

Early Warning System (for potential re-locations, down-sizings, closures)

Description

The early warning system to discover potential closures, personnel downsizing, or relocations of local firms is a CED technique that pays dividends by preventing the community from being blindsided by unexpected business decisions. Closures and relocations are done for a reason, and if the community has time to address the reason for the firm's consideration of these moves, it may indeed prevent them. Even when it may not be possible to prevent job loss, it may be possible to reduce it or its effects.

The aim of the system is to devise a set of procedures that will gather the information necessary to understand precisely a firm's business situation and why it might consider closure, down-sizing, or relocation. That sort of 'intelligence' requires an array of potential sources of information, beginning of course with the firm's decision-makers themselves. A CEDO needs foremost to develop relationships with local firms that will allow it to know enough to assist the firms before any troubling circumstances evolve too far.

Of course, what is troubling for the community may not be so troubling for the firm concerned. For example, a company may have become so successful that it needs room for expansion that it has not found in the community, and so it will be looking elsewhere to find the space or facility to accommodate its success. Knowing about the need for expansion, CEDOs may be able to find a creative solution that serves both firm and community. Or a firm may be contemplating technological advances that will diminish the number of workers needed, or require workers with different skills than those now employed. Again, rather than merely opposing the firm's plans, in this instance the CED group may find a creative solution that cushions the impact by instituting re-training programs.

An early warning system or network requires more than good on-going relations with the local firms. (Or perhaps the CEDO has not been able to establish good enough relationships with some important firms.) Alternative and supplementary sources of information must always be accessible. These may be other business leaders (including bankers) who are aware of a colleague's concerns, or they may be outside the business sector, such as union leaders, workers in the firm itself, or specialists who study industry trends.

In order to stay on top of local business issues, the CEDO has to establish itself as a sympathetic source of support and definitely not an adversary of the job-producers in the community. It must establish itself as being interested in the problems of the community's business sector. By so doing, it can find itself automatically getting important information.

RESO, a CDC in southwestern Montreal, had established good enough relationships with the business community so that it could create a successful early warning system. RESO set up a list of all manufacturing companies (about 200) in its area and got unions and governments as well as businesses to consolidate their information on various companies and industries. It turned out that most of the firms were seen to be stressed, and so RESO began systematically calling up the companies to offer help. Of course, some firms insisted, "It's none of your business," or disclaimed any problems or merely shifted blame to their workers. But others welcomed the inquiry, which was handled by RESO's business development director, an engineer. There were many different kinds of problems, but RESO was often able to help. In one case, the firm was too dependent upon its sole two customers, and RESO was able to suggest a government source of funds to do a study that opened new customer opportunities for the firm. In another case, workers were apparently resisting modernization, but it turned out that worker illiteracy made them fear for their jobs. Union, company, and RESO put together a literacy program to equip the workers for the new technologies. This made so much difference in labour relations and productivity that the owner decided to reinvest in the local facility, although he was closing facilities elsewhere. And the literacy program was taken up province-wide by the Quebec Labour Federation.

Benefits

The obvious major benefit of an early warning system or network is that the community has timely information available to avoid the threatened loss. Even if a closure or relocation cannot be prevented, the more time available, the more possible it may be to devise other strategies to cushion the loss. For example, a new company can be more quickly started to occupy the open space and provide substitute jobs. Moreover, even if a loss is not avoided by some alternative substitute activity, a network is a good strategy to use for thinking further about how to do things better the next time.

Major challenges

Communities have all too often suffered from unilateral and unfeeling decisions by powerful business firms. And indeed closure and relocation decisions are often hidden from a community, no matter what, until the last moment, on the grounds that the welfare of the firm might otherwise be negatively affected - even when there may be no visible reason for that fear. This set of circumstances in itself poses a major challenge.

The history of such decisions has also often led CED activists into evolving a general adversarial posture with the corporate sector. Such a posture can handicap any effort to respond effectively to the potential community threats in business decisions. The CEDO has somehow to manage to avoid that self-defeating approach. The challenge here is to maintain

a clear position and strategy for job retention without unnecessarily alienating those who might be able to offer key information or work with CED strategists to build stronger economic resources.

Some practical steps

1. Of a necessity the CEDO will construct a good inventory of key employers.
2. Recruit a working group that focusses on clarifying and carrying out the purposes and procedures of an early warning system. This group will ordinarily be composed of a cross-section of ordinary workers in the major employers, union leaders, representatives from community groups (such as churches or social agencies), and, of course, businesses themselves (especially those that are dependent upon the payrolls of the major employers).
3. Establish relationships focussed on the early warning technique with relevant government economic development bureaus.
4. Gather information on the current status of the key employers to ascertain any potential threats to them or to their continued presence in the community. In this activity, the workers, if not the managers, of the key employing firms will be particularly important sources.
5. Organize a routine up-dating process that keeps the group informed as to changes in industry trends and the status of the local firms.
6. Whenever there is any indication of potential trouble, re-double efforts to establish an effective relationship with the firm concerned, with the aim of assisting in resolving the firm's problems and negotiating any dilemmas.
7. When no resolution appears possible, explore all the ways that the job loss can be compensated for: worker-ownership of the abandoned company or facility; re-training; dislocation assistance; new businesses; etc.

Resource organizations & contacts

- Check with BC's Job Protection Commission (604-775-0168) or similar agencies in your own province.
- Also, early warning activities are a part of BC Hydro's BusinessCARE program and Ontario's Business Retention and Expansion program, both of which are cited in [Business Visitation/Mentoring](#).

Publications

- ***Case Study:** "RESO: Developing Montreal's Southwest District." RESO and its partners mesh job retention measures with entrepreneur training and employment preparation in a very effective, multi-dimensional onslaught against community decline

Tools & Techniques

- Greg LeRoy, *Early Warning/Business Development Manual* (Chicago, IL: Midwest Center for Labor Research), 1988.
- Also from Midwest Center: “Saving Manufacturing,” *Labor Research Review*, (No. 19, 1992).
- John E. Lynch, ed., *Plant Closures and Community Recovery* (Washington, DC: National Council for Urban Economic Development, 1990). A compendium of varying quality but nevertheless offering many interesting cases and strategies for when the plant closes despite all efforts.