



PLANT CLOSINGS

International Context and Social Costs

Carolyn C. Perrucci - Robert Perrucci

Dena B. Targ - Harry R. Targ



PLANT CLOSINGS

International Context and Social Costs

Carolyn C. Perrucci • Robert Perrucci
Dena B. Targ • Harry R. Targ



ALDINE DE GRUYTER
New York

ABOUT THE AUTHORS

Carolyn C. Perrucci is Professor of Sociology, Department of Sociology and Anthropology, and Chair of the interdisciplinary program in Women's Studies, Purdue University.

Robert Perrucci is Professor of Sociology, Department of Sociology and Anthropology, Purdue University.

Dena B. Targ is Associate Professor and Extension Specialist, Department of Child Development and Family Studies, Purdue University.

Harry R. Targ is a Professor in the Department of Political Science and member of the Committee on American Studies, Purdue University.

Copyright © 1988 Aldine de Gruyter

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

ALDINE DE GRUYTER

A Division of Walter de Gruyter, Inc.

200 Saw Mill River Road

Hawthorne, New York 10532

Library of Congress Cataloging-in-Publication Data

Plant closings : international context and social costs / Carolyn C.

Perrucci . . . [et al.].

p. cm. —(Social institutions and social change)

Bibliography: p.

Includes index.

ISBN 0-202-30338-1 (lib. bdg.) ISBN 0-202-30339-X (pbk.)

1. Plant shutdowns—United States. 2. Plant shutdowns.

3. Unemployment—United States—Psychological aspects.

4. Unemployment—Psychological aspects. 5. Work and family—United States. 6. Work and family. I. Perrucci, Carolyn Cummings.

II. Series.

HD5708.55.U6P5195 1988

338.6'042—dc19

88-391

CIP

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

Cover by Sonja Originals

Photograph by Edward F. Johnston

PLANT CLOSINGS

International Context and
Social Costs

SOCIAL INSTITUTIONS AND SOCIAL CHANGE

An Aldine de Gruyter Series of Texts and Monographs

EDITED BY

Peter H. Rossi
Michael Useem
James D. Wright

- Bernard C. Rosen, **The Industrial Connection: Achievement and the Family in Developing Societies**
Paul Diesing, **Science and Ideology in the Policy Sciences**
James D. Wright, Peter H. Rossi, and Kathleen Daly, **Under the Gun: Weapons, Crime, and Violence in America**
Walter L. Wallace, **Principles of Scientific Sociology**
Robert C. Liebman and Robert Wuthnow (eds.), **The New Christian Right: Mobilization and Legitimation**
Paula S. England and George Farkas, **Households, Employment, and Gender: A Social, Economic, and Demographic View**
Richard F. Hamilton and James D. Wright, **The State of the Masses**
James R. Kluegel and Eliot R. Smith, **Beliefs About Inequality: Americans' Views of What is and What Ought to Be**
James D. Wright and Peter H. Rossi, **Armed and Considered Dangerous: A Survey of Felons and Their Firearms**
Roberta G. Simmons and Dale A. Blyth, **Moving into Adolescence: The Impact of Pubertal Change and School Context**
Carolyn C. Perrucci, Robert Perrucci, Dena B. Targ, and Harry R. Targ, **Plant Closings: International Context and Social Costs**
Robert Perrucci and Harry R. Potter (eds.), **Networks of Power: Organizational Actors at the National, Corporate, and Community Levels**
George Farkas, Robert Grobe, and Daniel Sheehan, **Human Capital or Cultural Capital? Gender, Ethnicity, Poverty, and Success in School**
Paula England, **Comparable Worth**
Howard Schuman, **Methods and Meaning in Survey Research**

PREFACE

This book is a product of our interest as scholars in the political economy of work and family and of our concern as activists for advancing the rights of working women and men to a secure job, a decent income, and a greater measure of control over the social organization of their work. Our research on plant closings was carried out within the context of a broader set of socioeconomic changes that are transforming the world economy.

We have located this study within the international and national political economy that impacts upon the lives of workers in every factory and office across the country. We have made this connection to demonstrate to scholars, activists, and workers the causes of, and needed remedies for, the human and social costs of plant closings.

A great many people helped us in carrying out our studies. We could not have embarked on our plant closing project without the assistance of organized labor. Don Scheiber, AFL-CIO community services representative to United Way, served as our "sponsor" to the union leadership involved in plant closings in Indiana. Through his contacts we obtained the cooperation of Martin Mummert, President of Local #3154 of the United Brotherhood of Carpenters and Joiners, and Don Strock, International Vice-President of the Retail, Wholesale and Department Store Union (RWSDU) and Jerry Graves, Vice President of RWSDU Local #1976. The members of the Workers Aid Council of Local #3154, particularly Harold Brigance, Wilma Brigance, and Barbara McCoy, shared their time and information with us. Personal support and encouragement for our research by Lawrence Mayberry of the State AFL-CIO office in Indianapolis provided the basis for some financial assistance for our work.

We wish to thank the Indiana State AFL-CIO, Robert L. Ringel, Purdue University Vice-President and Dean of the Graduate School, and Robert Whitford, Director of Purdue's Center for Public Policy and Public Administration for financial support for this research. We also thank C. P. Daniels and the late Dewey Cummings Daniels for financial contributions to the Labor Studies Research Group which was founded by the authors. Dena Targ also acknowledges the support of research time

by the Agricultural Experiment Station, Purdue University. Special thanks are extended to graduate students for assistance throughout the many phases of this project. They are: Peter Cunningham, Fur-Jen Denq, Stephen Duncan, Robert Garza, Joseph Ignagni, Cliff Speckman, Kerry Stephenson, Sarah Weiser, and Dorothy Wheeler. Lori Miller, the research assistant who ably handled all aspects of data preparation and analysis deserves a separate thanks. Mary Perigo worked with us throughout the project handling many tasks including production of questionnaires, interview schedules, and manuscript preparation. She did an outstanding job of transcribing lengthy tapes of interviews and group meetings that help to add a human dimension to our statistics. We also acknowledge the help of Denise Howard, Marcy Rhodes, and Kay Solomon in the preparation of the final manuscript.

We wish to note that the authors are collaborators on a series of studies on labor. The order of authorship for this book is alphabetical and does not reflect any distinction in responsibility or contribution.

Finally, we thank our children Alissa Cummings Perrucci, Martin Cummings Perrucci, and Rebecca Michelle Targ for their tolerance and good humor in living with parents who blend work, friendship, and politics so as to require many working "dinners" and project "vacations." We hope that we have set a good example for them.

Carolyn C. Perrucci
Robert Perrucci
Dena B. Targ
Harry R. Targ

CONTENTS

Preface

xi

CHAPTER

I INTRODUCTION: THE SIGNIFICANCE OF PLANT CLOSINGS

Why Do Plants Close?	3
Is There a "New" Unemployment?	4
How Are Communities Affected by Plant Closings?	5
How Are Displaced Workers Affected?	7
What Is the Political Response of Displaced Workers?	8
What Can Be Done About Plant Closings and the Needs of Displaced Workers?	9
A Note on Method	10

CHAPTER

2 PLANT CLOSINGS AND ECONOMIC CHANGE: GLOBAL, NATIONAL, AND REGIONAL CONTEXTS

The Foundations of American Capitalism on a Worldwide Basis Since World War II	13
The United States and Global Political Economy in Crisis	15
Capital Mobility, Unemployment, and Plant Closings	20
The Transformation of the Electronics Industry	24
A Portrait of RCA	29
The Economy of the Midwest	32
The Economy of Indiana	34
A Profile of White County, Indiana, and Monticello	38
From the Global Political Economy to Monticello, Indiana	42

CHAPTER

3 COMMUNITY AND WORKER RESPONSES TO A PLANT CLOSING

Assessing the Impacts of a Plant Closing	45
RCA and United Brotherhood of Carpenters and Joiners	
Local #3154 in Monticello: The Closing	46
Monticello at Closing Time	52
Views from Social Agencies	53
Impacts on the Business Community	60
The Workers Respond	64
Project Care	66
Conclusion	68

CHAPTER

4 ECONOMIC EFFECTS ON WORKERS

Length of Unemployment	70
Income Loss	73
Perceived Economic Distress	75
Cutbacks in Expenditures	78
Home Production	80
Summary and Conclusions	81

CHAPTER

5 EFFECTS ON WORKERS' HEALTH AND FAMILY RELATIONSHIPS

Physical Health	84
RCA Findings	85
Mental Health	86
RCA Findings	89
Family Effects	94
RCA Findings	94
Summary and Conclusions	95

CHAPTER

6 UNEMPLOYMENT AND SOCIAL INTEGRATION

Comparison of Displaced Workers and Employed Workers in the Same Community	104
Comparisons Among Displaced Workers	107
Levels of Social Integration and Its Correlates	117
Summary	123

CHAPTER

7 WORKER CONSCIOUSNESS

Social Inequality and the Working Class	127
Plant Closing and Worker Consciousness	129
Theoretical Framework	131
Development of Worker Consciousness	136
Conclusions	143

CHAPTER

8 IMPLICATIONS FOR RESEARCH AND PUBLIC POLICY

Future Research on Plant Closings	148
Relevance of Findings to Public Policy	151
Workers' Response to Plant Closings	155
Bibliography	161
Appendix: Midwest Plant Closing Project	173
Index	189

CHAPTER

INTRODUCTION: THE SIGNIFICANCE OF PLANT CLOSINGS

As this introduction was being written several business events were receiving national coverage. One of the nation's major steel companies, LTV Corporation, filed for bankruptcy. Faced with less demand from domestic markets and increased competition from foreign producers, steel companies in the United States were described as being in deep trouble. General Motors, the giant of the auto industry, announced plans for the closing of eleven plants, thereby displacing 29,000 workers. This move was apparently undertaken to offset problems of growing inventories and declining market share.

At about the same time that LTV was going under and GM was closing plants, the nation's No. 1 steelmaker, U.S. Steel, was changing its name to USX Corporation. The name change was more than symbolic, as it reflected USX's diversification into oil and gas production, which now accounts for about one-half of its business. Some of the billions of dollars spent by USX to acquire oil and gas companies came from wage and benefit concessions, which were extracted from workers.

These three front-page business news stories are but small indications of a more fundamental change that is reshaping the U.S. economy and work force. The manufacturing base of the economy, namely, steel, automobiles, electronics, textiles, and rubber has been steadily declining. Rather than investing money in replacement plants and new production technology, major corporations have been closing older plants and investing in other areas of the economy, and opening new plants in lower wage labor markets within and outside the United States.

As manufacturing has declined, the so-called high-tech and service sectors have grown. Employment in these areas is generally non-union and wage rates are far below those found in unionized manufacturing jobs. Workers who are displaced from plant closings or unemployed due to scaled-down manufacturing plants, as well as new entrants into the labor market, are faced with fewer employment opportunities generally or with sharp reductions in income if they find a job.

All indications are that these changes in the economy are not temporary, and are likely to accelerate in the next decade. It seems likely that the next decade will see a continuation of the integration of the United States into the world economy, and not necessarily as the dominant economic actor. This is expected to result in continued job loss in manufacturing through labor-replacing technology, investment in foreign operations, and the movement of U.S. production facilities to Third World countries.

The evidence for these changes is not buried in obscure academic reports, but appears frequently on the pages of newspapers and mass media magazines. The June 23, 1986 issue of *Time* magazine features a story entitled "Singing the Shutdown Blues," in which were reported the following facts:

- In 1983 there were one million steelworkers. Today there are 650,000, with projected declines of another 15% by 1995.
- The U.S. Department of Labor has projected the addition of 16 million new jobs between 1984 and 1995. Almost 90% of these jobs will be in the service sector.
- There has been a "hollowing out" of many U.S. manufacturing companies in that they have become reassembly plants for foreign products. Even in domestic auto plants, 15% of the parts used (e.g., engines and transmissions) are produced outside the United States.
- Since 1979, 100 textile and apparel plants were closed in North Carolina with the resultant loss of 25,000 jobs.

Despite this listing, the *Time* article has an "up-beat" tone. For example, the subtitle of the article is: "*U.S. industry undergoes a wrenching change, but it could be for the good,*" which suggests that these changes may be part of a healthy, growing economy ("... the very dynamism of the American industrial transition . . ."). Such a view is similar to that of the late Harvard economist Joseph Schumpeter who saw economic dislocations such as plant closings as exemplary of "creative destruction," eliminating inefficient operations and providing new economic opportunities.

Public discussion about plant closings by policy makers, business representatives, scholars, and labor leaders has focused upon a series of important questions, such as, why plants close and what the consequences of such closings are for workers, their families, and communities. We have used these questions as a guide for this study. Our purpose is to improve understanding of the social and economic changes that impact upon workers today and the way in which they, in turn, are responding to such changes.

On December 1, 1982, an RCA television cabinet-making factory in Monticello, Indiana, closed its doors for the last time. Four hundred and fifty workers immediately lost their jobs, adding to 400 workers that had already been laid off. The town had a population of 5000, within White County, with a population of 23,000. RCA was the second largest employer in the county. About 55% of the work force was female, the average age of those displaced was 44 years, and the median number of years worked at RCA was 14.

This book focuses on this plant closing in order to learn something about how it happened and what its consequences were both for displaced workers and others living in Monticello. However, we have designed this case study around a series of questions that have far-reaching implications for American society and the casualties of a changing economic order. A brief discussion of the questions around which this book is structured follows.

Why Do Plants Close?

As noted above, conventional wisdom views today's plant closings as part of a continuing pattern of normal change in the U.S. economy. While there may be a decline in the larger, unionized manufacturing industries there is growth of smaller, more productive firms that are better able to compete in the world economy. It is believed that the economy that emerges from these changes will be reinvigorated, more innovative, and better adapted to today's circumstances. For example, McKenzie (1984, p. 85) states: "As some firms go under, they release their resources to other, more cost-effective firms that offer consumers more of what they want at more attractive prices."

Some analysts have traced the decline in heavy industry, especially in steel, to a failure to use the latest technological innovations that would make American products more competitive with steel produced abroad.

Plants in Japan and West Germany are newer and more modern, and thus able to have a competitive advantage in international markets.

Another variant of the "technological inadequacy" perspective points out that as a nation we have failed to invest enough of our resources in research and development activities that help to maintain a high level of innovation across many different industrial areas. While American R & D expenditures (both in the private and public sectors) appear to be proportionately equal to or greater than those of our main European and Far Eastern competitors, more money is disproportionately allocated to research and development in the military sector, thus limiting the contribution to innovations in the civilian sector (Dumas, 1986).

A major challenge to the above-stated ideas is found in the views of Bluestone and Harrison (1982) who have pointed instead to the hypermobility of capital in pursuit of higher profit margins. Declining rates of profit across all sectors of the U.S. economy have "pushed" capital in search of better returns. The "pull" has been investment opportunities and cheaper labor in Third World countries. The result of these "push-pull" factors has been capital flight and disinvestment in major U.S. industries.

While we cannot answer definitively the question of why the RCA plant in Monticello closed when it did, we can locate that closing within the context of international, national, and local economic conditions. Chapters 2 and 3 discuss these economic conditions and further our understanding of the reasons responsible for the general pattern of plant closings across the United States.

Is There a "New" Unemployment?

There has been some tendency, especially by political figures, to downplay the significance of the persistently high levels of unemployment in the U.S. during the past decade (Targ, 1983). Although there are 7 million officially unemployed workers today, the problems they face are not felt to be as great as those experienced by unemployed workers earlier in this century, especially during the 1930s. The alleged reason for the difference is that unemployed workers today have a "safety net" that buffers the economic or psychological impact of joblessness. Unemployment insurance, private- and employer-initiated health plans, community social services, and private sector assistance programs for persons in need are more available today in contrast to earlier historical periods.

A second reason for suggesting that today's unemployed are "new"

or "different" is that women now constitute almost one-half of the labor force and thus are well represented among the unemployed. It is often felt that because many women in the labor force are second earners, their families are less dependent on their income. When these second earners lose their jobs the family may be denied discretionary income for family "extras" like vacations, but they do not face the hardship of not being able to pay for necessities.

In addition, female workers are often viewed as having weaker identification than men with their work as an important or central life interest. Thus, job loss for many women should not result in negative psychological consequences stemming from loss of meaningful work, self-esteem, or valued social relationships.

However, there is another sense in which today's unemployment is "new" or different from that of earlier times. Unemployment due to a downturn in the business cycle has long been accepted as a normal feature of a market economy. Declining demand for goods and services results in reduced production and temporary layoff of workers. Those who become unemployed because of cyclical downturns are not considered to be displaced, because they will probably be recalled to work when economic conditions improve.

Structural unemployment, in contrast to cyclical unemployment, occurs when workers are told that their jobs are gone. This kind of unemployment can occur when machiners are being used to do work that was formerly carried out by human labor, or because of plant closings or relocation. One of the most severe problems of unemployment today is that workers displaced from manufacturing industries do not have new jobs to which they can look forward. They experience prolonged unemployment, and if they become reemployed it is because they are forced into jobs at lower pay, status, and security (Office of Technology Assessment, 1986).

In Chapters 4 and 5 we compare displaced male and female workers in terms of economic, social, and psychological impacts of joblessness. We examine the extent to which men and women differ in their experience of unemployment and in their reentry into the ranks of the employed.

How Are Communities Affected by Plant Closings?

Recently, studies of the effects of unemployment have limited their attention to the unemployed workers themselves and, less frequently, to workers' families. This has probably been because such studies were

often based on samples of unemployed persons from across the nation or from many large metropolitan areas (see, e.g., Schlozman and Verba, 1979). Thus, the study of the experience of being unemployed was removed from the actual context in which the unemployment took place and in which the unemployed person would have to seek reemployment.

However, some attention to plant closings in small- and medium-sized cities has made it possible to trace the effects of closings far beyond displaced workers. According to the report by the Office of Technology Assessment (1986, p. 10), for example, "Displacement can be devastating for communities and regions as well as individuals. . . . Large losses of employment have ripple effects in the community. A large layoff in one industry also affects workers in supplier industries and workers in local service establishments when laidoff workers reduce spending."

Depending upon the size of the community relative to the size of a plant that has closed, a community will suffer a loss in payroll taxes, property taxes, and charitable donations to community projects. Moreover, this loss of revenue will occur at a time when there is both increased need for public assistance for the unemployed and increased demand for public expenditures to keep existing industries within the community and at the same time attract new industry. Thus, in describing some of the policy alternatives for communities faced with a plant closing, McKenzie (1984) contends that they must actively promote the community to a prospective new industry with a combination of positive thinking and economic incentives.

Every time a city complains bitterly about its economic distress, it can be assured that some company decides to locate elsewhere; it can be certain that other communities elsewhere are pleased because industrial recruitment has for them been made just a little easier. Another perhaps less obvious solution is for the community to remain competitive in terms of taxes and services delivered. We have stressed that profit-maximizing firms will not allow their capital to go down the economic drain. Keeping taxes in line with the taxes paid by other companies in other communities ensures firms of an equal chance of competing in their markets (McKenzie, 1984, p. 183).

Thus, we have the prospect of communities being caught between competing needs for services by the unemployed and demands of the business community to attract new industry. The likely result of a shutdown is an erosion of social services for the needy and an increased tax burden on remaining industries and individuals.

At about the same time that a community's political and economic leaders are trying to hold existing industries and attract new ones, even the employed workers are likely to become anxious about their own job security. Research findings reported by Brenner (1973), Marshall and Funch (1979), Catalano and Dooley (1977, 1979), and Dooley *et al.* (1981) all suggest a relationship between unemployment rates for some aggregate unit (e.g., county, metropolitan area) and the psychological well-being of the general population (e.g., admission to state mental hospitals, or reported depression in samples of nonhospitalized persons).

In Chapter 3 we examine the hypothesis that plant closings will be followed by "ripple effects," which bring economic and social stress to segments of the community beyond displaced workers themselves.

How Are Displaced Workers Affected?

The focus of most research on the effects of individual unemployment or mass unemployment due to a plant closing is upon economic, social, and psychological consequences. Although there is general agreement that the immediate effect of unemployment is income loss, there is disagreement about the severity of that loss and its consequences. Some displaced workers may have either sufficient savings or become reemployed soon enough to limit the amount and significance of income loss. Other workers may lack any savings and may therefore experience severe economic crisis with the loss of even one month's income.

McKenzie (1984) takes the uncommon position that despite immediate hardship, displaced workers may enjoy some special opportunities and benefits. He states:

Many people lose their jobs when plants are closed, but their loss does not necessarily mean that they are somehow worse off. Workers unemployed because their plants close are also beneficiaries of the competitive process (involving closings and openings) in other markets, which yields higher quality goods at lower prices. Workers unemployed because of their firms' failures can sometimes find other jobs in expanding sectors of the economy—in those firms that are winning the competitive struggle. Furthermore, workers unemployed by plant closings are often compensated in advance for their expected loss in income when their plants close. When the risk of plant closing is high, the supply of labor is often restricted (who would prefer to work where the loss of employ-