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## Testimony of

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Committee on Finance  
United States Senate

Trade and Globalization: Adjustment for a 21<sup>st</sup> Century Workforce

June 6, 2007

### **Introduction**

Mr. Chairman and distinguished members of the committee, on behalf of the community that surrounds Newton, Iowa, we appreciate the opportunity to share with you the story of the Newton area's transformation. We began our transformational efforts just over one year ago when the residents of Newton and the surrounding area found themselves facing the direct impact of globalization and the changing manufacturing landscape in the United States.

On May 10, 2006, the announcement was made that the Maytag Corporation, the American icon of dependability, would no longer have a presence in Newton. Within 7 months of the announcement, the majority of the Maytag world headquarters operations would be shut down. By October 2007, a 113-year tradition of manufacturing washers and dryers in Newton would cease. A total of 1900 employees from senior vice presidents to engineers to line production workers would eventually lose their Maytag employment in Newton.

Although we recognize that our story and the loss of manufacturing operations in the U.S. is unfortunately not a new story, we do believe our story epitomizes the impact of globalization on our national and local economies. Moreover, we believe that our experiences as a result of losing Maytag can help guide public policy makers in understanding the resources a community needs to reposition regional economies to be competitive and succeed in a global marketplace. It is from this community perspective that I offer my comments to you today.

### **Transformation**

In 1893, Fred L. Maytag and a group of entrepreneurs went into business producing a safer threshing machine feeder, and by 1902, the company was the largest feeder manufacturer in the world. In 1905, manufacturing expanded to include automobiles, corn huskers, and, eventually, washing machines. Newton, Iowa has never been the same.

In many ways, Newton is typical of small, rural America. Newton is located right off of Interstate 80 just 45 minutes from Des Moines. Residents of Newton number just under 16,000 and enjoy a high quality of life with admirable community amenities including numerous parks, a YMCA, 29 sited public art pieces, a Teen Center, excellent public schools, and state-of-the-art medical facilities. Many of these amenities exist in part to the presence of Maytag and its long heritage of exemplary corporate citizenship.

At its peak in the mid 1990s, Maytag Corporation employed over 3,500 people locally and over 29,000 worldwide. Some Maytag employees commuted 1 to 1 ½ hours each way to work at Maytag. Maytag payroll pumped nearly \$100M dollars annually into the regional economy while the Maytag Corporate Foundation provided approximately \$500,000 in direct grants and support to local non-profits annually.

This long and generous history of the Maytag Corporation and its close association with the Newton area cultivated a community dependence and identity with this one manufacturing employer. Many families in the area proudly spoke of the generations of family members who helped build the organization into a Fortune 500 company. Maytag's presence in Newton had an effect on not only the economy but the characteristics, structures, and culture of the community.

Given the significance of the Maytag organization in the community, it is understandable that the immediate response to the announced departure of Maytag was filled with many different emotions and reactions. But very quickly, the community realized that it needed to respond with a collaborative effort to create a community vision and turn it into reality by

- Developing dynamic regional partnerships
- Creating a core group of key regional leaders
- Implementing strategies to stimulate positive growth
- Capitalizing on workforce capacity
- Providing the necessary infrastructure to promote and create diverse economies.

On May 10, 2006, the same day of the announced Maytag departure, community and business leaders plus other stakeholders across the state of Iowa formed the Newton Transformation Council (NTC) from based on a group of partners that had been working on retention strategies prior to the announcement.

The Newton Transformation Council is a powerful grass-roots force working to sustain and improve the quality of life in the greater-Newton region. Taking a very integrated approach to economic development (which involves education, entrepreneurship, and other economic strategies), NTC reached out to strategic partners and resources in order to begin leveraging existing regional assets. This approach recognizes that a region's greatest assets are its people and the skills, knowledge, and ideas they bring to the process, and that fully developing this talent is the key to our economic recovery, sustainability and ultimate transformation.

However, regional economic transformation is most effective when there is a comprehensive, strategic plan guiding the transformational change required in a community and region. The NTC conveyed this message to delegates from numerous federal departments on September 14, 2006, in a meeting held in Newton. Before accessing any federal programs and receiving any

federal program funds, the community and surrounding area wanted to first create a plan. A comprehensive, strategic plan capitalizing on regional assets that once implemented would lead to sustainable economic vitality in a global market place. Securing planning resources for the community and surrounding region was imperative.

The NTC partners and the community recently secured the planning resources it sought through a demonstration grant from the U.S. Department of Labor's new Regional Innovation Grants program. Specifically, the planning resources will be used to conduct comprehensive resource mapping to inventory key regional resources and undertake a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis to help identify successful economic and talent development strategies.

These strategies will then serve as the foundation for the region's comprehensive strategic plan that will guide and sustain the region's transformational efforts. In the short-term, the plan counteracts the immediate impacts of the Maytag departure and helps to leverage more public and private resources for the area. Resources follow innovative strategic planning. In the long-term, it repositions the regional economy to succeed in a global economy through comprehensive, systemic change that ensures a well educated, trained regional workforce employed by competitive industries.

## **Conclusion**

In communities and regions across America, the closing of a major employer impacts not only those that lose gainful employment but communities and region as a whole. The announced departure of Maytag, a Fortune 500 company in the rural heartland, is reverberating throughout the community, the region, and the state. Through the grassroots efforts of the NTC, key decisions were made early that have assisted the community through this transformation:

- A leadership group began developing dynamic partnerships early
- The whole community was invited and encouraged to become a part of the transformation
- The community created a vision of its future to guide its actions
- Resources were sought to assist in the identification of regional assets and key economic and talent development strategies to sustain the transformation efforts.

As I indicated in the beginning of my comments, we know that our story with the loss of Maytag is not necessarily unique. Therefore, we would make the following 3 recommendations to you and other policy makers in understanding the resources a community needs to reposition:

- Help prepare and equip communities and regions for major economic disruptions in advance
- Provide technical assistance to strengthen formal entities and engage grass-roots participation
- Provide targeted resources for comprehensive strategic planning that engages all assets and encourages collaborative regional partnerships

Comprehensive plans built on solid strategies will leverage more resources and ensure true prosperity for the communities and regions. We also believe that planning and other resources should be available as close to the community as possible. Truly it is the communities and

regions themselves that must determine their future in a global market place and how best to achieve economic viability.

Thank you very much for the opportunity to share the story of Newton and the surrounding area's transformational efforts. I do hope that the story has provided you with additional understanding from a community perspective that you will find useful as you consider the reauthorization of the Trade Adjustment Act and how to assist communities and regions across America become competitive in a global market place.