

Dow Chemical slashes 2,500 jobs ahead of DuPont merger

Our reporter
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Dow Chemical announced Wednesday that it is eliminating 2,500 jobs—or 4 percent of its global workforce—as part of the company’s restructuring plans ahead of the \$130 billion mega-merger with DuPont. The job cuts will hit Dow’s headquarters in Midland, Michigan particularly hard, with 700 jobs—or 11 percent of the local 6,400-member workforce—axed.

Earlier this month, Dow Chemical paid \$4.8 billion to buy Corning Inc.’s 50 percent stake in Dow Corning, ending a 72-year-old joint venture that produces silicone-based materials used in electronics, automotive and aerospace. As a result, the company is closing two Dow Corning plants: in Greensboro, North Carolina, wiping out 130 jobs, and in Yamakita, Japan, with an unknown number of workers.

Dow Chemical said in a statement that it plans to issue layoff notices “in the coming weeks” through the end of September. “Roles will be eliminated on various timetables throughout the two-year integration period,” according to a company statement.

Dow is looking for \$400 million in savings from the job cuts and the consolidation of back-office operations, IT systems, warehouses and other operations. The job cuts are part of “multiple actions to accelerate shareholder value creation.” Dow’s stock, which has fallen 5.1 percent over the past month, rose on the job-cutting announcement.

The giant chemical company had previously announced 2,200 job cuts to realize at least \$645 million of savings in 2015 and 2016. Delaware-based DuPont, the world’s largest chemical company, said in December that it wants to cut 10 percent of its 50,000-plus workforce to save \$730 million, according to Bloomberg News.

In addition to the plants in North Carolina and Japan, Dow said in a statement it would also close “certain

administrative, corporate and manufacturing facilities” without naming them. Other Dow Corning facilities are threatened in Ohio, Indiana, Tennessee, Kentucky and Alabama. Dow Corning also has endangered plants in Brazil, China, India and Europe.

The transnational corporation is one of Michigan’s largest employers, with Dow and Dow Corning together employing 8,500 workers in the Midland area out of its 59,500 global workforce. The layoffs, which come on top of the announcement earlier this month that lithium-ion battery maker XALT Energy will cut 100 workers at its Midland factory, are another blow to a region 128 miles northwest of Detroit.

The Tri-Cities, including Midland, Saginaw and Bay City, also known as the Great Lakes Bay Region, has been long hit by deindustrialization, particularly the shutdown of General Motors plants. Since 2006, child poverty has increased in Midland County by 10 percent and Bay County 34 percent. Saginaw County saw a 2 percent decline, but one in every four children still lives in poverty.

Zac, a young worker raised in nearby Bay City who has friends who work at Dow, told the WWS, “When I was growing up we considered Saginaw as the poorest area; Bay City was in the middle; and Midland was considered almost affluent because of all the blue- and white-collar workers at Dow. It was always the biggest employer in the area and used to have brands like Ziplock and Saran Wrap, which they sold off.

“The high school I went to used to have music, arts and sports. But everything has changed since I left in 2003. Throughout the Tri-City area a heroin epidemic has developed over the last few years and it has reached a fever pitch.

“There is nothing for young people to do, work- or leisure-wise. If there were opportunities there wouldn’t

be the drug problems. A few years ago the Buena Vista school district ran out of money because of falling tax income and it was dissolved. The high school that closed is directly across the street from Nexteer—a former General Motors plant—that was given a tax break. That did nothing for the district.”

Some workers will be offered jobs, but only if they are willing to move their families long distances. Dow said it plans to hold hiring sessions in Midland so laid-off workers can apply for open positions in Dow’s US Gulf Coast Manufacturing and Engineering operations.

Dow also has four facilities throughout the Houston area, including two in La Porte, Texas. Potential layoffs at the plant come months after DuPont announced the shutdown of its La Porte facility, a closure that will cost the area about 400 jobs.

According to the *Wall Street Journal*, “The moves come as Dow Chemical works to complete its megamerger with DuPont Co. The new company, DowDupont, will eventually separate the combined businesses into three units focused on agriculture, industrial materials and specialty products expected within three years. Combined, the companies employ about 100,000 employees.”

When the proposed Dow-DuPont merger was announced in mid-December it was sold as an equal merger of the industrial giants that would help the region keep and create more jobs, according to the *Detroit News*. It was clear, however, that the “synergies” between the two companies would lead to mass layoffs. The merger, which is expected to close in the second half of the year, is expected to cut annual expenses by \$3 billion.

The company claims it will keep all of its Dow Chemical and Dow Corning facilities in Michigan open “while the company will continue to rationalize its oldest and idled locations from the combined facilities footprint.”

The Dow job cuts are the latest by massive corporations that are seeking to boost their profits, not by investing in productive operations, let alone wages and benefits of workers, but in stock buybacks, dividend payouts and mergers, which destroy jobs.

According to the Bloomberg Gadfly blog, the current job cuts by DuPont and Dow are “separate from the merger with Dow, meaning that there are likely still more cuts to come from both companies as they hunt

for the \$3 billion in cost synergies that they’ve projected. For those keeping count, we’re now at least 10,000 job cuts and as much as \$5 billion in savings.

“More synergies. The corporate jargon has been coming up a lot lately as companies seek out deals to juice slowing earnings growth and keep their share prices rising. Among the record number of megamergers announced in the deal boom of the last 18 months, all but a few have involved combining direct competitors or companies with overlapping business.”

US-based employers cut more than 26,750 jobs because of mergers and acquisitions in 2015 and an additional 10,826 positions through May of this year, according to data from Challenger, Gray & Christmas.



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