate classes' awareness of their own and each others strengths and weaknesses, and implicitly, the

ability to convert that awareness into concrete gains.<sup>47</sup>

The lack of interview data from state and management personnel precludes direct analysis of the subjective awareness of the dominant class in the Inglis case. In reference to the broader process of economic restructuring, however, the ideological thrust of the state is evident in the works of state organs such as the Premier's Council of Ontario and the federal government's Advisory Council on Adjustment chaired by corporate heavyweight Jean de Grandpré. In the former's publication, Competing in the New Global Economy, industrial adjustment is discussed in terms of developing an "entrepreneurial culture", "investing in people", and "building a national consensus". This report recommends an examination of the potential of worker ownership in the process of restructuring, though the central issue is assuring the competitiveness of capitalist firms. In this publication and in the Advisory Council's report, Adjusting to Win, issues of labour adjustment are defined by concerns with improving the labour market position of individual workers through retraining, while both the Premier's Council and the de Grandpré Report call for the strengthening of severance and termination provisions in legislation.<sup>48</sup> These exercises in the construction of 'appropriate' responses to economic restructuring reinforce the strengths of capital by perpetuating its proprietary claims. At the

same time, the weakness of labour as a commodity in the labour market is reinforced.

Labour's 'movement' on the ideological 'terrain' and subjective awareness were more readily observable in this study. With respect to the latter, the union was aware of its strengths insofar as it maximized opportunities to improve on legislated standards for closures. Yet as I have argued, this was a contradictory situation, since it was also a weakness to the extent that a shift beyond established political structures was forestalled. The prospects for such a shift were mediated by an acute awareness of a key weakness, expressed foremost by skilled workers -- the poor condition of the plant, an obstacle magnified by the lack of financial resources available to individual workers. At the same time, resistance to the buyout from the rank and file was due in part to an evaluation of individual rather than collective prospects following the closure.

At 'higher' levels of the union, there were few initiatives that would have exploited corporate weaknesses, with the exception of the threat of a boycott. At the same time, labour's potential strength, i.e. support from others in the labour movement and in the community, was neither called upon nor developed. At the ideological level, union leadership was inconsistent. On the one hand, the buyout was characterized as a 'worthwhile exercise in democratic

socialism', while on the other hand, the labour force was presented as an asset to the business community with a plea to 'do business'. The union did mount an extensive media campaign, though the focus for criticism of the closure was the FTA rather than the capitalist social relations which produced this new accumulation strategy.

If workers are to counteract the effects of passive revolutionary interventions at both the level of the state and within particular sites, then links between and among subordinate classes must be forged. If worker-ownership is to be burst from the reformist mould into which it has been cast through passive revolutionary interventions, labour must initiate new models and new means of implementing them. The Youngstown experience shows that the building of alliances is essential in the attempt to forge models of worker-ownership that respond to the needs and interests of workers first. Such a strategy involves what has been called an 'anti-passive' revolution.<sup>49</sup> In contrast to a passive revolution, which is based on domination and partial hegemony, subordinate classes must gain a leadership role in the construction of models of worker-ownership through the active involvement of workers and their communities. Only in this manner can subordinate classes resist the fragmentation of collective goals which is achieved through reformist interventions in plant closure situations.

In the Inglis case, such models had not been generated. The union's lack of expertise in the implementation of worker-ownership, and reservations about existing models which were in effect the products of prior passive revolutions, worked against the assumption of leadership in the buyout attempt. Instead, there was a focus on established methods of dealing with plant closures -- through severance negotiations and adjustment activities. It is to these pursuits that I turn my attention in the next chapter.

Notes to Chapter Five

1. Unless otherwise noted, quotations and the description of events are based on the interview data.
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3. ibid. pp. 16-22.
4. United Steelworkers of America (District Six). August, 1989. Press Release: Steelworkers Seek Business Partners For Inglis Plant. Also reported in The Toronto Star, August 10, 1989, p.A8.
5. ibid. p.19.
6. Canadian Labour Congress. June 1989. Position Paper on Labour Adjustment and Free Trade.
7. Ontario: Premier's Council of Ontario. 1988. Report of the Premier's Council: Competing in the New Global Economy. vol.1. Toronto: Queen's Printer for Ontario. p.119.
8. City of Toronto Economic Development Committee. January 1989. Internal Memo/ Interim Report re: Workplace Closings, the Free Trade Agreement and the City's Economic Development Strategy. (A study requested by the E.D.C. in September 1987).
9. Globe & Mail. April 18, 1989.
10. Quarter, Jack & Judith Brown. 1990. Unions and Worker Ownership: A Conceptual Framework. Paper presented to the Annual Meeting of the Canadian Sociology and Anthropology Association, Victoria, B.C. pp. 10-13.
11. ibid. pp. 25-26.
12. ibid. p.18.
13. Lévesque, Benoit. "State Intervention and the Development of Co-operatives (Old and New) in Quebec, 1968-1988." pp.107-139, Studies in Political Economy. #31, spring 1990. p.110.
14. Lévesque, Benoit. op.cit.

15. ibid. p.110.
16. ibid. p.119., pp. 123-127.
17. Quarter, Jack. "The President of the United Steelworkers of America Speaks Out on Worker Ownership: An Interview With Lynn Williams." Worker Co-ops. vol.8 #4. spring 1989. pp.9-12.
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19. Quarter, Jack. 1989. op.cit. p.9.
20. ibid. p.11.
21. Toronto Star. February 21, 1989. p.A1.
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23. The Financial Post Report On the Nation. winter 1989. p.60.
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25. United Steelworkers of America (National Office Research Department/ Legal Department). 1989. Plant Closure Notes.
26. Browning, Martin & Wayne Lewchuk. 1987. Worker Preferences For Co-operatives Versus Private Buy-outs. (Working Paper No. 87-09). Hamilton: McMaster University Department of Economics. p.19.
27. Hersh, Michael. 1990. The Inglis Story. Unpublished manuscript.
28. Buci-Glucksmann, Christine. "Hegemony and Consent." pp. 116-126 in Sassoon, Anne Showstack (ed.). 1982. Approaches to Gramsci. London: Writers and Readers Co-op Society Ltd. pp. 118-119.
29. Sassoon, Anne Showstack. "Passive Revolution and the Politics of Reform." pp.127-148 in Sassoon, Anne Showstack (ed.). 1982. Approaches to Gramsci. London: Writers and Readers Co-op Society Ltd. pp.130-131.



30. Cuneo, Carl. 1990a. Is Pay Equity an Instance of Gramsci's 'Passive Revolution'? Paper presented at the Annual Meeting of the Canadian Sociology and Anthropology Association, Victoria B.C.

31. This discussion refers to Gramsci's "Analysis of Situations. Relations of Force." (Gramsci, Antonio. 1971. Selections From the Prison Notebooks. ed. & trans. Quintin Hoare & Geoffrey Noel Smith. New York: International Publishers. pp.175-185) but is equally indebted to Cuneo's summary and commentary (Cuneo, 1990a. op. cit.).

32. Gramsci, Antonio. "The History of Europe Seen as 'Passive Revolution.'" pp.118-120 in Gramsci. 1971. op.cit.; Cuneo, 1990a. op.cit. pp. 9, 15-16.; Sassoon, op.cit. p.135; Simon, Roger. 1982. Gramsci's Political Thought: An Introduction. London: Lawrence and Wishart. pp. 48-49.

33. Cuneo, 1990a. op.cit. p.28; Sassoon, op.cit. p.133.

34. Buci-Glucksmann, Christine. op.cit. p.121. The author writes: "...we could say that we are witnessing, precisely within the current crisis of capitalism, a modification of the balance between domination and hegemony, consecutive with the nascent crisis of bourgeois hegemony. This is, in effect, a tendency towards 'passive revolution.'" (!).

35. Cuneo, 1990a. op. cit. pp.8-13.

36. Sassoon, op.cit. p.133. For an application of these terms see Cuneo, Carl. 1990b. Pay-Equity: The Labour-Feminist Challenge. Toronto: Oxford University Press. Ch.5, pp. 153-195.

37. Carroll, William K. "Restructuring Capital, Reorganizing Consent: Gramsci, Political Economy, and Canada." pp.390-416, Canadian Review of Sociology and Anthropology. vol.27 #3, August 1990. p.407.

38. Mahon, Rianne. 1984. The Politics of Industrial Restructuring: Canadian Textiles. Toronto: University of Toronto Press.

39. Crookell, Harold, "The Impact of Government Intervention on the Major Appliance Industry in Canada." in Canadian Industrial Policy in Action. (The Collected Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada, Vol.4). 1985. Toronto: University of Toronto Press.

40. Gramsci writes: "... it must be made clear that laissez-faire too is a form of State 'regulation', introduced and maintained by legislative and coercive means." Gramsci, 1971. op.cit. p.160.
41. Metzgar, Jack. "Plant Shutdowns and Worker Responses: The Case of Johnstown, Pa." pp. 9-49. Socialist Review. vol.10 #5, September-October, 1980. pp.13-14.
42. Lynd, Staughton. op.cit. p.49.
43. Cuneo, 1990a. op.cit., p.32; Gramsci, op.cit. p.120.
44. Lane, Patricia. "Community-Based Economic Development: Our Trojan Horse." pp. 177-191. Studies in Political Economy. # 25, spring 1988; MacLeod, Greg. 1986. New Age Business: Community Corporations at Work. Ottawa: Canadian Council on Social Development.
45. Mahon, 1984. op.cit.
46. Cuneo, 1990a. op.cit., p.13.
47. Gramsci's discussion of differences in awareness occurs in an analysis of the relative positions of opposing factions of the Italian Risorgimento (Gramsci, op.cit. pp. 108-111), but has been taken up by Sassoon (op.cit. pp. 137-139) and by Cuneo (1990a. p.22ff).
48. Premier's Council, op.cit.; Canada: Advisory Council on Adjustment. March 1989. Adjusting to Win: Report of the Advisory Council on Adjustment. Ottawa: Minister of Supply and Services. Observe that the title operates on a rhetorical level, using the 'win' concept to suggest that Canadians are all on the same 'team' with an identity of interests. This positing of universalistic claims is an ingredient in the construction of hegemony.
49. Simon, op.cit. p.49; Carroll, 1990. op.cit.

CHAPTER SIX  
SEVERANCE AND ADJUSTMENT

INTRODUCTION:

This chapter examines the second and third 'prong' of the local's three-pronged strategy -- severance negotiations and participation in the labour adjustment committee. To set the context of the closure, the discussion begins with an examination of the development of legislated standards pertaining to plant closures in Ontario. Following this, an analysis of the closure negotiations is presented. A review of the adjustment process is also undertaken. It is argued that severance negotiations provided enhanced benefits to union members, but that these benefits were distributed unevenly on the basis of gender. Severance benefits were defined according to wages and seniority. At Inglis, slightly less than 20% of the workforce was female, and gender differences in terms of jobs held, pay levels and seniority levels were evident. Labour strategies must take into account the specific nature of women's relation to the labour market, if they are to effectively combat rather than reinforce gender-based inequities.

Limitations in the adjustment process are identified, both in terms of utilization of retraining and in effectiveness in re-employment. The chapter concludes with an analysis of the relation between the three elements of the union's strategy.

#### SEVERANCE: CONTRACTS, CLOSURES AND CASH

The location of plants, the products to be manufactured, the schedules of production, the methods, processes and means of manufacturing are solely and exclusively the responsibility of the Company. (Article 4.01, Inglis/USWA Local 2900 Collective Agreement).

Collective bargaining involves both a confirmation of the rights of capital, and from the standpoint of organized labour, an effort to define and limit the exercise of those rights in the wage-relationship. Typically, negotiated agreements contain an explicit acknowledgement of 'management rights' -- the right to manage its business in all respects, to determine production schedules, methods, and locations.<sup>1</sup> Decisions to cease production, close or relocate a plant and to hire and fire workers fall within these general rights. While there are important (and recent) exceptions, few collective agreements contain direct limits on management's right to shut down a plant -- instead, contract language generally sets the terms of parting in a mass layoff or closure situation.<sup>2</sup>

Key closure-related provisions deal with notice of termination, pension/early retirement and benefit plans, severance, layoff/recall rights, and preferential hiring.<sup>3</sup> Except for the latter two, minimum standards are set in legislation. Contract language either confirms the existence of these minimum standards or provides alternative guidelines. In the case of severance provisions, a negotiated severance arrangement (where present) supersedes the legislation.

In Ontario, legislated minimum standards with respect to notice of termination and severance entitlements are largely outcomes of the wave of closures that washed over the province in the late 1970's and early 1980's. It is estimated that, between 1977 and 1980, 70,000 Ontario workers lost their jobs in indefinite layoffs and plant closures.<sup>4</sup>

In response, the Ontario Federation of Labour (OFL) lobbied the Ontario government for comprehensive changes in plant closure legislation. Among other things, the OFL proposed that corporations should be required by law to prove the 'necessity' of a shutdown, and that government development corporations be empowered to take over economically viable plants slated for closure. Also recommended was the imposition of economic sanctions against foreign-owned corporations that 'ran away' with branch plants. The

right to strike during the term of a collective agreement was sought in cases where unforeseen events, such as displacement through major technological change or plant closure, altered the conditions under which an agreement was reached. The OFL argued that six months notice of termination should be mandatory for any group of ten or more workers who were laid off for more than eight weeks, and that all workers should be eligible for severance pay at the rate of one week's pay for each year of service.<sup>5</sup>

During the period between 1980 and 1982, some minor legislative changes occurred in Ontario.<sup>6</sup> None of these involved a challenge to capital's unilateral power over decisions to relocate, close, or otherwise 'restructure' workers out of jobs. Instead, employers were compelled to either continue fringe benefits during a termination notice period or for a fixed period in lieu of such notice.<sup>7</sup> Notice of termination requirements -- riddled with loopholes -- remained unchanged and varied according to the size of the firm, number of employees laid off, and length of employees' service. As it stands, large firms intending major reductions in their workforce can lay off up to 49 workers every four weeks without providing notice. While this approach may seem not only utterly cynical but somewhat cumbersome for management, there have been cases where this approach has been implemented.<sup>8</sup> (This option was available

to Inglis in the event that it failed to buy its way out of the letter of intent signed in 1986).

Gains were made in the area of severance pay legislation: in the case of mass terminations, where 50 or more workers are laid off in six months or less, workers with at least five years service are entitled to one week's pay for every year of employment, to a maximum of 26 weeks pay.<sup>9</sup> Prior to these amendments to the Ontario Employment Standards Act during the early 1980's, no mandatory severance-pay provisions existed.<sup>10</sup> Obtaining such protection was a matter for collective bargaining, as improving on these minimums is today. While in 1980 more than 40% of major collective agreements in Canada contained severance pay provisions, less than 14% of these offered more than one week's pay per year of service.<sup>11</sup>

When the closure of Inglis' Strachan Ave. plant was announced, the collective agreement merely acknowledged that severance pay would be provided in accordance with the provisions of the Employment Standards Act. However, in the 1986 bargaining round, Local 2900 had negotiated a counter-balance to the lack of adequate plant-closure legislation in Ontario -- a 'letter of intent' was included in the final settlement. In this letter, the company agreed not to cease production at the Strachan Ave. plant for the life of the collective agreement. When the local took the initiative in

1987 and sought to extend the contract for an additional two years to March of 1991, this letter remained in effect. In order for the corporation to pursue its closure strategy, it would have to meet with the local and 'cut a deal.' This leverage allowed the union the opportunity to bargain on other closure-related issues. Extra weight was added to the union's bargaining position when the threat of a boycott was floated by union negotiators. Operating in a consumer-sensitive market, the company was agreeable to exchanging its obligations under the 'letter of intent' for an enhanced severance package, and negotiations were undertaken to establish the level of that enhancement.

As noted in Chapter Five, the initial closure announcement in February, 1989, allowed eighteen months until the closure, scheduled for mid-1991. This provided the union with the opportunity to undertake negotiations while at the same time developing its other responses -- the adjustment program and the buyout bid. However, in June, 1989, Inglis accelerated the shutdown and shifted the closure date to November, 1989. Facing a notice date in August, 1989, the union gave priority to the most urgent and most tangible of its projects -- the severance negotiations.

While this focus on the severance package impacted on the other 'prongs' of the union's response, the severance settlement is worthy of analysis in its own right. The



union succeeded in extending severance pay to workers with less than five years' seniority (not protected under Ontario legislation), at the rate of one week's pay per year of service. In addition, for those already eligible for severance pay, the formula for calculating severance was raised from one week's pay per year of service to one and three-quarters weeks' pay per year. The twenty-six week cap on severance was lifted as well.

These improvements are quite extensive and effectively double the cost to management of the total package, but they must be examined in relation to gender-based differences in wages and seniority that characterize the workforce at Inglis.<sup>12</sup> While there is little difference in average hourly wages -- \$13.51 for males, \$13.18 for females -- there are great gender-related differences in the range and distribution of wage-levels (see Table 6.1). Women's wages range from \$12.30/hr. to \$13.50/hr., with 89% of women earning between \$13.00 and \$13.25/hr. In contrast, male wages ranged from \$12.30 to \$18.20/hr., with only 38% in the \$13.00-\$13.25 level. Forty-six percent of male workers earned between \$13.26-\$14.25, and almost 7% of the male workforce earned \$15.75/hr. or more, with most of the individuals in the latter group working in the skilled trades. Women's highly compressed wage-range and relatively lower wage-rates suggest that, as a group, women have a

smaller earnings-base from which to calculate severance payments than do their male counterparts.

Differences in male and female seniority levels are more dramatic (see Table 6.2), with the male average being 14.4 years, in comparison to a 9.6 year average for females -- a discrepancy of 33%. Here again, there are also gender differences in the distribution of seniority levels. This is important since the five years' service mark distinguishes between rates of severance pay received. Females in the Inglis workforce are characterized by low seniority, with 47% of women having less than five years' seniority. By contrast, men with less than five years seniority made up only 26% of the male workforce. In addition, the removal of the 26 week 'cap' affects more males than females. The range of seniority for males was from one to forty-six years, while for women the highest seniority level was twenty-seven years. In the male group, 13% of the workforce exceeded 26 years of seniority, while only 3.8% of women did so.

The severance settlement represents a significant achievement by extending 'eligible years of service' both upward (above the 26 week cap) and downward (to cover workers with less than 5 years seniority). As a consequence, almost half of the women at Inglis received severance pay that they would not have been entitled to under either the Employment Standards Act or the collective agree-

ment that was in force at the time. On the other hand, by adopting the length-of-service criterion of severance legislation as the basis for calculating two different severance formulae, the settlement ensures that women clustered in the lower seniority levels receive less per year of service than the majority of their male co-workers with higher seniority levels. At the same time, very few women, and a significant number of men, received increased severance pay due to the removal of the 26 year 'cap.'

Table 6.1

Distribution of Wage Levels by Sex		
% Male Workforce (n=423)	Wage Level per hour (increments vary)	% Female Workforce (n=103)
7.0	15.50-18.20	--
1.0	14.00-15.50	--
16.0	13.51-13.99	--
30.0	13.26-13.50	10.0
39.0	13.00-13.25	89.0
4.5	12.30-12.99	1.0

Source: USWA Local 2900 Seniority Report, August 1989.  
Wages based on final collective agreement.

Table 6.2

Hourly Wages and Seniority by Sex		
Wages	Male	Female
Mean Wage	\$13.51	\$13.18
Wage Range	\$12.30 - \$18.20	\$12.30 - \$13.50
Seniority	Male	Female
Mean Seniority	14.4 years	9.6 years
Seniority Range	1 - 46 years	1 - 27 years

Source: USWA Local 2900 Seniority Report, August 1989. Wages based on final collective agreement.

For women, the result is that severance pay provides less of a 'cushion' against job-loss than it does for men, and fewer financial resources to carry them through searches for jobs with pay and conditions equivalent to those of the jobs lost. This may contribute to women's greater tendency to experience a wage drop when re-employed following plant closures.<sup>13</sup> The gender-based inequity of exposure to market-forces in turn perpetuates women's low-wage status.

The provincial government's ability to fend off incursions on the mobility and investment rights of capital was in part due to the concessions made to labour in the area of severance legislation. This played a role in shap-

ing Local 2900's strategy, as the union attempted to make advances by building on the gains made during the crisis of the early 1980's by negotiating improvements on legislated minimum standards. However, severance legislation reinforced the vulnerable labour-market position of women workers, and this was reproduced in the severance settlement. The emphasis on a severance settlement also reproduced the state's defense of capital's mobility rights, to the extent that severance negotiations occurred at the expense of workers' efforts to gain control over the plant and continue production at Strachan Ave. This was not, however, a one-to one trade-off since the prospects of a successful severance settlement were greater than were those for a successful buy-out.

#### ADJUSTING THE WORKERS:

Another aspect of the union's response to the closure was its participation in a federally-sponsored 'Labour Adjustment Committee.' In November 1988, Prime Minister Brian Mulroney pledged that his government would create "the most generous programs available anywhere" to assist workers displaced by adjustments related to the Free Trade Agreement, but to date no such programs have materialized.<sup>14</sup> Instead, the Labour Adjustment Committee system is the current manifestation of adjustment programs which began with the Auto Pact and which served to make industrial restruc-

turing more acceptable to those workers most affected by change. In general, these programs are made available to workers whose jobs are threatened by technological change, or by competition resulting from changes in trade policy. Historically, components of adjustment programs have included job retraining allowances, support payments, relocation allowances, and job placement services. Early programs, such as the 'Labour Adjustment Benefits' program, the 'Adjustment Assistance Benefits' program, and the 'Transitional Assistance Benefits' program targeted specific industrial sectors for a pre-set time period.<sup>15</sup>

Since 1983, however, the federal government has maintained the Industrial Adjustment Service (IAS), which operates under a much broader mandate. The role of the IAS is to facilitate the establishment of a joint labour-management committee to oversee the process of adjustment in cases of restructuring involving plant closure, layoffs, technological change or expansion of operations.<sup>16</sup> The IAS is not endowed with the power to compel either party to participate, but instead is designed to be an instrument of persuasion. The IAS representative participates in the negotiation of a formal agreement between the parties involved, which may or may not involve an employer's financial contribution to the committee's activities. Labour and management are expected to take matters into their own hands

and develop solutions to the adjustment problems facing workers in each particular case of restructuring. In Ontario the provincial government also participates in the activities of the committee through the Ministry of Labour's Employment Adjustment Branch. Provincial representatives arrange for the provision of a workforce skills assessment, job-search training, and financial counselling.

Under the current system governments are not obliged to take an active role in the adjustment process. For their part, companies are under no legal obligation to provide funds or other support for the operation of the adjustment committee. The ability of the Labour Adjustment Committee (LAC) to address problems faced by displaced workers' therefore depends on the presence of a strong local union. The committee established at Inglis benefitted from such a presence: through negotiations, the union sought and received \$250,000 in funding from the company. With these funds the union organized Adult Basic Education, English as a Second Language courses, and Job Search training programs, which were delivered through the Metro Labour Education Centre. The LAC was comprised of representatives of Locals 2900 and 4487, Inglis management, an official from the Ontario Ministry of Labour's Employment Adjustment Branch, and an independent chairperson appointed by the IAS. The committee met intermittently, and day-to-day functions were managed by a

union executive member who became the full-time co-ordinator for the committee. Established in March, 1989, and given a mandate to operate until June, 1990, the life of the committee was extended by supplementary funding from the federal government up to the end of September, 1990. Ongoing activities of the LAC office, which was provided on-site by management, ranged from assisting workers in the completion of U.I.C. forms, to arranging job interviews with prospective employers, to granting funding to workers for approved training courses.

While retraining and job-placement are indispensable to individuals who face unemployment, the structure of current adjustment programs creates at least two problems for local unions trying to respond to plant closure. The first of these is a problem of utilization, which has characterized virtually every adjustment program created by the federal government to date. Eligibility requirements for training programs often exclude and/or discourage large groups of workers from participating.<sup>17</sup> Components of adjustment policy are often restricted to workers above fixed skill or age levels, and educational pre-requisites for training can make learning new skills a career in itself.<sup>18</sup> As one Inglis worker stated:

I left school at such a very early age and I didn't have much education to start out with. I'd almost have to start [at the



beginning]-- well, you know, I don't have very much education [Plant Worker, Local 2900].

Even where eligibility requirements are met, financial and familial commitments often preclude participation. Workers are forced to seek employment, often at a lower wage, because training allowances are inadequate or non-existent:

In the country I came from people learned my trade by doing it, not by going to school and getting a certificate. But that doesn't work here. I've got two kids totally dependent on me for support. If I was to go back to school it would take me two years to upgrade and get my [machinist's] papers. Who's going to support my kids for that time? [Plant Worker, Local 2900].

The utilization problem is reflected in figures that show only 8% of Ontario workers obtain re-training after being laid off, while the Canadian rate was 7% in 1986.<sup>19</sup>

The Labour Adjustment Committee at Inglis provided an exception to the rule of low program use. Of almost six hundred workers, over 250 applied for training under the various programs offered through the committee. In part, this was due to an important innovation by the committee. For the first time workers were able to participate in the provincial 'Transitions' training program for older workers during the period of notice of termination. 'Transitions' provided workers aged 45 or older with a \$5,000 training allowance. The program was particularly relevant to the Inglis workforce, half of whom were over 45. The high

participation rates reveal that workers will indeed seek retraining when it does not jeopardize their income flow.

The second problem with the adjustment process is in the area of job-placement. Unfortunately, even high participation in these programs does not translate into high re-employment. Two months following the closure of the Strachan Ave. plant, only thirty one of six hundred workers had found new employment.<sup>20</sup> The committee does not collect information on the types of jobs, pay levels, or lengths of employment resulting from placements. If Inglis workers' experiences parallel those of others displaced by plant closure, the road ahead will be rocky indeed. In 1986, a federal study of laid-off older workers reported that those who found new jobs took an average pay cut of 12%. Over 40% of those over 55 years of age never worked for a wage again.<sup>21</sup> At Inglis, a LAC report showed that 76 workers had retired by June, 1990, five and a half months after the closing. This was 17% more than the 65 workers who were eligible for early and regular retirement, and a LAC member reported that the rate of retirement was rising. Meanwhile, as of June 1990, only 34% of former Inglis workers had found full-time employment.<sup>22</sup>

In the case of Inglis, the innovations of the 'Labour Adjustment Committee' reveal the diligence and ability of local union activists in maximizing the potential

of the structures presented by the state. Still, this structure proves wanting, as union involvement remains tied to the state's role in facilitating changes in capital accumulation strategies, whether implemented via plant-level technological change or through shifts in trade policy. As the Canadian Labour Congress has noted,<sup>23</sup> current policies simply reiterate the time-worn maxims of human capital theory, stressing the adjustment of workers rather than the adjustment of the economy -- no programs address structural unemployment. Furthermore, programs aimed at worker sub-groups fail to address processes which structure differences in labour-market experiences along either race or gender lines.

The efforts of the local union to meet the direct and pressing needs of its membership cannot be denied, and in taking up the 'Labour Adjustment Committee' approach the union has continually provided a critique of the program to state representatives responsible for its delivery.<sup>24</sup> Nonetheless, participation in the adjustment process had an impact on the union's overall strategic response to the closure.

The state approach to adjustment is based on individuals maximizing their marketability and re-entering the competition for scarce employment opportunities -- no acknowledgement is made of the collective abilities of a

stable and experienced workforce. For the Inglis workforce, this meant that it was impossible to develop or implement a training program that would complement efforts to purchase and maintain the plant. The machinations of capitalist reorganization are normalized, capital's imperatives are universalized, and workers' responses are disaggregated and pathologized as the sundry fates of diffuse social outgroups. Capitalism is not the problem, state policy is not the problem -- older workers, younger workers, immigrant workers, and women workers are the problem.<sup>25</sup> Individuals developed their own strategies, marketing their skills, seeking re-employment, or trying to survive unemployment, depending on their individual characteristics.

#### CONCLUSION:

In general, adjustment packages are attractive to the parties in a closure situation for a number of reasons. A 'how-to' guide to plant closures, prepared by the U.S. Bureau of National Affairs, lists a number of motivations for companies undertaking them. Through the proper 'handling' of closures, companies can avoid "an explosive reaction from workers, the media, and politicians."<sup>26</sup> Improper handling of closure can damage a corporate image, result in sales losses due to boycotts, provoke work-stoppages and sabotage. The guide suggests that prevention of these outcomes is a key corporate goal in undertaking adjustment

programs. At Inglis, Local 2900 negotiators were told by management that media coverage about the closure had affected sales, even though a boycott had not been organized (concern over the corporate image reached a point where Inglis took out advertising in Toronto papers to proclaim "We're Here To Stay"). At an amount equivalent to 2% of total annual sales, the adjustment package negotiated between the company and management offered a cost-effective form of damage control. To ensure an orderly shutdown, a \$1,000.00 bonus was granted for all workers who stayed to the closing date and did not miss more than five days of work due to sickness or any other reason.

The corporation's material interest in reducing the effects of the closure on its continued operations presented an opportunity for the union to make some substantial headway in negotiating the terms of closure. This process was facilitated by the pre-existence of the state-sanctioned institutions of collective bargaining, adjustment programs, and legislated minimum standards. At the same time, the Labour Adjustment Committee approach has parallels with the worker-ownership policy advocated by Bradley and Gelb. The committees are situation-specific, offering a 'cool-down period' without drawing the state directly into the conflict. As voluntary bodies, they assume the formation of some type of concerted action by capital and labour in order

to function, and as a result they shift responsibility from the state to the parties involved.<sup>27</sup> The voluntary nature of the committee process implies that they will emerge only when labour is sufficiently threatened and sufficiently organized to force a concession, i.e. when the hegemony of the dominant class is weak. The state co-ordinates the formation of consensus, and by doing so, allows capital to exercise its domination over labour. In the Inglis case, domination meant resisting overtures by labour for a claim to the plant, equipment and business of the corporation. In this regard the Labour Adjustment Committee resemble the 'Piedmont-type function' of passive revolution, wherein the state exercises hegemony in a situation where the dominant class' only interest is that of domination.<sup>28</sup>

'Transformist' interventions are also evident in the recruitment of union personnel to the committee, one of whom became its full-time co-ordinator. As the high rate of participation in training and other activities indicates, this absorption of individuals extended to 'whole groups' as well. While material concessions to labour were involved in these interventions, capital's domination was maintained. The fact that these concessions were commodified -- i.e. severance benefits were defined by the nature of workers' labour-market participation -- reinforced the gender dimension of the labour market.

Notes to Chapter Six

1. These items were drawn from the Inglis/U.S.W.A. - Local 2900 Collective Agreement, April 1988--March 1991. Staughton Lynd provides a stark illustration of the seemingly timeless nature of this aspect of collective agreements (1983. The Fight Against Shutdowns: Youngstown's Steel Mill Closings. San Pedro, CA: Singlejack Books).

2. Robert Hiscott notes advances made by auto-workers in protecting themselves from technological displacement. Hiscott also points out that few contracts address the possibility of plant closure. See Hiscott, Robert. "Union Responses to Plant Closure Decisions", in Argue, Robert, Charlene Gannagé, and David Livingstone (eds.) 1987. Working People and Hard Times. Toronto: Garamond Press.

3. United Steelworkers of America (Canadian National Office) Research department/Legal Department. 1989: Plant Closure Notes.

4. Ontario Federation of Labour. June 1980. Submission of the Ontario Federation of Labour to The Government of Ontario: Stop the Shutdowns and Layoffs -- Adopt an Industrial Development Strategy For Full Employment.

5. ibid., pp.32-34.

6. Grayson, J. Paul. 1985. Corporate Strategy and Plant Closures: The SKF Experience. Toronto: Our Times Publishing Ltd. See especially chapter seven.

7. ibid.

8. ibid. p.221.

9. United Steelworkers of America. 1989. Plant Closure Notes.

10. Grayson, J. Paul. 1985. Corporate Strategy and Plant Closure...

11. ibid.

12. Figures presented here are, unless otherwise noted, calculated from data contained in the 1989 seniority report of U.S.W.A. Local 2900.

13. Cohen, Marjorie Griffin. 1987. Free Trade and the Future of Women's Work. p.36.
14. Canadian Labour Congress. January 1990. Free Trade Briefing Document #4. p.57.
15. See Premier's Council, 1989. Competing in the New Global Economy. vol.3. Toronto: Queen's Printer for Ontario. See also Rianne Mahon, 1984, The Politics of Industrial Restructuring.
16. Premier's Council. 1989. Competing in the New Global Economy. p.43.
17. Rianne Mahon. 1984. The Politics of Industrial Restructuring. pp.124-127.
18. Premier's Council. 1989. op.cit., p.47.
19. Toronto Star. Jan.28,1990. p.B4.
20. Toronto Star. Jan.28, 1990. P.B4.
21. ibid.
22. Inglis Adjustment Committee. Status Report. June 11, 1990.
23. Canadian Labour Congress. June 1989. Position on Labour Adjustment and Free Trade.
24. The union's Adjustment survey presents information on local members' needs while noting the need for more direct interventions, such as improvements in plant closure related legislation, continuous training (which would reduce the need for post-employment retraining), and the removal of barriers to retraining.
25. I am indebted to Janet Dassinger for making this point.
26. The Bureau of National Affairs, Inc. 1988. Plant Closings: The Complete Resource Guide. Washington: The Bureau of National Affairs, Inc. pp. 86-89.
27. Bradley, Keith & Alan Gelb. 1983. Worker Capitalism: The New Industrial Relations. Cambridge, Mass: The MIT Press. pp.3, 6-7.
28. Gramsci, Antonio. 1971. Selections from the Prison Notebooks. (ed. & trans. by Quintin Hoare & Geoffrey Nowell



Smith). pp. 104-107; Simon, Roger. 1982. Gramsci's Political Thought. London: Lawrence & Wishart. pp.47-48.

## CHAPTER SEVEN

### CONCLUSION

In this study I have attempted to explain the relationship between economic restructuring, the role of the state in economic restructuring, and the rise of worker-ownership in Canada since the 1970's, and has explored labour's experience with worker-ownership. Gramsci's concept of 'passive revolution' has served as the basis for an examination of restructuring: I have argued that the growth of worker-ownership is part of this process, and represents a series of 'passive revolutionary interventions'. As an interpretive method, passive revolution involves the examination of the composition of social, political and military forces. It has been suggested here that the post-Fordist phase of restructuring has been carried out in Canada on the basis of a strategy of passive revolution. The continentalization of Canadian capital and the emergence of a new despotism represents a crisis which threatens the hegemony of capital and exposes workers to intensified domination, often manifested in threatened or actual plant

closure. The Inglis closure is in many respects an archetypal case in this process.

In other ways, events at the plant were exceptional. The union's bid to purchase the plant was an uncommon event -- despite the widespread occurrence of plant closure, worker-ownership is seldom on the agenda. I have attempted to approach an understanding of why this is the case. The starting point was not an assumption of reformist tendencies within the labour movement as an explanation for the emphasis on direct, money-based issues as a strategic response, but was a concern with the forces which result in reformist outcomes. 'Worker-ownership' encompasses a wide variation of practices: co-operative models, despite significant growth in recent years, still represent a minuscule portion of total economic activity in Canada. Corporate models, more numerous and to be found across a wide band of business activity, are limited in their capacity to meet the interests of labour.

The limited development of worker co-operatives and the relative success of corporate models can in part be explained by the nature of economic restructuring in Canada. The consolidation of capital, fostered by nationalist and neo-liberal accumulation strategies, has restricted the growth opportunities for alternative models such as the worker co-operative. And in the hard times bred by consoli-

dation and globalization, corporations are turning to their workers to assist in the financing of their operations, both as a means of motivating productivity gains and simply mobilizing financing by drawing part of the wage-bill back into the corporate coffers. State policy and practice toward both forms of worker ownership have served to align them with the process of capitalist restructuring.

The union's response at Inglis was innovative. Significant improvements were made over legislated minimums on issues of plant closure. The adjustment committee confronted some traditional barriers to retraining and achieved unprecedented rates of participation, in part because they were the first plant to obtain 'Transitions' funding for workers while they were still earning an income. These were the achievements of a strong union in a vulnerable position. The collective bargaining framework was employed to 'capitalize' on the corporation's need to maintain long-run consumer support and a short-term reliance on labour to wind down operations.'

These achievements undermined the local's buyout attempt, but they were not made at the expense of a failed opportunity for a worker-buyout. The direction of the buyout strategy was shaped by prior passive revolutions which had reoriented the nature of worker-ownership. These in turn shaped the union's initial approach to the buyout,

which reflected a lack of expertise at all levels of the union within Canada, a lack of enthusiasm at some levels, and resulted in a lack of involvement in the plant and in the community. Specific passive revolutionary interventions in the formation and execution of the buyout attempt further thwarted the 'expansion' of the initiative. The structure of the buyout study restricted members' involvement, while a managerial perspective channelled the initiative in a safe and 'depoliticized' direction. The 'traditional' negotiated response reinforced this condition by focusing on the terms of closure rather than on the class interests that inspired it, but did not create it.

Still, although the ability to bargain for severance and other improvements is essential, it is also partial. At Inglis this partiality ran along the dimension of gender, as the commodified nature of separation benefits reinforced women's subordinate position in the labour market. As well, bargaining for protection against closure is an option only for organized workers. In the competitive sector, where workers -- mostly women -- are unorganized, they face the full force of the new despotism.

Given the part played to date by worker-ownership in the reconstitution of capital's domination, what are the prospects that worker-ownership might play a role in strategies confronting the effects of this despotism? The

interests of workers would have to prevail over state incursions on the study and implementation of worker-buyout models at the level of the plant. Given that workers' power in this sphere derives from their collective actions, this would suggest the 'expansion' of the study process itself in order to mobilize active consent to the goals of the study. To expand the application of new forms of worker-ownership generated in this manner to situations where capital is unwilling to transfer ownership to workers requires a broader campaign against capitalist domination as expressed in the system of property rights maintained by the state. Alliances between workers and their communities may serve as the basis for such campaigns. The events at Strachan Ave. suggest that shop-floor initiatives are still in the fragile stages of development.

As the discussion in Chapter Five revealed, the effort was supported by workers, but the primary concern was retaining jobs. However, when asked to explain the plant closure, most workers identified the takeover by Whirlpool and its corporate strategy as a key factor. The Free Trade Deal was also cited by workers as a factor in corporate strategy, and as prompting the closure. If the post-FTA environment generates further local worker-ownership initiatives in Canada, this may push unions to develop their existing policies and supplement them with real expertise in

the area. The Inglis case was viewed by all within the Steelworkers' organization as a 'learning experience': those active at the local level recognized that a key weakness of the buyout attempt was the failure to develop ties with the local businesses that depended on the presence of the plant for their livelihood, with the company suppliers and with others in the labour movement. There was distinct recognition of the limiting effect of the format of the buyout study. If these lessons can be transferred into labour approaches in the future, it is possible that worker-ownership may fulfil some of its promise.

At a broader level, the appeal of worker-ownership in plant closure situations rests in the fact that traditional responses do not seem to adequately address the needs of women workers, either within unions or in the unorganized areas of the workforce. It is possible that alliances between feminists within the trade union movement and others in the community could provide a basis for more expanded campaigns. Indeed a large portion of worker co-operatives presently in operation in Canada are the result of the efforts of feminist collectives seeking alternative ways to structure work, and to resist the economic forces leading to women's subordination.

Other developments beyond the plant suggest there may be political pressures supporting the development of

worker-ownership as a response to plant closure. Workers from closed plants in southern Ontario marched from Windsor to the offices of (then) Premier David Peterson in London, Ontario, protesting the inadequacy of government response to the wave of closures in 1989-1990. The (successful) election campaign of the Ontario NDP included a proposal to give workers first right of refusal in closure situations.

However, this proposal alone does not ensure that workers will not be left with the opportunity merely to acquire the ravaged remains of corporate strategies based solely on short-term profit, or that the 'feasibility' of such projects will be based on more than conventional accounting assumptions that do not account for losses incurred to individuals and communities when plants close.

If worker-ownership is to gain a place in labour's strategy, the plant-level demands for someone to "show [us] how it can be done" will have to be taken up within all levels of the labour movement, and pursued by building alliances that challenge capital's domination generally.



APPENDIX A: Interview Schedules.

I. Interviewee Background (plant workers and local union representatives).

1. Sex M\_\_\_\_ F\_\_\_\_.

2. Age (in years) \_\_\_\_.

3. Marital Status;

\_\_\_\_ single, never married

\_\_\_\_ married

\_\_\_\_ separated

\_\_\_\_ divorced

\_\_\_\_ widowed

\_\_\_\_ other \_\_\_\_\_.

4. What percentage of the household income do you provide through this job? \_\_\_\_.

5. Can you list the other members of your household?

<u>Age</u>	<u>Relation to You</u>	<u>Sex</u>	<u>Employed? (Y or N)</u>
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(continue if necessary).

6. Can you estimate the percentages other wage-earners contribute to the household income?

(continue if necessary).

7. What is your present job title? \_\_\_\_\_.

How long have you done this job? \_\_\_\_\_.

Can you describe your duties?

8. What is the hourly wage for the job you do? \_\_\_\_\_.

9. How long have you worked for this company? \_\_\_\_\_.

Can you describe other jobs you have performed while employed by this company?

10. Do you attend union meetings frequently \_\_\_\_, occasionally \_\_\_\_, seldom \_\_\_\_, or never \_\_\_\_? Has your attendance changed in the recent past? How? \_\_\_\_\_?
11. Have you ever held a position in the union? Y \_\_\_\_ N \_\_\_\_.  
(if yes, position \_\_\_\_\_. From 19\_\_ to 19\_\_.) \_\_\_\_\_
12. In the past five years, has your household
  - a. built up some savings
  - b. just been able to meet basic expenses
  - c. gone into debt
  - d. other response \_\_\_\_\_.

## II. Union Leadership/ Representatives.

1. What is your position in the union? How long have you held this position? Can you tell me a little more about your background?
2. Can you tell me about the membership here? Proportion of male/female workers? Average ages? Length of employment? Wage scales? (Can you make the seniority list available to me?).
3. How do your own union duties relate to the buyout attempt? What role are you playing in this attempt?
4. Why is the plant closing?
5. Prior to the shutdown announcement, did you ever think about running the place yourselves? (probe -- Was it ever discussed? When, what was the situation? How did the topic come up? Was there ever any follow-up?).
6. What are the biggest obstacles to the plan?
7. Is a buyout possible in this case?
8. How did you become aware of the closure decision?
9. What do you think of the way the decision was made? Could it have been handled differently? How?
10. Where did the idea of buying the plant come from? What is the response from workers in the plant?
11. Is there a difference in response to the closure/buyout between male/female workers? Differences in levels of support for buyout between these / other groups? (probe -- why/not? What differences?).

12. Are there other options being considered? What are they?
13. What is the role of the union in this situation?
14. Do you have any formal policy on situations like this?  
Can I see any documents you have?
15. What effect would a buyout have on non-union members in the plant?
16. Is job retraining available to your members -- under normal conditions / in the event of a closure / in the event of a buyout? What kind of retraining? Who is eligible?
17. Are there jobs at the plant that are most often held by men / by women? Which jobs? Are there pay differences involved? (if yes -- How would a worker-buyout affect this situation?).
18. Are you aware of other worker-owned outfits? Which one(s)? What have you heard?
19. What type of model of worker-ownership is being considered by the union? Do you have any draft documents I can see?
20. In general do you think worker-ownership is a good idea or a bad idea? Why / not?
21. Should buyouts or startups by workers occur in situations other than threatened shutdowns? If yes, when?
22. Should unions advocate them? Why / not?
23. Do you have any formal or informal access to financial information about the company now? Did you have any before the shutdown announcement?
24. Have you met with management or government groups yet? Can you tell me about these meetings?
25. How do you see the roles of the three levels of government in this proposal? Why is government involved?
26. Are there any limits being imposed on your plans by government?

27. How has management responded to your plans? Can you explain this response?
28. Given the success of a buyout, should present management be invited to stay on?
29. When all is said and done, is there something that's going to be THE deciding factor, in your opinion?
30. What should be done if the buyout doesn't go through? By individual workers? By the union? By government?
31. What steps are currently being taken to prepare for a closure? Is any lobbyng going on?
32. Can you recommend anyone else I should talk to?

### III. Plant workers.

1. What do you know about the decision to close? About the idea of workers buying the plant?
2. How did you become aware of the closure decision?
3. What do you think of the way the decision was made? Could it have been handled differently? How?
4. Why is the plant closing?
5. Prior to the shutdown announcement, did you ever think about running the place yourselves? (probe -- Was it ever discussed? What was the situation? Wa there any follow-up?).
6. What are the biggest obstacles to the plan?
7. Is a buyout a possibility in this case?
8. What is the range of opinion on the shop floor regarding this buyout?
9. What is your opinion of the plan to buy the plant? (probe -- is this view shared by some/most/any of your co-workers? Why do you think people feel the way they do?).
10. Where did the idea of buying the plant come from?
11. When did you become aware of the plan? How?

12. Amongst workers at the plant, was there discussion of a buyout before the union took any formal steps?
13. What is the role of the union in this situation?
14. How do you see the government role in this proposal? Why is government involved?
15. Should buyouts or startups by workers occur in situations other than threatened shutdowns? (probe -- when?).
16. Should unions advocate buyouts? (probe -- When? Why / not?).
17. Are you aware of other worker-owned companies? (probe -- Which one(s)? What have you heard?).
18. In general do you think worker ownership is a good idea or a bad idea? (probe -- Why / not?).
19. Would you prefer a worker-buyout to a private corporation buyout? A government purchase? The company to 'change its mind' and stay open? (probe -- Why? Which is most likely, least likely?).
20. Are you looking for other work right now? (probe -- What are your prospects? Have you been out of work before? Do you expect your earnings to change?)
21. If the plant does close, how do you think your co-workers will do in seeking new jobs? (probe -- will it be easier or harder for some than for others? Who and why?).
22. What would your prospects be if the plant shut down?
23. Are you eligible for any job retraining? (probe -- Please describe and evaluate.).
24. Suppose the buyout goes through. What would you like to see changed here? What would probably change? What problems would workers here face?
25. As things stand, are there aspects of the operation that workers aren't presently prepared to deal with? (probe -- Which aspects? What should be done about that?).

26. Would you say that you are capable of doing most/ some/ few/ of the jobs at the plant? Your co-workers?
27. Given the success of a buyout, should present management be invited to stay on?
28. When all is said and done, is there something that is going to be THE deciding factor in the success of a buyout, in your opinion?
29. What should be done if the buyout doesn't go through? By yourself? By individual workers? By the union? by Government? By the owners?
30. Is this a case of 'buying your job', or do you see it as something else?

#### IV. National Office of USWA.

1. How is the closure best explained?
2. In the United States, buyouts are part of the USWA strategy for dealing with plant closure. What is the strategy in Canada? Do any strategies target groups such as women, older workers specifically?
3. Does the USWA in Canada have any set policy regarding buyouts? Have you made any submissions to government on the issue? Do you have any documents on this that I could see?
4. How would you account for differences between the two countries in this respect?
5. Should unions advocate buyouts? Why / not?
6. Local 2900 had a multi-faceted response to the announced closure. Which was the most important / critical aspect of this response?
7. Can you outline the role played by this office in the closure?
8. What role did the international office play?
9. What kind of financing was provided by the union for the buyout attempt?

10. There were rumours and indications that the plant could close before it was announced. Was there any preparation done prior to the announcement?
11. Can you explain the local 'wind-up' procedure? What is the status of Local 2900 members once the plant closes?

#### V. Consultants.

1. Can you describe the scope of your organization?
2. How are you funded?
3. What experiences has your organization had with plant closures and worker ownership?
4. How did your organization become involved in the Inglis closure?
5. What was your role in the buyout attempt? How was your role determined?
6. What sort of contact did you have with other participants in the closure? Management, Union, Government, Others?
7. How was your participation in the buyout attempt funded? Did this involve any limitations on your activities?
8. Have local governments been actively involved in your work? Provincial government? Federal government?
9. Did the presence of another consulting firm influence your activities?
10. In your assessment, to what extent does the involvement of government representatives influence the outcome of buyout attempts?
11. What are the key issues that influence the prospects for a buyout at Inglis?

Appendix B: Population / Sample Characteristics.

Table B.1

Distribution of Workers in Plant and Sample, by Department and Sex				
Department	Plant		Sample	
	Male	Female	Male	Female
Machine Shop	48	11	2	1
Press Room	25	0	--	--
Light Assembly	33	8	1	1
Assembly Line	173	71	2	3
Paint Line	16	0	--	--
Welding	20	1	1	--
Moulding	12	4	--	--
Tool & Die	4	0	1	--
Maintenance	41	1	3	1
Ship./Rec'v.*	18	1	1	--
Inspection*	21	--	--	--
Sub-Assembly	23	8	--	--
Column Totals	386	105	11	6

Source = USWA Local 2900 Seniority Report.

\* Represents two subdepartments combined for this table.



Table B.2

Interviews Conducted	
Constituency	# Interviewed
Plant Workers	17
Local Executives	4
Labour Adjustment Cttee.	3
USWA National Office	2
Consultants	2
TOTAL	28

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