

**An Analysis of the A.E. Staley/
Tate & Lyle Lockout in Decatur,
Illinois**

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Introduction

There is, in our view, a pressing necessity for A.E. Staley workers and supporters as well as the citizens of Decatur, Illinois to defend their internationally recognized right to organize and bargain collectively; to work and live in a safe environment; to earn a reasonable wage; to achieve reasonable employment security. These rights have been placed in jeopardy by the actions of Tate & Lyle Ltd. following the hostile takeover of the A.E. Staley corporation including a lock out of its workforce. Tate & Lyle's collusion with another locally represented corporate giant and the similar behavior of two others place the entire Decatur community in jeopardy.

Tate & Lyle's explanation of the events leading to and including the June, 1993 lockout of the workers at its A.E. Staley division in Decatur, Illinois is that they need to operate more efficiently for the sake of competition. We strongly disagree with this explanation on the following grounds.

- 1)** Tate & Lyle's actions are consistent with a global trend, evolving since the mid 1970's, for supra national corporations (corporations without national or local roots or loyalties) to drive down standards (wages, working conditions, workplace and food safety, and environmental) and attack any efforts to interfere. Eliminating unions is a part of this strategy which also includes: a high degree of capital mobility in order to gravitate to areas with lower standards; using the claim of competition and the threat of closing or moving to drive down standards where they are; and increasing market power by eliminating competition.
- 2)** Tate & Lyle is itself a supra national corporation which is pursuing this broader strategy through competition eliminating corporate takeovers, aggressive labor relations policies, and similar aggressive policies attacking working conditions and safety based work rules.
- 3)** Tate & Lyle can not justify the attack on Staley workers by the press of competition, when in fact their Staley operations are in a non competitive industry that has achieved among the highest rates of productivity growth in the U.S. during a period of record profits. Wages, on the other hand have not even kept up with inflation. Under these circumstances, to claim a need to destroy workplace safety conditions by altering union work rules

and forcing workers into personally destructive work patterns is disingenuous.

We are dividing our analysis of the Tate & Lyle lockout into the following parts: a) the global context of the A.E. Staley lockout; b) Tate & Lyle's history and its policies at A.E. Staley; c) Tate & Lyle's market position; d) Impact on Staley workers and the people of Decatur.

Global Context

Working people today are facing a very new situation. Since the mid 1970's large supra national corporations have been pursuing a global strategy to increase profits by driving down standards that add to the overall costs of production. David Ranney has developed this thesis in some detail in several publications: "Labor and Today's Global Economic Crisis: An Historical View" (November, 1994); "The Evolving Supra National Policy Arena," (August, 1993); "Labor and an Emerging Supra National Corporate Agenda," (February, 1994); and "NAFTA and the new Transnational Corporate Agenda," (December, 1993). Below we present a brief summary of this research.

In the early to mid 1970's a global economic crisis brought about the collapse of the international agreement which had governed the international economy since the end of World War II. The end of the Bretton Woods Agreement required the development of alternative policies and institutions to prevent global depression and chaos. Over a period of time the Bretton Woods institutions--the International Monetary Fund (IMF), the World Bank and the General Agreement on Tariffs and Trade (GATT) have greatly altered their operations. The thrust of these new policies can be summarized as a global development policy which is reflected in the structural adjustment programs of the IMF and World Bank as well as the creation of the North American Free Trade Agreement (NAFTA) and the replacement of the GATT with a new World Trade Organization (WTO). Basically this development policy opens up all nations to imports, and corporate investment. It also imposes policies designed to keep wages down; undermines social safety net programs; undermines environmental safety, food security and workplace safety standards. Such a policy has enhanced the ability of corporations to move their capital to centers of lowest cost or to use the threat of moving (often under the guise of competition) to lower standards where they are.

As these policies evolved, multi or transnational corporations (corporations based in a single nation operating in several other nations) have become supra national. Essentially this means that the nation of the corporate headquarters let alone the towns where corporate production is based is of declining significance. The process has involved the establishment of majority owned affiliates around the world, the growth of direct foreign investment far exceeding the growth of exports and the use of a variety

of collaborative arrangements among corporations including outsourcing, cross licensing of new technologies, joint ventures, joint research and development programs, mutual ownership. It has also included a high rate of corporate takeovers as these corporate giants dominate global markets by buying up their competition and lower their costs by moving into alternative markets as well as different nations. The emergence of such corporations and their growing dominance in the global economy have been documented not only in David Ranney's writings, but in the research of U.S. Secretary of Labor Robert Reich (*The Work of Nations* 1993), Richard Barnett and John Cavanagh (*Global Dreams*, 1994); Bennett Harrison (*Lean and Mean*, 1994), Jeremy Brecher, (*Global Village or Global Pillage* 1994).

These developments have been facilitated by the creation of transportation and communications technologies that have caused some analysts to term this an information age. In reality the information age is about capital mobility and the lowering of global standards. The creation of highly mobile supra national corporations has also been facilitated by the reorganization of the old Bretton Woods institutions described above.

It is important to be clear that what has motivated these developments is **not** growing **global competition** as some analysts have maintained. Rather it is **global crisis** that has brought about the form of the global economy. Furthermore, the aim of globalization is to resolve the crisis by cheapening the costs of production through a lowering of global standards in terms of wages, workplace and consumer safety and the environment.

In the State of Illinois these developments have manifested themselves in massive deindustrialization as the global firms buy out their competition, replace people with machines, move production around the country and around the world and move capital investment from one commodity to another. David Ranney has estimated that during the 1980's the Chicago area lost over 106,000 jobs under these circumstances. ("Transnational Investment and Job Loss: The Case of Chicago", October, 1992). The massive job loss has caused significant deterioration of Chicago area communities. This is particularly true for African-American and Latino communities where the majority of job losers live ("Transnational Investment and Job Loss in Chicago: Impacts on Women, African-Americans and Latinos," by David Ranney and William Cecil, January, 1993). Furthermore, in the State of Illinois, people earning between \$15,000 and \$50,000 in 1977 experienced an average 8% loss of inflation adjusted income by 1988; people earning less than \$15,000 suffered a 15% loss.

These developments are the context for what is happening today in Decatur, Illinois and provide a crucial context for understanding events at the A.E. Staley Company since its hostile takeover by Tate & Lyle Ltd. in 1988.

Tate & Lyle: A Supra National Corporation

Though officially a British corporation, Tate & Lyle fits the profile of the supra national corporation we have described above. Tate & Lyle was first organized as a privately held family corporation producing sugar in 1903. Throughout the early 1900's the corporation built its fortune by establishing plantations in British colonies including Jamaica, Zambia and Rhodesia. During the 1960's and 1970's the decline of British colonialism meant that Tate & Lyle lost many of these plantations. In an effort to adapt to these new conditions it established plantations in South Africa to take advantage of the apartheid system. Its activities in South Africa were exposed and criticized by an independent British television network in 1977 and they were forced to divest.

Beginning in 1981 the corporation began to adapt to the new global economic realities we have described above. They became a public corporation in this year and began to aggressively expand their activities by buying corporations producing a variety of commodities throughout the world. Today Tate & Lyle operates in 27 different countries. It is a global producer and seller of sugar and cereal sweetener, and starches. Tate & Lyle produces granulated sugar, "Lyle's Golden Syrup," beet sugar, potato starch, white sugar under the Domino brand name, molasses, low calorie sweeteners, and animal feed. The corporation also has major interests in bulk storage facilities, shipbuilding, finance and insurance, engineering, foundry products and rum.

I. Motivation: Eliminating Competition

The expansion of Tate & Lyle has been accomplished by the buying and selling of firms. Major takeovers (often hostile) of competitive firms has been geared toward **eliminating** competition. In addition to the Staley takeover which was resisted by the management of A.E. Staley, there have been 17 separate transactions (acts of buying and selling) since 1988. In addition there have been some notable successful efforts to resist Tate & Lyle's corporate raiding which are instructive of their intent in these transactions.

Early in the 1980's and again in 1990, for example, Tate & Lyle attempted to take over British Sugar. If that takeover had been successful Tate & Lyle would have controlled 94% of the British sugar market. The British government prevented the takeover. Nevertheless, in 1991 they were cited in the British Restrictive Practices Court for a price fixing arrangement with British Sugar.

Tate and Lyle was also prevented by the government of Spain from taking over its major sugar corporation, Azucarera. In Australia, where Tate & Lyle completed a successful, yet hostile, takeover of a sugar producer called Bundaberg, local cane growers prevented their efforts to purchase two crushing mills in that country. The growers' resistance was based on their concern that short term profit performance

would govern the management of the mills at the expense of the interests of the growers.

ii. Motivation: Driving Down Standards

Earlier we argued that the motivation behind the creation of supra national corporations was not only to eliminate competition but to drive down standards in order to decrease production costs. Tate & Lyle is no exception to this pattern. We will examine Tate & Lyle's efforts to drive down standards (outside of the A. E. Staley) with respect to labor relations, political activities, and occupational health and safety.

The lock out at A.E. Staley is not an isolated event. In 1992, International Longshoremen's Local 1814 had a strike against Tate & Lyle's Domino sugar operation in Brooklyn, New York. In Queensland, Australia just two years after Tate & Lyle took over a major Australian sugar company, Bundaberg workers at three crushing mills went on strike. In 1993 British Tate & Lyle workers went on strike over many of the same work rule changes that provoked the conflict at Staley.

Political activities are also an indicator of corporate intent. In 1989 when the U.S. Occupational Safety and Health Agency (OSHA) proposed implementation of new engineering and administrative controls in its air contaminants standards, Tate and Lyle joined other industry giants including Archer Daniels Midland to fight it. In 1993, even after a worker was killed at A.E. Staley by contaminated air, Tate & Lyle was successful in getting the standard vacated by the Eleventh Circuit Court. Occupational safety and health analysts were quoted as stating that the ruling "creates serious impediments to OSHA's ability to protect workers from exposure to thousands of toxic chemicals in the workplace."

As we will discuss later, Tate & Lyle has seriously compromised worker safety at A.E. Staley. This too was not an isolated event. In 1990 they incurred a major fine in its Greenock, Scotland refinery when a worker was smothered to death by an avalanche of sugar inside a silo. Because of its seriousness, the case was one of the rare workplace injury cases to be held in a Crown Court instead of through the usual industry safety legal channels. The court fined Tate & Lyle \$415,000.

Tate & Lyle at A.E. Staley

Tate & Lyle's activities at A.E. Staley follows this general pattern of behavior to the letter and thus fits the broad context of supra national corporate behavior discussed at the beginning of this report. The story starts with the takeover itself. It occurred in 1988; it was a hostile takeover. **The motivation for the takeover was to eliminate competition and its implementation demonstrated a consistent effort to drive down standards to the detriment of A.E. Staley workers.**

Historically, Staley's main production activity has been "wet corn milling." This involves a practice of breaking down corn into a variety of industrial products. Among these is a corn syrup that is now used almost exclusively as the ingredient to sweeten soft drinks in the U.S. and many other markets. Prior to the takeover of Staley, Tate & Lyle had no corn syrup production facility. In order to enhance its control of the world sweetener market, Tate & Lyle needed a corn syrup production facility. Rather than go through the difficult task of starting a competing company, Tate & Lyle simply bought out one of its competitors. That competitor was A.E. Staley in Decatur.

It is important to note that the sweetener industries were already controlled by very few companies prior to the Staley takeover. 99% of products resulting from cane sugar refining were produced by only 8 firms in 1987. 8 firms controlled 94% of beet sugar production. In the case of wet corn milling, eight firms also accounted for 94% of total production. In addition, some of the giants in the production of sweeteners own pieces of one another. Archer Daniels Midland (ADM) for example owns 7% of Tate & Lyle. In most major corporations, 7% of a company's stock gives one considerable influence over production and pricing decisions. This suggests that Tate & Lyle is part of an industry that is even less competitive than the above figures would suggest.

A lack of competition in the industry is also suggested by the fact that despite high productivity gains in the industry, since the mid 1980's, prices continued to rise. Between 1984 and 1992, producer prices in wet corn milling rose about 7% faster than for food products generally.

The importance of this analysis is that in an industry already remarkably non competitive, Tate & Lyle reduced the competition further in order to tighten its control of world markets. This was the motivation for the Staley takeover.

Once the takeover was complete, Tate & Lyle moved quickly to install management procedures and work rules designed to undermine standards that protected workers but added to the cost of production. It is our contention that Tate & Lyle saw the union as a major impediment to this effort so that many of its actions were designed to undermine worker organization. We will examine these actions in terms of management practices/workrule changes, and occupational safety and health.

I. Management Practices

There is considerable evidence based on changed management practices at A.E. Staley after the Tate & Lyle takeover that the company wished to provoke a strike in order to impose a regime of lower standards at this workplace without the interference of a union. As noted earlier, Tate & Lyle is no stranger to such tactics. In addition, since 1980 when President Reagan replaced striking air controllers and broke

their union, firms operating in the U.S. have regularly provoked labor conflict toward similar ends (Thomas Geoghegan, *Which Side Are You On?* 1991).

In 1989, only one year after the Tate & Lyle takeover, the union had great difficulty in getting the new management to bargain on the new contract. A strike was only barely diverted. Following the signing of the new contract, Tate & Lyle replaced four of Staley's top management including its CEO. These replacements were accomplished between July, 1990 and September, 1991. Beginning April, 1991, the management began instituting workrule changes and imposing harsh discipline for minor infractions. Workrule changes included such things as regulations over the wearing of beards, more stringent attendance standards, work relief time, diminished time for excused union business, and a new performance appraisal system. Between October 14, 1991 and September 30, 1992 (the expiration date of the new contract) 15 employees received disciplinary suspensions and 9 were discharged (the union won reinstatement for 7 of these). Another 7 employees were discharged between October 1, 1992 and the lockout of June, 1993.

In addition to workrules and harsh discipline, other company actions offer evidence that Tate & Lyle was attempting to provoke a strike. Three months before the expiration of the contract, Tate & Lyle began construction of a three-mile starch-slurry pipeline between A.E. Staley and another corn processor, Archer-Daniels-Midland. As noted earlier, ADM owns 7% of Tate & Lyle stock. Such a percentage gives ADM a considerable influence in company policies. The pipeline makes it possible for either plant to operate at a reduced load, as partially processed product can be transferred through the line from one plant to another for further processing.

Secondly, in 1992 Tate & Lyle forced Staley workers to develop procedure manuals that explained how to do their jobs. The management also brought in outsiders to observe as workers performed their tasks. Workers believed they were learning how to do their jobs.

The company's terms for a new contract also suggest their desire to foment a strike and drive down standards. After a period of negotiation the company gave its final offer which included imposing two rotating 12 hour shifts, a schedule that would save the company money but would deprive workers of basic community and home life outside of work. In addition, the contract forced workers to pay more of their health care costs and greatly restricted grievance and arbitration procedures. After workers voted against the contract its terms were unilaterally imposed. Workers refused to strike but resisted with a corporate campaign and an in-plant tactic of following all company rules to the letter which slowed production. The company eventually imposed the lockout on June 27, 1993, dropping health insurance coverage on July 1.

ii. Occupational Safety and Health

The most serious attack on standards at A.E. Staley came in the form of work procedures that seriously compromised worker safety at the plant. These included both production processes and the practice of assigning workers who were not adequately trained to do dangerous tasks. These claims boiled to the surface at A.E. Staley when James Beals, a maintenance mechanic, was killed by toxic fumes on May 15, 1990. A plant wide OSHA inspection resulting from this tragedy produced a recommendation by compliance officers that Tate & Lyle be fined \$1.6 million for 298 safety violations. Among these violations were explosion hazards caused by combustible dust, asbestos hazards, and unsafe electrical equipment. In the case of James Beals, the company was cited for failure to follow training requirements and procedures for working in confined spaces.

Even after the fatality and the citations, Tate & Lyle, while claiming to invest \$200 million to upgrade health conditions, reduced safety administrative staff from 24 to only 3. The union contends that the downgrading of safety standards continued. In addition, Tate & Lyle resisted OSHA's citations. Yet, on January 31, 1995, the matter reached a federal law judge who imposed a fine of \$706,100 for safety violations. The judge upheld 89 "willful violations" (where company officials were found to be aware of the violations) and another 98 "serious violations."

Tate & Lyle's Market Position

As noted earlier, Tate & Lyle's explanation for their actions is that they were forced to take many of the above steps because of competition. In addition to arguments posed above, we would also cite the fact that Tate & Lyle has been enjoying considerable financial strength and is a dominant firm in a relatively non-competitive market.

Tate & Lyle is a major player in an industry (sweeteners) dominated by a relatively few giants who struggle for market shares through corporate buyouts. As noted earlier, Tate & Lyle's motivation for the takeover of A.E. Staley was to increase its dominance in the sweetener industry by entering an industry segment -- wet corn milling -- that produces a lucrative product used to sweeten soft drinks.

Prior to and since the takeover of A.E. Staley, Tate & Lyle has enjoyed steadily increasing profits. Between 1989 and 1993 profits increased by 11%, with gains coming every year. Half of that profit came from its U.S. operations and 62% came from its sweeteners.

Furthermore, in the wet corn milling segment (of which A.E. Staley is a part) the

growth of U.S. productivity ranks second of all industries. In 1991, as Tate & Lyle began to impose a standards lowering regime on Staley workers, value added per worker in the wet corn milling industry stood at \$527,000. This represented a growth of over 50% since 1988. While we were not able to obtain productivity figures on A.E. Staley itself, there are good reasons to believe that the firm was not atypical of the entire industry. First of all if it were a low productivity plant, it is unlikely that Tate & Lyle would have bought it. Secondly, it is one of the larger plants in the industry segment and will thus dominate the productivity statistics cited. Thirdly, Staley is a major firm among Tate & Lyle's U.S. operations and U.S. earnings account for over half of Tate & Lyle's profits.

We conclude, therefore, that Tate & Lyle took over a highly profitable operation in A.E. Staley and one which was experiencing high and rapidly growing productivity. Furthermore, the entire sweetener industry is dominated by a very few giant supra national corporations. Tate & Lyle and its close collaborator, Archer Daniels Midland, are among them. Thus there can be no ground to justify the attack on worker standards based on "competitive pressures".

Impacts

A lockout of the duration of that occurring at Tate & Lyle has considerable impact not only on individual workers and their families but on the entire Decatur community. These impacts are compounded by the fact that two other major supra nationals -- Caterpillar and Firestone -- have also chosen to push an agenda of lowering standards on its Decatur workers.

It is important to note that prior to the Tate & Lyle takeover, Decatur workers and the Decatur community generally had already suffered a lowering of living standards. Generally, manufacturing workers throughout the 1980's suffered job and wage loss. This was equally true of Decatur's workforce. Between 1981 and 1991 employment remained steady but inflation adjusted wages declined by 22%. Toward the end of the decade, as the community began to recover from the recession of the early 1980's, wages began to come up again. However, the recession of the early 1990s caused another drop. Weekly manufacturing earnings declined by 16% between 1989 and 1992. Declining wages in a relatively self contained community like Decatur creates great difficulties. Declining purchasing power means less consumer spending which adversely affects area businesses. Residents find taxes more burdensome and eventually there is likely to be a decline in municipal services.

Thus these economic problems for workers and the Decatur community establish a context for the attack on Staley worker standards. The attack was launched in the midst of serious economic problems.

These problems have been compounded by the lockout and simultaneous actions of Caterpillar and Firestone. We estimate that approximately 3,800 workers, nearly 30% of the manufacturing labor force, is presently on strike or lockout. Given the fact that average weekly earnings in Decatur's manufacturing sector are approximately \$600, this means that the area economy is losing \$2,280,000 weekly! Further, these figures do not include the loss of benefits--especially health insurance. Illness, which statistically tends to increase during periods of unemployment, can plunge families deeply into debt, increasing greatly the time it will take those families and the community as a whole to recover. Thus the strikes and lockout are not only costly to the individual workers and their families, they harm the entire community. And this harm comes on the heels of a period of significant economic distress.

It is also important to note that prolonged job loss causes even greater economic and personal losses due to the fact that firms that supply factories and businesses that cater to individual workers (restaurants, retail establishments etc.) experience a significant drop in demand for their products and services. Some firms will go out of business or greatly curtail output causing further loss of jobs and income. While we have not made a study of this multiplier effect in Decatur, on average the multiplier is around 2.2. That means, for example, that if Decatur permanently loses 3,800 jobs (the number of workers presently out of work due to lockout or strike) that will result in a total job loss of 8,360 and an annual loss of income of over \$250 million. In a small community like Decatur this would amount to economic disaster. Decatur could well become a ghost town.

Conclusion

We have demonstrated that the actions of Tate & Lyle fit a pattern of activity common to supra national corporations in the 1990's. Far from this corporation responding to competitive pressures, they have engaged in practices designed to capture greater market shares through the **elimination** of competition and a prolonged effort to reduce costs by driving down the living and working standards of their workforces. The current conflict in Decatur has been brought about through such a process. Decatur -- its workers and its citizens -- has been under attack by major supra national corporations. Tate & Lyle in particular has demonstrated that it has no sense of corporate responsibility for its workers or the community it invaded in the course of a hostile corporate takeover. The stakes for the people of Decatur and people committed to human rights generally are very high. The very livelihood of these workers is at stake as is the survival of Decatur, Illinois.