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Sunday, November 21, 2004



Parts are ready for shipment from Harbor Beach to KenSa's Honduras plant, which handles more wire harness business than the Michigan site and employs more employees. More jobs from both factories are heading to China.

**Chapter Five: Abandoned in Michigan**

## Company sells last factory in state

Longtime employees lose jobs, must start over

By Ron French / The Detroit News

**HARBOR BEACH**--In her nightmares, Deb Coverdill was in her car. "I'm dressed and I'm driving to work," Coverdill said. "I'm driving and I'm driving and I'm driving, and I never get there."

She awoke in a sweat. She still has a job, she told herself, she still has a job.

The 46-year-old had survived round after round of layoffs at KenSa. Owner Hal Zaima called the factory a "stepchild" to his offshore

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operations, warning workers in January that the plant would close unless he could sell it.

Shuttering the plant would surprise no one. It had been an era of upheaval and soul-searching, and lying awake in bed, Coverdill turned to God for an answer.

"Please let us keep our jobs," she prayed. "Please let things work out at the plant."

At 10:45 p.m. on Nov. 2, her prayers were answered.

After weeks of negotiations, Zaima signed a contract to sell the factory and its assets.

The new owner was A.G. Manufacturing, a company formed for the purchase by a group of auto industry consultants. One of the new owners, Victor Edozian, visited the plant days earlier, assuring workers that he had big plans for the factory and for them.

The Harbor Beach employees were cautious. After seeing so many jobs go overseas, they weren't sure if this Nigerian-born auto industry consultant offered them a fresh start or just a stay of execution. Yet when word leaked onto the factory floor on Nov. 3 that the papers had been signed, Coverdill felt a twinge of something rare and precious in her hometown: optimism.

"He said there were jobs out there, you just had to go get them," Coverdill said. "He said all the right things."

Stretching definition of



**Deb Coverdill looks through items she gathered from her work area at the KenSa plant, whose new owner recently laid off the 19-year employee. She was offered a management job at KenSa's Juarez, Mexico, factory, but she doesn't want to leave her family behind.**

### Key points

- \* Michigan has lost 51,000 jobs to Mexico and Canada in the past decade, and is expected to lose another 46,000 to offshoring by 2012.

- \* Manufacturing jobs are being replaced with jobs that pay less.

- \* The world's supply of cheap labor could last for centuries.

- \* Michigan workers may face lower wages and a lower standard of living.



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an American company  
 Most Americans have never heard of Chery Automotive, but they will soon.

The 7-year-old Chinese automaker sold 100,000 vehicles in China in 2003 and 150,000 this year. By 2007, officials expect to sell 500,000 cars and export their inexpensive knockoffs of big-brand vehicles to the United States. The subcompact QQ sells for \$6,725 -- about \$3,500 less than Chevy's China-market Spark, of which the QQ is a nearly exact duplicate.

In a meeting at the automaker's Wuhu, China, headquarters, purchasing director Tao Yuan complained that the wire harnesses Chery buys from Delphi's China branch cost too much.

John Clough, KenSa's CFO, said he knows why: Delphi has too many employees in the United States.

"As you know, the U.S. has very high labor costs," Clough told the potential customer. "We (KenSa) have a very small number of people in the U.S.

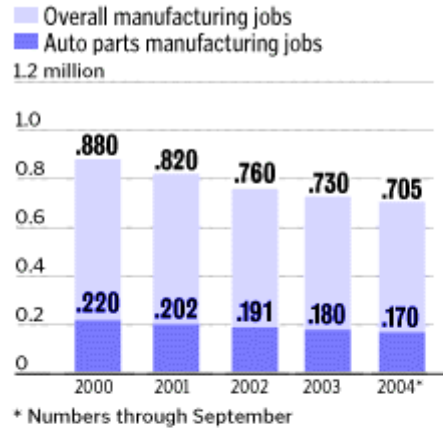
"Our goal," Clough said, "is to reduce our exposure to U.S. manufacturing."

That goal has been accomplished. KenSa now has about 130 employees in Honduras, 230 in Mexico and 250 in China and -- in the wake of the factory sale -- zero assembly workers in the U.S.

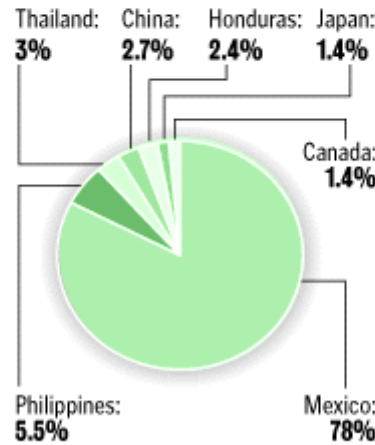
By 2008, if things go according to plan, the company will have 800 employees in Mexico, 1,000 in Honduras and at least 1,000 in China, stretching its designation as an American company.

KenSa will keep its headquarters in Sterling Heights, because "Detroit is still the heartbeat of the auto industry," Zaima said. But if Zaima's ambitious expansion plans come to fruition, about 40 workers, or less than 2 percent of the company's staff, will be in the United States.

### Mich. factory jobs decline



### Wire harness imports to the U.S.



Sources: Michigan Department of Labor and Economic Growth, United States International Trade Commission  
 The Detroit News

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Company executives will be based here, as well as accountants, the sales staff and engineers. But even they shouldn't get too comfortable.

"We plan to offshore some engineers," Zaima said. He recently hired two Honduran engineers to work at KenSa's factory in San Pedro Sula. The salary for the college-educated engineers: \$350 a month, or about \$2.18 an hour.

"One of our customers said, 'You're in the right places -- you guys are doing the right thing,'" Zaima said.

Consumers pay lower prices, watch stock values rise

The headlines about factories moving to China tell only part of the offshoring story, Zaima said. His company is cutting low-paying factory jobs in Michigan, but adding a few high-paying jobs in its headquarters to help manage the global operations.

Earlier this month, KenSa hired an engineer in its Sterling Heights office who speaks Chinese -- the only U.S. employee who can communicate directly with KenSa's workers in China.

A study by the Economic Policy Institute found that Michigan lost 97,411 jobs overseas in the past decade, but also gained 45,945 -- a net loss, but not a total loss.

In the United States, globalization offers higher stock prices for the shareholders of companies moving overseas, and lower prices for products ranging from roasters at Wal-Mart to SUVs at Big Three dealerships.

"At the end of the day, the biggest value we're getting (from globalization) is consumer products," said Zaima. "We're beneficiaries of cheap labor in other countries."

But even as he moves jobs overseas, Zaima sometimes wonders who will be left in America to buy those cheap products.

"The issue here isn't the present conditions for Mexican workers; it's the future conditions for workers in Michigan," said Harley Shaiken, a professor at the University of California Berkeley specializing in labor in the global economy.

Because auto suppliers must compete with the prices of suppliers in lower-cost countries, "salaries in Juarez exert a downward pressure on salaries in Warren," Shaiken said.

"The chain is unraveling, and it was unraveled by us," Zaima said. "We've seen the enemy, and it is us."

More Michigan layoffs, more soul searching

On Nov. 4, Deb Coverdill was laid off.

The new start promised by the new owner required fewer employees than expected, Nye told Coverdill. He'd asked that more employees be let go before he took over.

The layoffs reduced the assembly-floor staff to about 10.

"I was speechless," Coverdill said. "I'd been there 19 years. I thought I was safe."

Weeks earlier, Coverdill had been offered a management position at the KenSa plant in Juarez, but the prospect of moving was terrifying to Coverdill. "My whole family is here. I have a brand-new grandson. I have a son in his last two years of high school," Coverdill said. "I'd lose everything."

Now that she'd lost her job, she risked losing her home. "I'm the main

breadwinner in my house," Coverdill said. "That's why it hit me so hard."

Coverdill helped train the workers in Mexico and Honduras who replaced her and her friends, and doesn't blame them. But she can't help but feel anger toward Zaima.

"I like Hal, but he is very ambitious," Coverdill said. "He wants KenSa to be competitive with the Yazakis and the Lears (two of the world's largest wire harness manufacturers). And those plans didn't include Harbor Beach."

Zaima views his decisions less in terms of ambition than survival. "I hope somebody has a plan," he said, "because it's a lot bigger than me."

Globalization is changing more than the price of our cars.

It's increasing the flow of legal and illegal immigrants to the United States from Mexico, as jobs dry up in Juarez factories.

It's sparking social changes in Central America as women enter the work force for the first time, likely leading to lower birth rates and higher education levels.

It's changing the face of China as millions move from farms to factories looking for a better life.

And in a kitchen in Deckerville, it is increasing the pressure on 12-year-old Cody and 14-year-old Brett to finish their homework.

Michigan KenSa worker Doug Ross is determined that his children go to college. "If you walk out of high school with a diploma and don't go to college, what are you going to get?" Ross asked. "You're going to end up working on a farm or in a factory in the same situation as me -- wondering day to day in limbo about your job."

Ross has been offered a job with AG Manufacturing at the former KenSa plant. If things go well, the factory may employ 50 people in two or three years.

"We're in a situation where any individual firm is powerless to do much," Shaiken said. "If these are the norms we say are appropriate, we're looking at a future (in the U.S.) not only of lower wages, but of much lower purchasing power."

Like water flowing downhill, jobs move to the cheapest-labor countries. "In an incredibly brief moment in history, there has been a vast increase in the unskilled labor market," said Andrew Schrank, assistant professor of sociology of Latin American studies at Yale. "Think of women coming into the labor market in developing nations, plus agricultural mechanization that means fewer people are needed in the fields, plus the opening of China, where the vast majority of people still live off the land, plus the development of logistics to get products to market.

"To exhaust the supply of cheap labor could take not decades, but centuries."

Already, companies are looking for the next China. Yazaki has lobbied Congress to expand NAFTA to Haiti, where labor is cheaper than in Central America. Some regions of Africa would be even cheaper, if governments were stable and transportation logistics could be solved.

"We'll probably end up in Antarctica someday," Nye joked.

Ross isn't laughing.

"I understand the reasons companies are going overseas," Ross said.

"But I also have a problem with jobs being taken. I live here. I've got kids here. I want a good life, too."

Globalization fuels dreams and nightmares

Deb Coverdill and Huang Wei's lives continue to be connected.

In China, Huang worked enough overtime recently to buy a cell phone. For the 22-year-old, it was a small but happy step toward independence.

"I am confident my life will improve with the company," Huang said through a translator.

Half a world away, Coverdill filled out job applications. She knew the chances of getting a job were slim, and the chances of getting a job that paid the \$35,000 a year she made as quality control manager at KenSa were nil.

"I guess the free market helps people who are less fortunate, but eventually it has got to affect the United States," Coverdill said. "There's going to be nothing left here, or we're going to have to learn to live on a whole lot less income than what we're used to."

Coverdill still has trouble sleeping, but after she lost her job making wire harnesses, her prayers changed.

"Give me the strength to make it until I can find another job," she prays, "and help me remember that there are people who are worse off than me."

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