

# As Levi's Work Is Exported, Stress Stays Home

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By Ralph Blumenthal

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Clara Flores once thought she had the job of a lifetime, even, perhaps, the most solid job in America.

She made blue jeans. Not just any blue jeans.

Levi's.

"It was the original," Ms. Flores said. "Wherever you went, it was the same Levi's blue jeans."

The \$4.2 billion company, founded 150 years ago by Levi Strauss, a Bavarian immigrant who settled in San Francisco to outfit the gold miners, has turned out more than 3.5 billion pairs of the sturdy denim jeans with their trademark rivets at the seams and little red pocket tab, becoming an American icon right up there with Coca-Cola, Hollywood, baseball and the Colt .45.

But by the end of the year, the last pair of Levi's made in America will roll off the sewing and finishing lines at the factory here, another casualty of the shrinking homegrown apparel industry that since 1995 has halved its domestic work force in favor of cheaper foreign labor. It will be a setback, too, for San Antonio, the Alamo city, thronged with tourists but suffering from a string of factory closings, although Toyota is building an \$800 million plant to open in 2006.

Levi Strauss & Company's last three Canadian plants will close next March, the company announced last month, part of a restructuring that will cut its payroll from a height of 37,000 employees in 1996 to 9,750 by next year and leave none of its jeans production in North America.

The steps follow the closing of its original plant in Valencia, Calif., last year, and of many plants in the 90's, when revenues began dropping from a peak of \$7 billion. In Texas, Levi Strauss closed eight plants in El Paso and others in Brownsville and the Rio Grande valley, one of the country's poorest areas.

The work will be contracted to suppliers in 50 countries, from the Caribbean to Latin America and Asia, where competitors, with few exceptions, have also shifted manufacturing or made jeans all along.

But those companies' jeans are not Levi's, perhaps the most distinctive garment of the 20th century and a mainstay of the vintage clothing market, with about 200 listings Saturday on eBay. (Levi Strauss itself two years ago bought a pair of rediscovered 1880's overalls for \$46,532.) Levi's also spawned a fiercely competitive jeans industry. In the last 10 years, 200 new brands have entered the market, Levi Strauss says.

"Levi's are so identified with America," said Bruce Raynor, president of Unite, the apparel workers' union, who laid the job losses to American trade policy and the might of merchandising behemoths like Wal-Mart, which set the pace of the industry and scour the world for low-cost labor. Levi's themselves are now sold at Wal-Mart.

Philip A. Marineau, who left PepsiCo in 1999 to lead the family-owned Levi Strauss Company as president and chief executive, said he saw little symbolism in the company's American production shutdown.

"Consumers are used to buying products from all over the world," Mr. Marineau said on the telephone from company headquarters in San Francisco. "The issue is not where they're made. For most people that's not gut-wrenching anymore."

But it is for employees like Ms. Flores, 54, an \$18-an-hour hem sewer and Unite's local president. Ms. Flores, who has worked for the company for 24 years, will soon join 819 fellow employees in San Antonio lining up for severance benefits, retraining classes and grants to start their own businesses. Workers said the company had a progressive record of providing for its laid-off employees, but Ms. Flores, noting the four weeks of annual paid vacation and family medical and dental benefits for \$24 a week, asked, "Where are we ever going to find something like this?"

Marivel Gutierrez, 43, a side-seam operator and union secretary, who also has 24 years

of service, acknowledged that workers in Mexico and elsewhere would benefit. "There still probably is an American dream," she said of the boon to those workers. "But what about us? What happens to our American dream?"

An irritant to some workers was the disclosure that Mr. Marineau received \$22.5 million this year from a company incentive program. Mr. Marineau said he had paid down \$1 billion in company debt and merited the money. He said it had nothing to do with plant closings, which he called a long-term strategic decision.

The company said this month that it had found it had twice claimed the same deductions for plant closings in 1998 and 1999. As a result it had to pay \$3 million more to the Internal Revenue Service.

The union officers attributed the workers' plight to the North American Free Trade Agreement and to consumers who no longer seem to care where products are made as long as the price is low.

After Nafta took effect in 1994, Mr. Raynor of Unite said, the country lost 785,000 apparel jobs, with 700,000 remaining. He said that despite the dominance of Wal-Mart, the country's largest company with revenues of \$250 billion and a work force of 1.2 million, Americans would willingly pay more for domestic products.

Josephine Rosales, 55, a sewing machine mechanic and worker at the San Antonio plant for 26 years, agreed. "If only more people would pay attention to what they buy and where it was made," she said.

But Mr. Marineau said marketing research did not show that consumers were ready to spend more to support American industries.

"Consumers desire to spend less on necessities and more on luxuries," he said.

Besides, he said, Levi's were already premium-priced compared with many other brands.

Levi Strauss prides itself on its production agreements with foreign suppliers that, it says, rule out partnerships with sweatshops. While other major retailers settled a lawsuit on sweatshop labor on Saipan in the Pacific, Levi Strauss has chosen to fight it, arguing that the company had ceased operations there.

Through its Levi Strauss Foundation and other charitable efforts, the company has contributed to community groups providing retraining and other services to displaced workers.

"Levi Strauss has always been better -- I'm not going to say great, but better," said Mr. Raynor. "Levi's has the best pay and benefits in the industry."

So its exodus from San Antonio is all the more painful, a reminder of the furor after the closing of the company's Zarzamora Street plant here in 1990 threw 1,400 people out of work. The company had little experience in easing the blow, and "everything went wrong," Ms. Flora recalled. "People came in black and said it was closing. They were wearing suits, but that's how people saw it -- they were men in black."

Some workers fainted from shock. With union leaders caught off guard and the company unprepared to offer immediate assistance programs, an advocacy group led protests.

Levi Strauss learned from the experience, said Olga Kauffman, a community organizer and consultant hired by the company to help steer relocation services to the workers. But the overriding problem, Ms. Kauffman said, was that the jobs available were largely in lower-paying service industries. One exception, she said, was health care, which, unlike apparel manufacturing, cannot be shipped out of the country.

But Ms. Gutierrez said she was in a panic: "What's waiting for me out there?"