Losing Sparta

The Bitter Truth Behind the Gospel of Productivity

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Putnam County Republican Party Headquarters. Cookeville, TN.

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When Lisa Norris was a kid in Cookeville, Tennessee, her father worked at Acme Boots, and that plant and her childhood were intertwined. One of her earliest memories is of wandering around the factory among bins of leather, breathing in the smell of the well-oiled wood floors. Then the boot plant went to Mexico and her dad landed at Wrangler, which makes jeans, and then Red Kap, which makes workwear, and rarely ever again did he stay at a job for more than eighteen months. Each time, the plant would downsize or shutter, the jobs would cross the border, and he'd have to start all over again.

Norris spent her teenage years doing 4-H and helping out at her grandfather's hardware store. She also went to five different high schools as her father chased work. This experience is why, in her early thirties, after several years doing human resources in the auto and defense industries, she started her own consulting firm dedicated to helping plants implement lean manufacturing principles and union avoidance, in an effort to save jobs in central Tennessee. "In all of my eleven years I never had a plant that left the area that I was involved with," she told me proudly. "I was able to say nothing's ever left. Nothing's left the building."

In late 2008, she got a call from Dave Uhrik, a veteran operations manager she deeply admired, who broke the news that he'd been hired on to manage a plant near Sparta, just down the road from where Norris grew up. The large factory produced commercial lighting fixtures and had recently been acquired by Philips, the $39 billion Dutch multinational best known for its vast array of consumer products, from light bulbs to electric toothbrushes to television sets. It took Norris "exactly twenty-seven minutes" to decide that she was going to sell her business and join what Uhrik pitched as "the dream team." It was barely half the pay, but it was a chance to put all of her ideas into practice, to be part of "the best of the best," a model for what was possible in American manufacturing. "It was like, Oh, my goodness, we could do great things!"

The humming Sparta plant had it all. For one thing, the town is within a day's haul of most US markets—from New York and Chicago to Atlanta, St. Louis, and Dallas. Tennessee has decent, well-maintained highways. The plant was union—a new experience for Norris—but this IBEW local was steely-eyed about keeping and creating jobs; it had, for example, accepted a two-tier pay scale and surrendered contract protections in order to attract a highly automated production line from New Jersey. The press for that new line, known as a Bliss, was nearly three stories high (so big it had to be anchored twenty feet underground) and could stamp out eight or ten massive commercial fluorescent fixtures every minute. It attracted lucrative contracts from hospitals, prisons, grocery-store chains, and Walmart supercenters. Norris called it "a monument." Brent Hall, the union rep, described it as a beating heart. "Every time that press rolled over," he said, "the whole building would shake."

Other production lines at the plant could push out smaller, custom products tailored to the needs of a specific buyer. A whole swath of the maintenance crew had been sent, on the plant's dime, to get certified as industrial electricians and welders and millwrights so that they could retool machines on the fly, switching production from one job to the next in a matter of minutes. "Anything they wanted, we'd build it for them," Scott Vincent, one veteran electrician told me. With Uhrik and Norris at the helm, the plant started buying steel and other inventory on consignment, and trimmed turnaround times to the point that its invoices would be getting paid before the bills on raw materials were even due. Tasked with cutting costs by $4 million, the management team tapped employees to identify inefficiencies in the assembly process, worked with suppliers to reduce components costs, and drastically reduced the number of products with defects. The plant boosted productivity by 7 percent and kept labor costs low, at around 4 percent. Still, thanks to the union, most workers were earning $13 to $15 an hour—"real decent money around here," as one maintenance worker told me, especially for a workforce where many had never graduated high school—with two to three weeks of vacation and a blue-chip health plan. Employees stuck around for years, knew their jobs inside and out, and had a rare esprit de corps. When they faced tight deadlines, fabricators would volunteer to come in as early as 4 or 5 a.m. so they could get a head start before the paint crew arrived at six. In December 2009 the Sparta facility was named by *IndustryWeek* as a Best Plant of the year, one of the top ten in North America. In the months that followed, it won Best Plant within Philips's global lighting division as well as the firm's global "Lean Challenge." That summer, plant managers invited state officials and legislators to Sparta to celebrate.

Then, one morning in November 2010, a Philips executive no one recognized drove up and walked into the plant, accompanied by a security guard wearing sunglasses and a sidearm. He summoned all the employees back to the shipping department and abruptly announced that the plant would be shut down. Though the workers didn't know it at the time, most of their jobs would be offshored to Monterrey, Mexico. The two of them then walked out the door and drove off. "It was a shock, I'll tell you," Ricky Lack said more than two years later. Still brawny in his late fifties, he'd hired on at the plant in 1977, when he was nineteen years old. "My dad worked there," he said. "Half the plant's mom or dad or brother worked there. We still don't know why they left."

An old Philips sign above the Williams Wholesale Supply store. Cookeville, TN.

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If you listen to any mainstream economist—say, former White House economic advisor Gregory Mankiw, the author of one of the nation's most popular economics textbooks—you'll learn that "productivity growth is good for American workers." Productivity goes up, and with it comes rising prosperity for all. As Adam Davidson, the popular economics guru of Planet Money and the *New York Times Magazine*, wrote recently, "Productivity, in and of itself, is a remarkably good thing. Only through productivity growth can the average quality of human life improve."

American workers are astonishingly productive. In fact, American labor productivity has grown every single year for the past three decades, according to the Bureau of Labor Statistics. US productivity zoomed up after the most recent financial crash, rising sharply from 2008 to 2009, and again from 2009 to 2010. By contrast, productivity actually shrank during this period in such industrialized nations as Japan, Germany, and the UK. Sure, a share of these productivity gains are due to American firms outsourcing and offshoring jobs to cheap labor markets, but the bulk of it comes from American workers adapting to new, more efficient technologies and working harder and faster than ever before—and for less pay.

Politicians on both sides of the aisle tend to lean on American productivity as the solution to our current economic woes, a phenomenon in force during the last presidential campaign. “I know we can out-compete any other nation on Earth,” Barack Obama told the nation in a weekly address in January 2011. “We just have to make sure we’re doing everything we can to unlock the productivity of American workers, unleash the ingenuity of American businesses, and harness the dynamism of America’s economy.” Mitt Romney, too, argued that “[a] productivity and growth strategy has immediate and very personal benefits,” and that “economic vitality, innovation, and productivity are inexorably linked with the happiness and well-being of our citizens.” The idea being that if we sprinkle a little stimulus money here or some deregulation there, depending upon your orientation, American workers will somehow, through sheer grit and generous doses of Red Bull, be able to dig deep and work even faster, even harder, and even more efficiently than before—even though they’ve been doing so for decades—thereby jump-starting our economic engine. After that, the sky’s the limit.

So why didn’t this play out for the ferociously productive workers at Philips’s award-winning plant in Tennessee? This “engaged workforce,” in the words of *IndustryWeek*, had hiked production on some lines by more than 60 percent, cut changeover time between small orders by 90 percent, and reduced the number of defective parts by 95 percent, making the plant one of the most productive in America.

There is data to bolster the gospel of productivity. From the end of World War II until the early 1970s, when many policy makers were coming of age, productivity and wages rose in tandem in the United States, in a steady upward curve of prosperity so dependable that it began to seem inevitable. But since then, as economists only began to notice in the mid-1990s, productivity has continued to grow while real wages have flattened or even dropped for a majority of workers; most of the real income growth in recent decades has come from households working more hours or more jobs.

During the current recovery, productivity growth hasn’t even resulted in increased hiring; rather, it has occurred in concert with massive layoffs and record long-term unemployment. “U.S. employers cut jobs pitilessly” during the recession, noted a typical story from the Associated Press. “Yet after shrinking payrolls, many companies found they could produce just as much with fewer workers.” The result has been a recovery marked by increased productivity and record corporate profits, but with catastrophically low employment growth. Yet economists and pundits continue to chew over our “jobless recovery” as if it were an anomaly.

When Philips announced its plans to shut down the plant in Sparta, the firm was in the black, aided by $7.2 million in federal stimulus grants and contracts. Profits were even better the following year as the firm began to lay off the plant's nearly 300 workers. Even Philips's lighting division was doing well. By late 2010, three years into the recovery, corporate profits, in general, had bounced back decisively, reaching record highs. Yet layoffs continued apace—1.4 million in 2010, 1.3 million a year in 2011 and 2012—well above prerecession levels.

Sparta's mayor, Jeff Young, at city hall. Young's mother was an employee at the Philips plant (then owned by Thomas Industries) throughout his childhood.

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Among other profitable firms—indeed, *Fortune*'s list of America's most profitable firms in 2012, the year the Philips plant finally closed its gates—closures and layoffs have been widespread: Chevron lays off 103 from a New Mexico mine; Walmart shuts down a New York office, putting 275 out of work; Ford shuts down two assembly plants in Minnesota, laying off nearly 1,700; IBM lays off 1,790 from its business units; Microsoft lays off 5,000. Exxon, ranked number one in profitability by *Fortune* in 2012, with $41 billion in profits in 2011, shrank its global workforce by more than 15,000 between 2010 and 2012. Chevron, at number two with profits of $27 billion, added only a thousand US jobs during that period. Apple was the only one of the country's five most profitable firms to add more than 10,000 jobs during that time (and Apple's public disclosures don't specify how many of those jobs were domestic). The latest Commerce Department data show that all US multinationals combined added a net total of only half a million jobs domestically between 2002 and 2011, but added 3.5 million jobs abroad, an indication of offshoring on a very grand scale.

Josh Bivens, an economist with the Economic Policy Institute in Washington, DC, said that increased productivity like that generated at Philips's plant in Sparta could create jobs in theory, but weak demand is standing in the way. "One way you can imagine productivity gains not translating to rising demand is if more of those gains go to corporate profits, rather than wage growth," he said. "The share of corporate-sector profits as a share of income is the highest since 1951. They're not investing in capital, they're sitting on piles of money. We'd see more job growth if that weren't the case."

One might be forgiven for asking what, exactly, all this productivity is for. "We busted our butts to get where we were at," Ricky Lack said the first time we spoke. "We got to number one. And it didn't matter."

White County, Tennessee, is a verdant place, with rolling hills, lush pasture, and wheat fields that gleam in the late afternoon light. But it has a scarred history. In the late eighteenth century, early settlers fought bloody skirmishes against the Cherokee to gain control of this land. The county sat in the crosshairs of the Civil War, straddling the dividing line between Union and Confederate enclaves, and served as a base for one of the war's most sadistic Confederate guerilla fighters, Champ Ferguson. White County is far less divided now, held together by its intense conservatism—Romney won by thirty-seven points here—and its demographics—the county is 96 percent white.

After the war, White County was built up on wheat, corn, tobacco, and livestock, and later coal and timber; Sparta, the county seat, is scattered with hundred-year-old brick homes and aging red barns from its time as a small but bustling agricultural center. Manufacturing didn't pick up until after World War II, when Tennessee became one of the first states in the nation to pass a "right to work" law, making it inhospitable to unions but inviting to firms in search of cheaper labor.

It was front-page news in the *Sparta Expositor* when Thomas Industries broke ground for a new lighting-fixture plant in 1963. Other plants set up shop around the same time—the workwear manufacturer Red Kap, the car-parts maker Wagner Electric, and Mallory Timers, a maker of appliance parts. By the late 1970s, when Ricky Lack hired on with Thomas Industries, there were enough humming plants in town working two and three shifts that he could more or less walk out of high school, walk up to the plant doors, and get to work.

By the time Philips shut it down, that lighting-fixture plant was one of the only factories in the county still employing several hundred people. Red Kap, which had been hemorrhaging jobs for years, finally closed up shop in 2000; Mallory shut its doors and moved to China just a few years later. Paul Bailey, a member of the Sparta Chamber of Commerce who was then a White County commissioner (and is now a state representative), recalls his failed efforts to engage Tennessee's Congressional delegation in a desperate attempt to save the Philips plant. "The feeling that I got from those gentlemen was, 'You know, it happens all the time.'" Hall, the union rep, wasn't alone in suspecting that their indifference stemmed mostly from the fact that the Philips plant was union; Sen. Bob Corker viciously attacked Volkswagen for allowing a United Auto Workers organizing drive at its plant in Chattanooga last February (the union ultimately lost the vote); Rep. Scott DesJarlais, meanwhile, is a staunch antiunion Tea Party Republican.

Plant closings do happen all the time in the United States. More than 70,000 have shuttered over the past fifteen years—more than twelve a day, not to be replaced. Last September, the federal Bureau of Labor Statistics stopped tracking mass layoffs, a low-priority activity sacrificed to the sequester.

Yet, as the time I spent in Sparta made clear, every one of those closures was a body blow to hundreds of families—to entire communities.

"This place, at the time, you loved going to work," Bo McCurry, a friend of Lack's, said of the Philips plant. "You knew everybody." On mild evenings, he and Lack and friends would head out to the parking lot after a shift for beers on his tailgate. On hot afternoons, someone would swing by McDonald's and pick up sweet teas. When there was a birthday, everyone ate. When there was a death, everyone grieved. McCurry's brothers had worked at the plant and so had his sons, whose names are tattooed on his muscular right arm. It was where he met his wife, Donna. "I don't know how many families came up in here," Lack said of the place. "Well, all of White County." At the plant, it seemed, you were never alone.

When I sat down with Sparta's mayor, Jeff Young, in his auto collision shop—the area's political and business leaders are one and the same—I said I'd heard that he'd had family at the plant, too. He told me his mother was one of the first dozen hired on there, right after he was born, in 1963. “I was all through that plant as a young kid,” he said. There were gifts and a movie for the kids at Christmas, and cookouts every summer. The plant meant everything to her, he said. She worked in assembly, and he remembers her bringing home stacks of small, green, metal pans, “about like a Coney Island chili dog, I guess,” some with bits of wire, others with plastic sleeves, and “after dinner was put up and the table was cleaned, she’d sit and watch TV and we’d all put these things together. And that way when she would go into work the next day she’d have hundreds of ’em ready,” so that production could get up to full speed first thing in the morning. “I’m sort of tooting her horn,” he said, “but she wasn’t the only one who did that.”

Work at the plant wasn’t easy. “You would actually go home and your hands would hurt, your elbows would hurt, your back would hurt,” Donna McCurry told me. “As far as heat-wise, during the summer, you’d have a fan hanging on a pole, and if you was lucky it would hit you. And in the winter, there was heat, but depends upon where you stood if you would be warm or not.” Running the forklift gave Bo McCurry two herniated discs, and a piece of steel cost Jim Gray an eye. Until fifteen or twenty years ago, every pipe in the plant was wrapped in asbestos, and many workers died of lung cancer. (“But of course if you died of lung cancer it was because you smoked,” Lack said, inhaling and laughing.) Some said that the magnified safety glasses destroyed their eyesight, and for years people were allowed to work the spray booth without breathing gear, emerging, Bo recalled, like “Casper the ghost.”

But the plant is mourned like a person. It provided a good living, the kind of paycheck, in Donna’s words, “where you was proud to go to the bank.” Pay that bought homes and land and boats for the lake, even sent kids to college. The literacy and GED classes, the chance for technical certification, made the plant a place where you could learn and grow. And the union offered dignity and job security, as well as a deep sense of community.

Local elected officials and business leaders saw the plant’s closure as a profound defeat. There were the 284 laid-off workers, plus their families. There was the hit to local suppliers—among them the pallet company, the cardboard supplier, and Paul Bailey’s trucking business, which lost at least $1 million in annual revenue. Directly and indirectly, the plant was responsible for some 2,200 local jobs, according to an analysis by Uhrik and Norris, the plant’s top management. Unemployment in White County shot up from 9.9 percent in November of 2011, before the major layoffs began, to 11.1 percent the following February, when the bulk of the workforce was let go. The county’s labor force also shrank 1.2 percent during that time, likely reflecting the many older workers who retired early, on diminished Social Security checks, rather than look for work they didn't believe was there. Sales-tax figures dropped, a measure of the belt-tightening that ensued. "As far as the county, yeah, it hurt us bad," said County Executive Herd Sullivan, a tall, long-limbed man with a shock of white hair. "We've got some employment back in since then. But you never hardly get what you lose. You just don't get it back."

There were other ripple effects. The Philips lighting plant was the last union plant in the county—a loss repeated across the state, where, according to Lawrence Mishel of the Economic Policy Institute, unionization has dropped from about 25 percent in the 1970s to a mere 6 percent today. For years, negotiations over wages and benefits at the plant set the standard at other big factories in town. "We were the benchmarks," Jim Gray, a Detroit transplant, told me one night over dinner with several other refugees from the plant. "We controlled their raises," Lack added. Without that pressure, prospects aren't bright in White County for what decent-paying factory jobs remain.

Back when the plant was Thomas Industries, headquartered in Louisville, Kentucky, plant veterans say it wasn't uncommon for the owner, Lee B. Thomas, to show up on the shop floor to address his team. He invited the union in from the start. As Scott Vincent, the plant's self-appointed historian, explained, "In the '60s, if you were going to sell light fixtures and it was going to be profitable, you had to have the union label on it," because the construction trades were so strong that they would simply refuse to install nonunion fixtures. Thomas liked to say that the union kept people honest. But after the Philips acquisition in late 2007, the plant was in the hands of someone else, or rather something else, entirely.

After the plant's closure, Ricky Lack, a former maintenance worker, found a part-time job with White County Tree Service.

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Philips is a multibillion-dollar multinational firm that sells everything from health-care equipment to home appliances across the globe. Under Philips, the Sparta plant's management systems were functional, Lisa Norris said, but far more cumbersome than when the plant was run by a small company specializing in lighting. Once the closure was announced, the firm was "like a headless monster," Mayor Young told me. "I mean nobody could find the guy in charge that we could sit down and have a conversation with—that *one guy*, that if you made him understand he could say, 'Well, let's just not do that.'"

The union launched a Keep the Lights On campaign, with viral videos and an online petition drive, followed by a frigid December march from the small, blue union hall, down two-lane McMinnville Highway to the plant. County and state officials, who had already given the plant tax abatements and energy subsidies, scrambled to come up with new ways to entice Philips to stay. But at whom, exactly, were these efforts directed? Young and Sullivan and Bailey and Norris slowly went up the food chain in Philips's North American division, but even when they got on the phone with Zia

Eftekhar, then head of US operations, they still weren't convinced that he was the one who'd made the call to close the plant. They were left, Hall said, "fighting someone over in the Nether-lands who couldn't find Sparta, Tennessee, with MapQuest."

Their experiences echoed my own, as Philips declined interview requests and offered only a few brief comments by e-mail, the first of which read, in part, "Philips maintains constant evaluation of all its business activities to ensure optimum performance and the decision to divest this business was made in response to the long-term evolution taking place within luminaires manufacturing." Calls left at two of Eftekhar's homes (he is now retired) went unanswered. Rudy Provoost, then head of Philips's lighting division and now CEO of Rexel, the electrical-supplies firm, also declined an interview.

Clearly, Philips slashed its labor costs by moving most of the Sparta operations to Monterrey. (A small piece of production was sent instead to a Philips plant in Tupelo, Mississippi.) A 2006 report by a Dutch labor union on Philips's operations in Mexico found that its lighting workers in Monterrey were paid as little as $9 a day, an amount insufficient to support their basic household needs. A 2010 human-rights report also found evidence that the Monterrey plant had ushered in a company union, a way for employers to block genuine collective bargaining and suppress wages. At other Philips plants in Mexico, investigators found that workers were only allowed one bathroom break per ten-hour workday and were barred from seeking medical attention unless their situation became life-threatening. What's more, in Mexico Philips would be free of many environmental regulations that had governed the plant in Tennessee.

Philips did, by e-mail, offer another explanation for the move: "The facility manufactured fluorescent lighting which is an older lighting technology, while the entire lighting industry is moving towards digitized LED lighting systems. The company opted to consolidate manufacturing into other existing facilities that could produce the same product." Dutch journalist Henk van Weert, who covers Philips for the newspaper *Eindhovens Dagblad*, echoed that assessment, saying that Philips made a decision to charge into the LED market and was "selling off their conventional industrial footprint" to marshal resources for the fight. But this explanation doesn't quite add up. In 2010, with buildings across the globe still switching from incandescent to fluorescent, growth in the fluorescent industry was projected at a healthy 7.9 percent a year through 2014—a comfortable window for beginning to shift Sparta's production over to LED. And Philips didn't eliminate its fluorescent production in 2010; it simply offshored most of it.

Vincent and others at the plant tended to think that Philips bought the plant with the intent of shuttering it, in a bid to eliminate the competition. But Lisa Norris's take seemed the most persuasive: Philips's model is to concentrate production, and so the particulars of how well a given plant performs—even if it's Philips's best-performing plant worldwide—don't matter. "There's a momentum that gets in place when people say we're going to close these plants, and it becomes a point of weakness for anyone to stand up and say, 'No,'" she told me one evening. "No one feels strong enough to do that. Because they feel like it's showing some sort of human weakness, that they're making an emotional decision—when in fact, there's a business decision there. And so it gains a sort of momentum in an emperor-has-no-clothes sort of way. And so people are compelled to do the wrong things. And then you start adding incentives based on the execution of those plans and now you've got everybody marching straight off a cliff."

Once it was clear that Philips was determined to close the plant, Norris, Uhrik, and a lean-operations expert named Nicole Belitz pulled together a detailed proposal to buy it. They knew the numbers better than anyone, and calculated that the plant, which operated at extremely healthy margins, could be solidly profitable on its own.

Team Sparta, as they dubbed themselves, did the math, calculating the full cost to Philips of moving production to Mexico, and concluded that Philips would be dramatically increasing customer lead times, which would likely reduce its market share. The team also projected that Philips would have to rely more on distribution centers, raising warehousing costs; that the firm would be shipping fixtures longer distances on worse roads, meaning higher transportation costs and more breakage; that it would be using less automation and end up with more defects; not to mention the estimated $30 million it would cost to excavate those massive machines and rebuild them in Monterrey. Factoring in those costs, Team Sparta was convinced that the local plant could sell fixtures to Philips for less than it would cost Philips to make them in Mexico and still clear at least $1 million in annual profits.

Uhrik and Norris had no equity of their own and would need at least $12 million in start-up capital to take over the plant, a seemingly quixotic quest. But the business case was so impressive that when they brought their plan to First National Bank in Knoxville, its investment group jumped in with $4 million. "We were able to show very healthy margins, and that moving to Mexico would hurt turnaround and logistics costs," Norris recalls, "and show that in a consumer-driven market, where a contractor suddenly needs thirty-five troffer lights and he wants it next week, the Philips model was questionable." The Tennessee Valley Authority and the USDA's Rural Economic Development Loan and Grant program each independently reviewed the plan and together committed to another $3.75 million. After yet another review, this one by White County's Local Industrial Board, the county commissioners, including Bailey, offered to come up with the rest by putting a $5 million bond on the ballot. They believed that the strapped citizens of White County, with their $30,000 average annual earnings and 20 percent poverty rate, would vote it up. "We thought we could create a model where everybody owned a piece of this," Norris said. "That was the dream." County officials were also convinced they'd get a solid return on their investment.

As I combed through the Team Sparta business plan, I became skeptical about whether this kind of granular analysis was ever performed by the Philips executives who decided to move the plant to Monterrey. Norris was in regular contact with Philips's North American headquarters, and she certainly saw no evidence of it. This begged a larger question: How many of those 70,000 American plants offshored in recent decades, those millions of American jobs lost, had been the result not of a ruthless commitment to the bottom line, but of a colossal failure of due diligence?

Even after Team Sparta ran the numbers for them, Philips executives barely reviewed the proposal. "Yeah, the plan got in front of him," Sullivan said of Eftekhar, the head of North American operations. "They just never did try to get it to work. They never even considered it much, I don't think."

For something so vital to the future of the US economy, there's disturbingly little data collected about plant closings and offshoring, let alone analysis of what goes into these decisions. Corporate annual reports and SEC filings are silent about the logic behind closings. Philips's 2010 SEC filings, for example, reveal nothing about why the firm offshored the Sparta plant, or the many other North American plants it has shuttered, beyond a brief reference to "initiatives to structurally reduce our overall cost structure" and "transferring technologies to low-cost countries." WARN notices, required by the Worker Adjustment and Retraining Notification Act from firms before they make mass layoffs, only contain numbers of jobs lost, not the thinking behind them, and are arduous to examine because they're filed state by state. Until the 2013 sequester, the Bureau of Labor Statistics compiled them but only published aggregate data that lumped offshoring in with temporary layoffs. As the SEC does not require firms to break down their employee numbers by nation, multinationals, like Philips, increasingly provide only global or regional numbers in their public filings. American multinationals are required to report their total employees here and abroad to the Commerce Department each year, but the aggregate data made publicly available provides only a rough hint as to the scale of offshoring—and, again, nothing whatsoever about the thinking behind it. A 2010 NBC News/*Wall Street Journal* survey found that more Americans—86 percent—blamed offshoring for the struggling economy than any other cause. And yet the Department of Labor tracks offshoring numbers only to the extent that laid-off workers petition for "trade-affected" status, which entitles them to training grants. Since few nonunion workers know to do this, the DOL numbers are definitely an undercount. Yet in 2010, the most recent data available, such petitions represented 287,000 offshored jobs, the equivalent of a thousand factories like the one in Sparta.

A former Philips maintenance worker, Jim Gray (center with glasses) signed up for programming classes at Motlow State Community College in McMinnville, TN, through the Trade Adjustment Assistance program.

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These are catastrophic job losses. Yet no regulatory body ever asks the firms responsible to explain why they offshored the jobs—even when those firms, like Philips, receive substantial taxpayer subsidies.

It was left to two scholars, Kate Bronfenbrenner, of Cornell University's School of Industrial and Labor Relations, and Stephanie Luce, of the University of Massachusetts at Amherst, to look behind the numbers. In a 2004 study, they found that offshoring, that old story from the 1970s and '80s, was still sharply on the rise. They used detailed first-quarter data to estimate that 406,000 jobs would be offshored in 2004 (a number roughly triple the widely recognized undercount from BLS), compared with 204,000 three years earlier. More of these jobs, they found, moved to Mexico than to any other country. Other details are salient. "Once a place sells to somebody else that's not union, you might as well shut the damn doors," Bo McCurry said to me one afternoon, and Bronfenbrenner's data shows he's probably right. Though only 8 percent of private-sector workplaces are unionized in the United States, 29 percent of production shifts involved unionized facilities, implying that offshoring may be, at least in part, a union-avoidance strategy. Even more interestingly, the overwhelming majority of the facilities being offshored were owned by large, profitable multinationals—not, as one might imagine, by firms struggling to compete. And many of the closures took place soon after the plants had been acquired.

"Corporations often do things to impress their shareholders," Bronfenbrenner said. "Everybody is offshoring and outsourcing, even though it isn't necessarily a good financial decision. It may actually cost more, but to investors it looks like sound management. It's just keeping up with the Joneses, where the Joneses are every other manufacturing company in the world."

A 2012 study by Michael E. Porter and Jan W. Rivkin of Harvard Business School, based on interviews with 1,767 executives involved in location decisions over the previous year, confirms Bronfenbrenner's view. Porter and Rivkin found that "rigorous processes for location choices" are "far from universal" and that such decision-making processes "have lagged behind those for virtually all other major investment decisions." They found that companies often underestimate the hidden costs of offshoring, overlook the advantages of a US location and "fall prey to biases that work against the U.S."

Combined, this research hints at a radical idea: that offshoring has simply become a reflex. And if that's true, all the lean manufacturing and just-in-time production and automation and retraining and two-tier pay scales in the world won't be enough to save American production jobs.

So much in the Sparta story defies the familiar political scripts: Norris, the union-avoidance expert, along with Bailey and Sullivan, of the Chamber of Commerce, joining hands with the IBEW to help save a union plant; small businessmen in Tea Party country championing community ownership. It became clear from my conversations that Philips's actions had deeply offended people's sense of decency, from the laid-off workers to what Donna McCurry calls “the big wheels in town,” and that this sense of corporate indecency is what had brought such politically disparate people together.

Indeed, Gallup polls show that dissatisfaction with major corporations is sharply on the rise, from 48 percent in 2001 to 61 percent in 2013—regardless of respondents’ political affiliation. Another poll found that a majority of Americans view corporate greed as a key factor in the faltering economy. “It’s tragic that companies like that worry so much about the bottom line,” Mayor Young said toward the end of our conversation at his auto shop. “I just think about myself and my business right here. Now how cruel would it be of me to close my business here and move to Lebanon or wherever just because I think I can make $25,000 more a year? To me, it just doesn’t make sense.” If Philips has lost money on the move, it makes no sense at all.

Former members of the management team at the Sparta plant have stayed in touch with several current and former leaders within Philips’s lighting division. According to conversations those managers recounted in detail, the move to Monterrey cut labor costs by more than half, but logistics costs grew by a factor of ten; lead times, meanwhile, ballooned from four to ten days in Sparta to six to eight weeks in Monterrey; and by late last year Philips had lost nearly a third of its market share on the fixtures that used to ship out of Tennessee. Philips spokesperson Silvie Casanova responded by e-mail, saying that while she “can’t get into transportation and labor costs,” the characterizations are untrue and “don’t account for the fact that part of the production was moved to Tupelo.” On the second point she said, “We do not break out lead times by product line, but our lead times have not materially changed due to location.” As for the question of lost market share, she said that it “has to be evaluated in the context of the LED transformation happening in the lighting business. Rather, it’s the rapid adoption of LEDs that is creating the shift and fluorescent technology in general is losing market share. The product lines you are referring to also have LED versions, which need to be factored into the equation.”

There is certainly no evidence that the move made Philips more profitable: According to SEC filings, income from Philips’s Luminaires division fell from $924 million in 2010, the year before the Sparta layoffs began, to $645 million in 2013, the first year operations in Monterrey were fully up and running.

Last August, more than a year after the plant closed its doors, Bo McCurry and Ricky Lack stepped out of Lack’s beat-up Ford Ranger and walked up the sloping, tree-lined drive to the plant’s padlocked gates. It was the first time either one had been back since the closure. Red mallow blossomed under a sign that still read philips professional luminaires—sparta operations. Beyond the gates, a monarch butterfly floated by, and a red fox darted out into what was once a bustling loading area, now silent except for the sounds of birds.

“You see that little old blue door?” Lack asked. “Next to the steps. See the bright yellow steps over against the four roll-up doors? Inside. The shipping department. They said we’re shutting the building, closing the plant. End of story. They slipped right out that back door and got in their car and drove away, and that’s it.”

“Couldn’t believe it,” McCurry said. “Everybody was crying.”

The layoffs started in May 2011 and came in waves until, on March 31, 2012, the last employees finished sweeping the factory floor and walked out. After so much time, everyone I asked about that day still choked up and struggled, at least for a moment, to speak. Scott Vincent, hired on to assist with an environmental inspection of the vacant plant, was the very last to go. “To think about all the people that you’d spent your life with. You’d lived with ’em and watched ’em die, and watched their families die and be sick, and suddenly they were all just gone. I mean it was really a struggle to have to live with all that.”

The night before, I’d met up with Brent Hall, the union rep, along with McCurry, Lack, Vincent, and a couple other long-timers, many of whom had rotated in and out of the shop’s union leadership over the years. I’d arrived in town just as their extended unemployment was running out and asked how everyone was getting by. Of the five of them, only two had found jobs. Only Vincent had found a decent manufacturing job, with full-time hours and health benefits. Lack, fifty-five, was working as a tree pruner, his skin now a deep mahogany from long hours spent in the sun. His hourly pay wasn’t as good as it was at the plant, and it wasn’t steady work—only three or four days a week, without paid time off or benefits. Lonnie Barlow had given up on finding work, and went into early retirement at age sixty-six, turning his attention to the few head of cattle he kept on his patch of land. Jim Gray, the one who lost an eye to the plant, was using state and federal grants for trade-affected workers to go back to school, studying, at fifty-eight, among a classroom of eighteen- and twenty-year-olds, how to program industrial equipment. He wasn’t especially optimistic about his chances for getting a decent job afterward, but his unemployment benefits would continue during his schooling, so he figured it was something to keep him going while he looked for work. He spoke wistfully about an electrician job he’d been up for some months back at the Volkswagen plant in Chattanooga, an hour and a half away, that would have started at about $17 an hour—the same plant where the widely watched unionization battle would later take place. He guessed that all of the other finalists were in their fifties or sixties, too, all urgently looking for work. One had driven all the way from Detroit to take the practical test.

The others I spoke with were faring no better. As the unemployment checks dried up, I heard of people selling their boats, their ATVs, and even their houses. Marriages were falling apart. People had started drinking. Jerry Pryor, fifty-four, got manufacturing work, making car mirrors, but he had a miserable shift—2:30 to 10:30 a.m.—and was driving twenty-five miles each way, burning up gas, for less than he got at Philips. Donna McCurry, forty-six, tried her hand as a CNA at a local nursing home, earning just a dollar above minimum wage, and then left that job to take over a small car-repair shop. She and Bo had bought the shop with the life-insurance money she got after her son died in a car accident, along with some of their serverance pay from the plant. But she was barely making ends meet.

She and Bo, fifty-eight, had recently split up. He was still out of work when we caught up, though now and again he found a temporary placement—he'd just done a few weeks at Unipres, a car-parts plant 100 miles away in Portland, for less than $9 an hour, minus the $100 a week he paid into a carpool to get there and back. At one point a temp agency said it had a permanent placement for him at the S&S Screw factory in Sparta, but before his start date they called to cancel. He and almost everyone else I spoke with from the Philips plant were sure it was because of the union. Bo was serving as president at the time of the plant closing, so he was interviewed on local television and in the *Expositor*, making him an easy target. Word was S&S hadn't hired on a single union member from the plant, same as over at THK Rhythm, an auto-parts maker, afraid they'd try to organize the place. Ten years earlier, someone they knew had tried to organize S&S, Bo said, "and they fired his ass on the spot." (Neither firm returned calls for comment.) He couldn't seem to figure out how to get a job. When he was younger, he said, you got a job through a friend or relative or neighbor at a plant; now you have to apply through a computer, if you can find someone who has one, or drive twenty minutes to a temp agency in Cookeville. "I probably couldn't get a job at Walmart as a door greeter," he told me, defeated. Not only out of work but uninsured, he had to take out a $9,000 bank loan in May to pay for an operation on his herniated discs, what he called "a deal with the devil," leaving him to pay out $80 a month pretty much forever.

Donna McCurry, a former production-line worker, at her auto-body repair shop. McCurry typically drives to the shop after working the graveyard shift at a local nursing home.

(https://www.vqronline.org/sites/default/files/story-images/kaplan_06_cmyk_50.jpg)

The stories I heard in Sparta gave life to some of the most troubling data about the nature of the economic recovery. Decent paying jobs, like the ones at the Philips plant, where workers were pulling in as much as $16 an hour, have disappeared, replaced by jobs with poverty wages. A 2014 study from the National Employment Law Project found that mid-wage jobs comprised 37 percent of recession job losses, but only 26 percent of job growth during the recovery. The low-wage jobs—Donna's $8.25-an-hour nursing-home job; Jerry's $8.50-an-hour starting wage at his new factory job—were the opposite, constituting 22 percent of job losses and 44 percent of job growth. Some of the nation's fastest-growing job sectors, such as home health care, have seen the sharpest drops in pay.

There will also be fewer actual jobs. The Bureau of Labor Statistics has projected a 23 percent growth in temporary employment between 2010 and 2020, outpacing most other sectors. The American Staffing Association, which represents temp agencies across the country, sees this as one sign of a "fundamental shift in the role of staffing services in the economy," with companies only wanting to "use talent" on an "on-demand basis." I stopped by a couple of Cookeville's many temp agencies. Most of them are located in strip malls, and nearly all are within yards of a storefront offering, by means of massive bright yellow billboards, car title or payday loans. Women at two agencies told me that the vast majority of their temp placements are now in manufacturing, and that in most cases these plants have outsourced their entire hiring process to agencies like theirs. Angela Atkins, of @Work Personnel Services, told me that after her cut, the factory hires are paid anywhere between $7.25 an hour—federal minimum wage—and $12 an hour. "Most of the time it's temp-to-hire," she said. "Other times it's temp all the way, and they can keep 'em for years." When laid-off workers come in having earned $15 an hour or more, she asks them, "What are your expectations?" Meaning, it's time to lower them.

I returned to Sparta in October, to overcast skies and light rain. People's bitterness about the unjustified closing seemed buried under resignation. Lack introduced me to another friend from the plant, Judy Phifer, who met me one frigid day in a parking lot near the plant where she now worked, a faded pink fleece pulled around her grease-stained T-shirt. A single mother, widowed when her son was only three, she'd been at the Philips plant for nine years, working, by the end, on one of the incentive lines, bringing in good enough money—almost $14 an hour—to send her kid to Tennessee Tech. Just a few years ago she was confident enough to take out a home-equity loan to replace her roof and central heating system. Now, at fifty-nine, she wasn't earning enough to keep up on the payments and had put up for sale the home where her husband died and where she'd raised her son.

She tried hard to be upbeat, saying of her impending move, "I guess everybody needs a change and it may do me good." But times were tough. She was out of work for almost a year after the Philips plant closed down, and she'd been building alternators at the LTD plant for about ten months. Once a union shop, LTD now depended heavily on temp workers. Phifer got hired through an agency in Cookeville called Trustaff, and after Trustaff took its cut, she got only $8.50 an hour, barely north of minimum wage, with no benefits, not even sick days. She had to beg the plant manager not to fire her for taking a day off—unpaid—to attend her son's graduation. She said she works tired and she works sick; she was long overdue for a mammogram but couldn't afford to pay out of pocket for the test, and couldn't risk taking the time off to get one anyway. "I'm human just like everybody else," she said. "I have problems just like anybody else has 'em. But where if you take off to do your problem, you're going to lose your job, you know?" As we parted ways, she expressed a small flash of anger. "I don't think the government should let temp services hire people out," she said. "It's like being a slave."

The next day, I stopped by Donna McCurry's repair shop, and she was faring no better. A tidy, businesslike woman you might mistake for a grade-school principal, she was only bringing in enough at the shop to pay her mechanics, not herself. So many people in town were out of work that they had to put off car repairs, or when they couldn't—when, say, their brakes were completely shot—they had to stretch out the payments. But after her experience at Philips, McCurry refused to lay off anybody. So she was now back to working overnight shifts at the nursing home for $8.25 an hour, not much more than half of what she earned at Philips, and still putting in six days a week at the shop. There was a futon in back where she grabbed two to three hours of sleep when she could, and that's all she got. She was giddy with exhaustion the day we spoke, but having just worked three shifts in a row at the nursing home, she was about to get a night off. "It's sad," she said, "when you get excited over getting to sleep!" She giggled, and then laughed long and hard. Most days, she would close up the shop, get supper on the table and get the kids to bed, and then head off to the graveyard shift to clean and care for twenty-two residents, including one ornery man who tended to bruise her up and a few obese residents she had to turn by herself. "As far as their life, it's normal," she said of her kids. "My life's not."

Like Phifer, she was surviving without healthcare—Tennessee is one of twenty-four states that have rejected Medicaid expansion to cover the working poor—and she had put off a stress test to monitor a chronic heart condition because the $1,000 price tag wasn't even within reach. She'd been instructed to avoid caffeine, but said she couldn't make it through the day anymore without a steady stream of coffee and tea.

She was worried about what was next for her teenage daughters. "There's nothing here in Sparta," she said. "They're not going to stay here and have anything in life." She recalled when Philips and Red Kap had two shifts going, and Mallory had three. "There was jobs. But now the jobs are not here."

No one had seen her ex-husband Bo in weeks, and he didn't answer my calls. Lack had quit drinking—in part, he said, because he simply couldn't afford it—but told me that Bo's drinking had gotten worse. As the months ticked by, his job prospects were getting worse, too. According to a recent study out of Northeastern University, employers prefer workers like Bo who have deep experience and a history of low job turnover. But being unemployed for more than six months eliminates those advantages, putting the long-term jobless on par with applicants who lack any industry experience at all.

There's a term labor economists use when measuring workforce participation—a "discouraged worker." These are adults who want to work, who are ready to work, but who have given up looking for work. They no longer count as "unemployed," and so don't figure into the unemployment numbers. They are nearly invisible. According to analysis of the latest data by the Economic Policy Institute, there were, as of April 2014, 6.2 million of these invisible workers—EPI's number also includes unofficially "discouraged" workers, such as recent grads who find job prospects so bleak they've yet to even start looking for work. That's enough to make the real unemployment rate 9.9 percent, rather than the official 6.3.

The Bureau of Labor Statistics counts "discouraged workers" as those who were recently looking for work but stopped because "they believed no jobs were available for them or there were none for which they would qualify." They are counted by means of a monthly BLS household survey, and the day a job seeker answers the phone and says he's given up, he slips from "unemployed" to "discouraged." I called up economist Jared Bernstein, a former economic advisor to the Obama White House, now a senior fellow with the Center on Budget and Policy Priorities in Washington, DC, to ask him about this group, the Bo McCurrys of the American economy. "It's like a game of musical chairs," he said. "The music stops and there's nowhere to sit down." I asked whether there might be an emotional component to this measure, a question of whether you're still able to hold on to a shred of optimism about your prospects—or not. "I think that's fair," he said. "There's a subjective aspect to this. What's your assessment of how likely it is for something to come along for you."

According to the data, the American mood is quite dark. BLS statistics show "an unrelenting fall in the share of the population in the labor force," in Bernstein's words, a trend that is "extremely persistent and unresponsive to what growth we've had." In particular, among prime-age men twenty-five to fifty-four—a revealing demographic because they're unlikely to be in school and aren't part of the decades-long trend of women entering the workforce—"you see a long-term structural decline that most people relate to a hollowing out of job opportunities." Bo McCurry once thought he'd retire from the Philips plant, with his home paid off and a nest egg. The last time I spoke with him he told me he was probably going to have to clean out his 401(k) to survive.

Almost every conversation I had with people in Sparta—with laid-off workers, with the marginally employed, the broke, and the just-getting-by, with the "big wheels" who'd tried and failed to lure Philips into staying—circled around at some point to the question of what the future held. Could any of them imagine a thriving industrial base returning to White County?

"It don't come back," Lack told me. "And just because you relocate don't mean you'll get a job. You could go to Alaska and still not get a job."

The editor of the *Sparta Expositor* suggested, vaguely, that the town economy could be rebuilt around tourism. Paul Bailey, who owns the trucking business, was the most bullish on the potential "reshoring" of jobs. Companies, he said, "they're looking at communities—say, for example, Sparta—that has a good workforce, that's maybe had a plant like Philips shut down. They'll come back into this market." Fewer freight costs, the likelihood of local tax incentives, and "when you're looking at an area that has 13 or 14 percent unemployment, they're assuming that they can get a good labor market but yet they can pay a lower wage."

The math just might work. A 2012 study by Boston Consulting Group found that more than a third of American manufacturers with sales of more than $1 billion were considering reshoring jobs from China—mainly because of rising Chinese labor costs. It's a grim sort of optimism, that after a brutal restructuring of the US economy, the massive birds of prey might come circling back to pick at the carrion.

Last October I met Dwayne and Darla Pendergraph, both in their midthirties, and their eight-year-old daughter, Madison, on the corner of Darla's father's land in McMinnville they call home, along with a donkey, two dogs, and three rabbits. They'd already been through three plant closings or major downsizings—each time, the jobs were offshored to Mexico—by the time Dwayne got hired on at Philips at age thirty-one. He was brought on to work one of the new automated lines the union had allowed in during the 1990s; at $10.25 an hour, it was a $5 pay cut from his last job, at auto-parts maker Mahle Tennex. So the Philips job wasn't as good as it was for the old-timers I'd spoken to, and he was far less surprised when the shutdown was announced.

His dream job, the one he imagined retiring from, was several years behind him, at Carrier, a manufacturer of air conditioners. His wiry frame sprawled out on a lawn chair behind their trailer, Dwayne told me that he earned $15.50 an hour there driving a forklift, plus plentiful overtime, making nearly $60,000 a year—very good money in these parts. "It was a job worth fighting for," he said. Darla worked at the plant, too, along with her dad; Dwayne and Darla met there. She was three months pregnant when the Carrier shutdown was announced—all of the family income lost with a baby on the way. They'd nearly burned through their savings and 401(k)s when he finally got the Mahle Tennex job and she got one for $19 an hour at Rich Products, a supplier of baked goods.

He recalled that the older workers at Carrier, who'd been there for thirty years, took the closure badly. "It was all they knew," he said. "There were several of them who just did not believe it." Within a year or two, he said, several of them had died, not an uncommon occurrence—a recent study by the Chicago Federal Reserve found that mortality rates increased dramatically for older, high-seniority men in the year after a layoff. "But it just—it didn't freak us out," Dwayne said. "For whatever reason, we kept on going."

When Darla joined us, the two of them talked about how folks at Carrier discouraged them from dating. "Don't get your honey where you get your money," they said. Dwayne and Darla used to laugh about it, because things had worked out so well for them. But Darla had decided it wasn't a good idea to work at the same plant after all. "I just don't want to take the chance of us both losing our jobs at the same time again," she said.

Beyond that one precaution, though, she didn't worry too much. "I knew whether I had went to a job making $10 an hour or $7 an hour, I had to do what I had to do." They'd scraped by on unemployment; surely they could scrape by on minimum wage. They lived on her dad's land; they'd paid off their trailer; they didn't have a lot of shiny new toys. "We don't try to live above our means," she said. "We're not overwhelmed by a bunch of debt. So we know we can make it."

I remembered a conversation I'd had with Herd Sullivan, the White County executive and a leader of the local chamber of commerce, in which I'd asked him about the future of American manufacturing.

"I don't know what to tell you on that one, whether things ever get back to the same as they were or not," he said, and then paused for a while. "Probably not. Probably not. This country maybe got a little more advanced over the world as far as income and there probably is a point where things will get a little more equalized, maybe. I don't know." Even with his enormous frame, he seemed depleted.

Dwayne and Darla Pendergraph live in that dystopic America, but without Sullivan's sense of loss. Theirs is an America where you live modestly, dream modestly, hedge your bets, and plan for hard times. Where you go out hunting on your day off, and if you're lucky, get some venison for the freezer. Where your eight-year-old darts around the green yard, picking leaves to feed the rabbits, the still afternoon air broken only by the distant bark of a dog, and the donkey braying out what sounds like a warning.

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