

## Opinions

# How workers coped after GM shuttered its Janesville plant

Opinion by Arlie Hochschild

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In 2008, the General Motors plant in Janesville, Wis., the oldest plant of the nation’s largest automaker — the grand “cathedral of industry,” as Amy Goldstein calls it — abruptly laid off thousands of workers, and in 2015, it permanently closed. Poignantly, workers cheered and hugged and wept as the last Tahoe snaked down the assembly line. The company and union issued \$20 raffle tickets granting the winner ownership of the gas-guzzling \$57,745 SUV with a nine-speaker audio system and heated seats. And so it was that a factory that began making cars and offering a whole way of life in 1923 shut its doors for good.

After GM shed workers, other plants around town did, too. Many townspeople became GM refugees, Lear refugees, Parker Pen refugees. One out of three Janesville residents lost a job or had someone in their family who did. Following three families, teachers, politicians, business leaders and others, Goldstein, a Pulitzer Prize-winning Washington Post journalist, offers us a poignant, fugue-like account of the gradual absorption of this shock. For example, she gives us Jerad Whiteaker, a 39-year-old father of three who had put in 13 years at GM, at \$28 an hour, accepted a modest buyout — \$4,000 and six months of health insurance — and tries to train for a job climbing utility poles. But once five feet up the pole, Jerad’s knee gives out and he slides back down, scraping his chest on the wood all the way down. What if he got badly injured, he muses, or what if, at the end of his training, a real job wasn’t there? Jerad quits and tries the night shift at a paint shop; then a job working 12-hour shifts for \$12.48 an hour in a plastics factory; then a position as a guard at the county jail, where he begins to suffer claustrophobia and panic attacks. Still coping with periodic bouts of anxiety, he drives a truck 200 miles a day and ends up a forklift driver south of Madison.

In households in which someone was laid off, Goldstein tells us, half “had trouble paying for food.” “For sale” signs went up on front lawns. Payday loan offices opened. Students arrived at school hungry and tired. Of workers hired into new jobs, more than half took a cut in pay. For many, an hourly wage around \$28 dropped to near \$16. To avoid such a loss, one father commuted a long distance to a

higher-paid job, returning home only on the weekends. Three-quarters of those surveyed in 2013 reported loss of sleep, 71 percent a sense of restlessness or unease, and half a quickness to anger. Two-thirds told of “strains in family relations” and more than half a “loss of contact with close friends.” Ominously, the rate of suicide rose. And to completely break our hearts, Goldstein reports that a majority said they felt “ashamed to be out of work.”

At the same time, victims were exhorted to buck up, to reinvent themselves and, as the Janesville Gazette urged, become “ambassadors of optimism.” And they did. As Goldstein writes, with “the federal government and the state, industry and labor — unable to lift back up its once prosperous middle class, Janesville has been left to rely to a considerable extent on its own resources. Fortunately, those resources include more generosity and ingenuity — and less bitterness — than in many communities that have been economically injured.” And this fit the mantra of Paul Ryan, current speaker of the House and fifth-generation Janesville boy: to rely not on big government but on the “generosity and resources within [our] own communities.”

Curiously, much of this generosity, Goldstein informs us, was directed at GM itself. Long ago the first state in the nation to offer workman’s compensation and unemployment benefits and to recognize unions for state employees, Wisconsin now went on bended knee to offer GM a great sum of money to stay in Janesville. Pooling public dollars from the financially strapped city, county and state governments, the state offered GM the largest “incentive package” in Wisconsin history — \$195 million. But Michigan rivaled that offer with a still larger sum — \$1 billion — and won. All this money was added to the \$25 billion federal bailout offered to GM and other auto manufacturers in 2008 to save the industry. So while the unemployed of Janesville relied on local ingenuity and resources, GM did not.

Goldstein gives the reader a gripping account of the GM layoff, the real loss it caused and the victims’ heroic resilience in adapting to that loss. By the end of this moving book, I wanted her to write a sequel on what might have been done to prevent the damage in the first place. For it turns out that while we’re often primed to take management’s word for what a company needs to do, this is a question well worth asking.

GM management talked of its layoffs as “structural” — a term carrying the aura of financial profitability, necessity, inevitability. But were the layoffs profitable in the long run, necessary or inevitable? In a startling 2014 review of studies published between 1983 and 2000, Harvard Business School management professor Sandra Sucher and her co-authors reported that there is “no clear academic consensus that conducting layoffs improves companies’ long-term financial health.” Paradoxically, efforts to cut costs can also increase them. Layoffs inject fear throughout the company, lower morale among survivors and decrease creativity. High performers are often the first to leave voluntarily, taking their know-how with them, sometimes to rival companies. Survivors become

anxious, risk-averse, make more mistakes. Contacts with customers are torn. Quality declines. Absenteeism rises. Some workers engage in “retaliatory behavior.” A survey by Watson Wyatt in the late 1990s found that only 46 percent of firms that downsized actually cut expenses and only 32 percent increased profits.

There are signs that GM was a prime example of Sucher’s point. After decades of closing factories and laying off workers and moving production overseas, in 2009 GM faced a \$172.8 billion debt. And these days, GM is “re-shoring” — bringing production back to American shores.

Even if GM had to lay off Janesville workers, we can ask, did it have to do it in the manner in which it did? Faced with the need to cut costs, other companies chose ways that were easier on workers. Instead of layoffs, Honeywell opted for furloughs — time and wage, but not job, cuts — and while other companies endured rocky times, Honeywell’s profits rose between 2009 and 2012. Unlike GM, Honeywell froze top management salaries in the face of the 2008 recession and eliminated top management bonuses, offering the message that managers and workers were confronting the hard times together. Nokia, the Finnish smartphone manufacturer did something else. Like GM, it laid off workers, but unlike GM, it offered workers grants and training to help find a new job and if necessary develop a new skill, and even provided funds and expert advice to help laid-off workers start their own businesses. In Singapore, the government subsidizes employers who retain older workers otherwise at risk of losing their jobs. GM made a series of bad turns — including its focus on high-end gas-guzzlers with heated seats — took Michigan’s billion-dollar bid, skipped town and escaped blame which, in her sequel, Goldstein might make into a fascinating story all its own.

The subtitle of this important and rarely told tale reads: “an American story.” And so it is: Between 2004 and 2009, more than 7 million workers were hurt in 40,000 mass layoffs. In the end, Goldstein says, “it became evident that no one outside — not the Democrats nor the Republicans, not the bureaucrats in Madison or in Washington, not the fading unions nor the struggling corporations — had the key to create the middle class anew.” Maybe so. But does such a disproportionate burden have to rest on the weary shoulders of the Jerad Whiteakers of the nation? How welcome it would be if the higher-ups at GM and elsewhere demonstrated the same generosity and ingenuity that Jerad and his co-workers have displayed.

## **JANESVILLE**

### **An American Story**

By Amy Goldstein

Simon & Schuster. 351 pp. \$27