

Under Pence, state gave incentives to companies that offshored jobs



Tony Cook, tony.cook@indystar.com 12:25 p.m. EDT August 28, 2016



(Photo: John Terhune/Journal & Courier)

As Donald Trump's running mate, Gov. Mike Pence is campaigning for a man who has promised to penalize companies that ship jobs overseas.

But since Pence became governor in 2013, the state has awarded millions of dollars in economic development incentives to companies that have moved production to foreign countries such as Mexico and China. Those production shifts have cost thousands of Hoosiers their jobs during Pence's time in office.

An IndyStar analysis found that the Indiana Economic Development Corporation — which Pence leads — has approved \$24 million in incentives to 10 companies that sent work to foreign countries. Of those incentives, nearly \$8.7 million has been paid out so far.

During that same period, those companies terminated or announced layoffs of more than 3,800 Hoosier workers while shifting production to other countries, where labor tends to be far less expensive.

The state has clawed back or put a hold on some or all of the incentives in four of those cases, returning \$746,000 in taxpayer subsidies. But in the other six cases, the companies faced no consequences.

The primary reason: The job creation and retention requirements in the state's incentive agreements are usually narrowly tailored to a single facility, leaving workers at other sites owned by the same company vulnerable to offshoring.

Take, for example, handbag maker Vera Bradley. The company was approved in December 2014 for a \$1.75 million, 10-year tax break to assist with a \$26.6 million expansion of its headquarters and distribution center in Roanoke, near Fort Wayne. In exchange, the company agreed to retain 567 employees and add 128 jobs by the end of 2017.

But the following year, the company closed its New Haven design center and moved production to factories in Asia to save money. The factory's 250 employees, who worked just 15 miles from the Roanoke headquarters, lost their jobs.

Vera Bradley has claimed about \$118,000 in tax credits so far and remains in compliance with its state incentive agreement, said Abby Gras, an IEDC spokeswoman, in an email. The company now employs slightly more than 600 workers in Roanoke, a spokeswoman for the company said. That's a net loss of more than 200 jobs across the company's Fort Wayne area operations.

Pence, who has been campaigning for Trump across the country since accepting the Republican vice presidential nomination in July, did not respond to interview requests for this story left with his office and campaign staff.

But his commerce secretary, Victor Smith, sent a statement to IndyStar defending the state's economic development record and noting that 150,000 jobs have been added since Pence took office.

"In Indiana, our economic development incentives are performance-based, meaning a company must create the jobs it committed to creating in order to receive any incentive, which is not the case in many other states," Smith said. "Unforeseen circumstances can affect business plans, and in those times, we offer our support and counsel to job creators. However, if a company chooses to neglect its commitment to the state and to its Hoosier employees, we aggressively seek to claw back any incentives the company has received."

But the success of the state's incentive program is difficult to gauge. While the IEDC makes the job retention and creation requirements public, it keeps secret the actual number of jobs a company retains, creates or loses.

"As you know, I can't give you employment figures for specific companies," Gras said, "but collectively these companies have added hundreds of new jobs in Indiana."

She said the IEDC's transparency website, which was set up under Pence, includes information about how much money or tax breaks companies have received, "which is a reflection of the companies' performance."

The 10 companies that offshored jobs were supposed to create 1,087 new jobs, according to their incentive agreements. Four fell short, as evidenced by the claw backs. The other six are in compliance with their incentive agreements, the IEDC said.

But those job growth figures pale in comparison to the jobs lost to offshoring, an IndyStar review of layoff announcements and trade adjustment filings with the U.S. Department of Labor found.

Those records show that the same 10 companies or their related subsidiaries have laid off or plan to layoff more than 3,820 workers in Indiana because work has been shifted to other countries since 2013.

Those losses are more than three times larger than the number of jobs that would have been created under the state's incentive agreements, even if they had all come to fruition.

The highest-profile case involved heating and air conditioning manufacturer Carrier and its parent company, United Technologies Electronic Controls.

In 2013 and 2015, the Pence administration approved training grants totaling \$500,000 for the heating, ventilation and air conditioning companies. In exchange, the companies agreed to invest \$19.4 million in facility upgrades, retain 2,239 jobs and add 116 jobs.

But all of that changed in February, when the companies announced they were shifting production to Monterrey, Mexico, and laying off 2,100 workers. A video of management announcing the layoffs at the plant went viral and Carrier quickly became a punching bag for Trump and other presidential candidates on the campaign trail.

At Pence's urging, the company later refunded \$380,000 in grants in April and revoked the remaining, still unpaid amount.

Trump has used the Carrier layoffs to highlight how his protectionist policies, including new tariffs, would save American jobs.

During an Indianapolis rally in April, for example, Trump said he would "tax the hell" out of companies like Carrier.

"You're looking at a situation where the jobs are being ripped out of our states, out of our country, like candy from a baby," he said, later adding, "You're going to bring it across the border, and we're going to charge you a 35-percent tax."

But in at least two cases — including one this past week — the Pence administration has awarded incentives to companies shortly after they moved production out of the country.

Plastics company PendaForm shut down a plant in Pekin in late 2013 and shifted the work to a factory in Mexico, costing about 37 workers their jobs, according to filings with the U.S. Department of Labor.

The following year, the IEDC awarded the company \$160,000 in tax credits to invest \$4.9 million, retain 58 employees and add 42 employees to manufacture truck bed liners at its Bluffton plant.

Scott Miller, a shipping technician who lost his job after 14 years at the company's Pekin plant, questioned why the state "would make it comfortable for them to take their jobs out of the country."

"That's totally unfair. If it's coming from the taxpayer coffers, that just doesn't make sense if you're trying to keep jobs in Indiana," said Miller, 60. "That's a pretty big reward for putting us all out of work."

The company did not respond to phone calls from IndyStar.

Gras defended the incentives, saying, "we are supporting the company's decision to add jobs or bring jobs back to Indiana."

The state has also awarded millions of dollars in incentives to General Motors since Pence took office, mostly to expand operations at its Bedford Powertrain and Fort Wayne Assembly plants. The automaker has received \$4.6 million in incentives with promises to add 366 new jobs.

At the same time, GM and one of its subsidiaries slashed 70 jobs at facilities in Kokomo and Marion as production was shifted to foreign countries.

Gina Lancaster was laid off twice because of that offshoring. In 2013, she was among 35 workers who lost their jobs at General Motors Components Holding in Kokomo because "production in several departments will be shipped overseas," according to a successful trade adjustment petition filed with the U.S. Department of Labor. (Trade adjustment assistance allows workers to tap into certain benefits if they lose their jobs because of foreign trade.)

After a year of unemployment, Lancaster landed work at GM's Marion Metal Center, only to lose it four months later along with 34 other workers. The U.S. Office of Trade Adjustment Assistance found that the layoffs were due to a "shift in production of sheet metal parts for light duty motor vehicles to a foreign country."

She was out of work for two years until getting called back to the Kokomo factory in May. As a single mother with a daughter starting college this year at Vincennes University, Lancaster said the layoffs have set her back years financially.

Then she learned that on Tuesday, the state awarded the company \$100,000 in job training grants for \$90 million in new equipment and machinery at GM's Marion facility — just two years after the company outsourced jobs at the same plant. The new incentive agreement does not require the company to add any new jobs.

"You have this company making billions and you don't have job security," Lancaster said. "Then, when you hear about the state giving this company money to upgrade their equipment but there's no new job creation, that's a little disheartening. It doesn't do anything for me and my family."

Laura Toole, a spokeswoman for GM, said all employees impacted by layoffs in Marion and Kokomo were offered alternative employment opportunities within GM.

"GM has invested \$1.9 billion in Indiana manufacturing facilities since 2009, which translates to more than 3,900 jobs created or retained, including adding a third shift at Fort Wayne Assembly and upgrading other Indiana facilities," she said.

Experts on economic development incentives say Indiana is not unusual in awarding grants and tax credits to companies that move jobs overseas. And previous Indiana governors have done the same.

"Indiana is far from alone in awarding incentives to large, multinational companies," said Ron Starner, executive vice president of Site Selection magazine, which follows state business climates. "These companies are opening and closing plants, hiring and laying off workers in multiple countries simultaneously."

But Indiana is also more vulnerable to offshoring than other states because it is the most manufacturing-intensive state in the nation, said Greg LeRoy, executive director of Good Jobs First, a Washington D.C.-based advocacy group that tracks corporate subsidies.

He said Indiana could do a better job cracking down on offshoring by requiring companies that receive incentives to meet statewide job creation requirements, rather than just facility-specific requirements.

"It is common sense," he said. "You really think companies should be allowed to get a big tax break at Plant A and ship jobs overseas at Plant B? Come on."

Other states including Ohio, Michigan, Missouri, North Carolina and South Carolina already are doing that, said Steve Weitzner, founder of Cleveland-based site selection firm Silverlode Consulting.

"In our experience, based on the states in which we have done projects over the last several years, it is more common than not that states will require a statewide job creation or retention target even if a project is defined as only a single location," he said..

The Pence administration's decision to financially support companies that offshore jobs could become an issue in the presidential campaign, where Trump and his Democratic opponent, former Secretary of State Hillary Clinton, both say they are concerned about the impact of free trade agreements on American workers.

Pence has said in the past he supports the Trans-Pacific Partnership, which Trump opposes. More recently, Pence says he would support renegotiating trade agreements with Trump in the White House because he believes Trump could negotiate better deals.

Political observers say Pence's actions as governor raise new questions about the true extent of his support for Trump's trade policies.

"To the extent that there is any daylight between them, one has to wonder what Mike Pence's true thoughts are," said Robert Dion, a political scientist at the University of Evansville. "In the event they disagree, you have to wonder, has Mike Pence changed his position or is he simply doing what a VP nominee must do to be part of a national ticket? That's the million dollar question."

The seemingly different approaches to companies that offshore jobs are also a study in what kind of constituency each candidate appeals to, Dion said.

“The real thing you’re getting at is the gulf between the chamber of commerce Republican crowd and the populist appeal of Trump,” Dion said. “What Trump is speaking to is that populist anger and frustration. I think what the evidence shows is that Mike Pence — like a lot of Republican governors and some Democrats have done — has worked with the chamber of commerce and business leaders. That’s where the gulf is at.”

Call *IndyStar* reporter Tony Cook at (317) 444-6081. Follow him on Twitter: @indystartony.

Incentives and offshoring under Gov. Mike Pence

Since Gov. Mike Pence took office in 2013, the state has awarded incentives to 10 companies that have laid off workers in Indiana after shifting work to other countries.

CTS Corporation

Incentives approved: \$200,000.

Paid out: \$0.

New jobs commitment: 25 by Dec. 31, 2015.

Job reductions related to offshoring: 230.

In July 2014, the auto parts manufacturer was approved for up to \$150,000 in tax credits and \$50,000 in training grants in exchange for investing \$2.5 million in a new production line at its Elkhart plant, adding 25 new jobs by the end of 2015.

In June 2016, the company announced it would cut 230 jobs at the plant over the next two years. Production will be shifted to plants in Mexico, China and Taiwan, according to the company’s filings with the U.S. Department of Labor.

A spokeswoman for the Indiana Economic Development Corp. says it has put the company’s incentives on hold.

BAE Systems Controls

Incentives approved: \$8 million.

Paid out: \$1.6 million.

New jobs commitment: 0.

Job reductions related to offshoring: 100.

On April 29, 2014, the commercial and defense aerospace manufacturer was approved for \$8 million in tax credits. The company agreed to retain 1,000 employees and invest \$32.3 million in a new Fort Wayne facility.

In January, the company announced it would lay off up to 100 employees, and has since reduced its workforce to about 850. The company says the layoffs in Fort Wayne are unrelated to production shifts to its facility in Guaymas, Mexico, over the past six years, but the U.S. Office of Trade Adjustment found that BAE’s decision to acquire products “from a foreign country” contributed significantly to the layoffs.

The IEDC says the company is in compliance with its incentive agreement.

Federal-Mogul Corp.

Incentives: \$375,000.

Paid out: \$69,846.35.

New jobs commitment: 66 by Dec. 31, 2015.

Job reductions related to offshoring: 92.

In April 2013, the IEDC awarded the auto parts manufacturer \$375,000 in incentives, including up to \$75,000 in training grants and \$300,000 in tax credits. The company agreed to train at least 61 workers, retain 449 employees, add 66 jobs and invest \$10.1 million to expand its operations in Frankfort.

In February 2014, the company announced it was closing its Avilla plant and shifting production to the company's Juarez, Mexico, facility. Filings with the U.S. Department of Labor show 92 workers were affected.

The IEDC clawed back \$15,939 in training grant credits from a previous grant to expand operations at the company's Avilla site.

Carter Fuel Systems

Incentives: \$450,000.

Paid out: \$195,870.

New jobs commitment: 94 by Dec. 31, 2012.

Job reductions related to offshoring: 111.

The IEDC agreed in 2012 to give the previous owners of the company, Federal-Mogul, \$450,000 in tax credits and \$76,400 in training grants to purchase \$2.2 million in new machinery and equipment, retain 283 jobs and add 94 jobs at its fuel pump factory in Logansport. After Carter Fuel Systems purchased the factory in 2013, the Pence administration agreed in November 2014 to extend the tax credit deal to the new owners.

In September 2015, the company announced it was laying off 111 workers at the Logansport facility. The layoffs were a result of the company's decision to ship fuel pumps from a foreign country, according to filings with the U.S. Department of Labor.

The IEDC says the company is in compliance with its incentive agreement.

PendaForm

Incentives: \$160,000.

Paid out: \$8,307.

New jobs commitment: 42 by Dec. 31, 2015.

Job reductions related to offshoring: 37.

On Oct. 7, 2013, the plastics company announced it was closing its Pekin factory by Jan. 1, 2014 and laying off 37 workers. Production was shifted to the company's factory in Mexico, according to filings with the U.S. Department of Labor.

On Oct. 20, 2014, the IEDC agreed to award the plastics company \$160,000 in tax credits to invest \$4.9 million, retain 58 employees and add 42 employees to manufacture truck bed liners at its Bluffton plant.

The IEDC says the company is in compliance with its incentive agreement.

Vera Bradley

Incentives: \$1.75 million.

Paid out: \$117,580.

New jobs commitment: 128 by Dec. 31, 2017.

Job reductions related to offshoring: 250.

On Dec. 7, 2014, the IEDC agreed to award the handbag manufacturer \$1.75 million in tax credits to invest \$26.6 million, maintain 567 employees and add 128 jobs to expand its distribution and design centers in Roanoke facility near Fort Wayne.

In March 2015, the company announced it was closing its New Haven design center in May 2015 and laying off 250 workers as it shipped production to overseas factories.

Marujun

Incentives: \$100,000.

Paid out: \$100,000.

New jobs commitment: 50 by Dec. 31, 2015.

Job reductions related to offshoring: 750.

On Oct. 9, 2013, the IEDC approved \$100,000 in training grants for the auto parts maker to train 553 employees at its Winchester facility. All of it was paid out. The company also was awarded \$200,000 in tax credits in mid-December 2012 to invest \$21.8 million, retain 518 employees and create 50 new jobs. The company has received at least \$48,212 of those tax credits.

In September 2015, the company announced it was closing its doors in November 2016, laying off about 750 workers. Production of many parts is being sent to Japan, according to filings with the U.S. Department of Labor.

The IEDC has since recaptured all \$148,212 in training grants and tax credits that the company had received.

General Motors

Incentives approved: \$6.7 million.

Paid out: \$4.6 million.

New jobs commitment: 366 among various contracts with various deadlines, the latest ending Dec. 31, 2022.

Job reductions related to offshoring: 70 workers.

The automaker has been approved for six grants since 2013 worth \$6.7 million. They include \$1.7 million in training grants for its Bedford Powertrain foundry and Fort Wayne Assembly plant and a \$5 million grant to the city of Fort Wayne for road improvements to support GM's expansion there.

In 2013 and 2014, the company cut at least 70 jobs in Indiana — 35 each at plants in Marion and Kokomo. Filings with the U.S. Department of Labor attributed the job losses in Kokomo to "volume reductions, non-renewed contracts and production worked (sic) shipped overseas." And federal trade officials determined the losses in Marion were "related to the shift in production of sheet metal parts for light-duty motor vehicles to a foreign country."

On Tuesday, the state awarded the company \$100,000 in job training grants for \$90 million in new machinery and equipment at its Marion facility.

The IEDC says the company is in compliance with its incentive agreements.

General Electric

Incentives: \$5.8 million.

Paid out: \$1.78 million.

New jobs commitment: 200 by Dec. 31, 2020.

Job reductions related to offshoring: 88.

On May 28, 2014, the IEDC awarded the city of Lafayette a \$1.7 million grant for infrastructure improvements for GE Aviation's new \$92 million jet engine plant expected to employ 200 employees. All of that has been paid out. On May 29, 2014, the IEDC awarded \$3.81 million in tax credits for its new jet engine plant in Lafayette. About \$83,500 has been paid out. On July 23, 2014, the IEDC awarded General Electric up to \$332,000 in training grants to train at least 55 employees. None of that has yet been paid out.

On March 28, 2014, two days after announcing its new jet engine plant, a different GE subsidiary announced it would close a Fort Wayne motor testing lab and executive center and eliminate 88 jobs. Production was shifted to Mexico, according to filings with the U.S. Department of Labor.

The IEDC says the company is in compliance with its incentive agreements.

Carrier and UTEC

Incentives approved: \$500,000.

Paid out: \$197,816.

New jobs commitment: 116 by Dec. 31, 2021.

Job reductions related to offshoring: 2,100.

On Aug. 27, 2013, the heating, ventilation and air conditioning manufacturer was approved for up to \$200,000 in grants to train at least 500 employees. In exchange, the company agreed to retain 1,450 jobs and invest \$16 million to add “next generation HVAC units” to its product line at its Indianapolis plant. On Jan. 26, 2015, Carrier’s parent company, United Technologies Electronic Controls, or UTEC, received approval for up to \$300,000 in grants to train at least 750 employees. The company agreed to add 116 jobs, maintain 786 jobs and spend \$3.4 million to add a product line at its Huntington plant.

Those grants were in addition to two previous training grants awarded to UTEC in 2007 and 2010 during the Daniels administration, totaling \$336,500. Of that, \$323,000 was paid out.

In February, Carrier announced it was shifting production to Monterrey, Mexico, eliminating 1,400 jobs over three years. Its parent company, United Technologies, also announced 700 layoffs in Huntington, for a total of 2,100 job losses.

At the urging of Gov. Mike Pence, the company later refunded \$380,000 in training grants in April. The state also revoked the most recent \$300,000 grant.

Read or Share this story: <http://indy.st/2c5YdYL>

Zip Code	Get a Quote
----------	-------------