



Trump deal in Indiana saved 1,000 jobs — but can and should it be repeated?

Deal to keep 1,000 Carrier jobs in U.S. has many hoping president-elect will intervene again

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Donald Trump decided to step back from his own business this week but not before intervening in someone else's.

His deal making with heating and air-conditioning equipment manufacturer Carrier Corp. delivered great news for roughly 1,000 workers, whose jobs will remain in Indianapolis instead of going to Mexico.

But as Trump visits the city Thursday to celebrate his biggest coup since becoming president-elect, some economists are questioning the sustainability of his bargaining approach.

Trump has reportedly asked aides to collect names of firms considering moving jobs overseas, so the self-proclaimed "negotiator-in-chief" can muscle in and repeat the success he had with Carrier.

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The details behind the Carrier deal are not yet clear, but labor expert Marquita Walker is already skeptical.

She worries about a "hostage mentality" if Trump plans to use his presidential pulpit to end outsourcing threats on a company-by-company basis.

The lesson corporations might take from Carrier case is that they can threaten to relocate manufacturing, for example, then demand that they get certain concessions and an audience with Trump, she said.

"You can imagine a plant saying they'll leave unless they get tax credits or tax incentives," said Walker, who specializes in labor-management relations at Indiana University-Purdue University in Indianapolis.

"It's a staple of employer-management tactics. And there's more heft behind these threats now that this analogy has been made."

Deal doesn't get to 'underlying cause'

Keeping the Carrier plant open is a big win for the Hoosier State, though 400 local jobs may still go. But Mohan Tatikonda, a professor of operations management at Indiana University Kelley School of Business, called the deal a "spot solution."

"It applies to one facility, but it doesn't get to the underlying cause. It's a Band-Aid on top of the observable symptom," he said.

Robert James, who has for 18 years driven a forklift at the manufacturing plant, is confident he'll be among the 1,000 who will get to continue working there, given his seniority.

"I'm happy about it. The union, the members, the community, we're all happy about it," the 57-year-old said. "But we still feel for the 400 employees [who won't retain their jobs]."

"I guess soon we'll find out what's on the other end of this deal."

Carrier said in a statement on Wednesday that "incentives offered by the state were an important consideration" in keeping jobs in Indiana.

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But not knowing the precise details is worrisome, said economist Bill Poole, a senior fellow with the Cato Institute who served on the Council of Economic Advisers in president Ronald Reagan's administration.

"The deals on the side. The crony capitalism. This, to me, is an example of the application of extra-legal power that ought not to exist in a democracy," he said.

"What we don't know is what president-elect Trump [may have] threatened if Carrier did not keep these jobs in the United States."

It's unclear what compelled Carrier executives to change their minds. Vice-president-elect Mike Pence failed to negotiate a deal as governor of the state as did Indianapolis Mayor Joe Hogsett.

But there is good reason that Carrier might want to stay in the U.S. government's good graces. Its parent company is Connecticut-based United Technologies, one of the nation's largest defense contractors. United Technologies receives \$5 billion US in contracts from the U.S. government annually. Loss of those federal contracts would mean the holding company's revenue would take as much as a 10 per cent hit, according to the New York Times.

Terms of the deal could become clearer on Thursday, when Trump arrives in Indianapolis to officially seal the deal before a presidential "victory tour" leading up to his Jan. 20 inauguration.

'Can this work in the long run?'

An estimated five million manufacturing jobs have disappeared in America since 2000, according to the Bureau of Labor Statistics.

Given those daunting numbers, the 1,000 Carrier jobs are a "drop in the bucket," said Robert Blecker, an American University economics professor specializing in trade with Mexico.

"Can this work in the long run? Well, he's not going to negotiate with every company," Blecker said.

Take, for example, Rexnord Corp.

While Carrier workers were celebrating the 1,000 preserved U.S. jobs, workers and management at Rexnord Bearings, located just a seven-minute drive north of the Carrier facility, were deep into contract negotiations.

The ball-bearings manufacturer is slated to move nearly 300 jobs to Mexico.

Reached on his cellphone on Wednesday night, Rexnord employee Chuck Jones was locked in bargaining to keep the Indianapolis factory running.

"Trump's coming into town, and we don't know anything until then, but we'll be there," said Jones, who is also the president of United Steelworkers Local 1999, the union representing Carrier workers.

Was Jones counting on Trump to step into negotiations as he did in the Carrier case?

"Most certainly," he said. "That's what we're all hoping for."