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I N S T I T U T E

Low-Skill Workers in Rural America Face Permanent Job Loss

AMY GLASMEIER AND PRISCILLA SALANT

ncreases in productivity and international competition are changing the nature of work in rural America. Job losses are mounting in communities where low-skill employment has dominated the economy. From 1997 through 2003, over 1.5 million rural workers lost their jobs due to fundamental changes in industries that have historically been the mainstay of the rural economy. The rate of this job loss is increasing as firms seek to lower their costs through automation and the use of cheaper labor outside the U.S. In rural America, workers in manufacturing were hardest hit—from 2001 to 2003, one in ten displaced workers were employed in manufacturing. Looking ahead, the data show that workers with only a high school education, regardless of the industry in which they work, are especially vulnerable.

Job loss has devastating impacts on families and children. The lack of security that accompanies displacement creates severe stress on the previously employed individual. Loss of a long held job and limited prospects for immediate reemployment create economic insecurity for the family and can lead to a loss of self esteem, declining health, increased marital discord, a reduction in the ability to parent, an increase in abuse of alcohol and other substances, and an increased likelihood of divorce (Jacobson, LaLonde, and Sullivan, 1993; Ruhm, 1991; Stevens, 1997). In families where an unexpected loss of a long held job occurs and reemployment is slow, children experience a decline in school performance, increased anxiety and emotional maladjustment (Duncan, Brooks-Gunn, and Klebanov, 1994; Duncan and Brooks-Gunn, 1997; Kalil and Zoil-Guest, 2005).

This policy brief reviews data on job displacement nationally and in rural communities, with a focus on regions of the country where job losses due to displacement are significant and the rate of displacement has been increasing. The findings shed light on the distinct experience of rural America and have clear implications for public policy that impacts workers, families and communities.

Who qualifies as a "displaced worker"?

A worker is considered displaced if he or she loses a job held for at least three years because a company moves, a plant closes, work slacks off, or a job is eliminated. Job loss caused by displacement reflects changes in the industrial make-up of the economy, rather than ordinary economic cycles or temporary unemployment. Workers who are displaced are not expected to regain their previous jobs (Rosen 2006).

Displacement rates are calculated by comparing the number of workers reporting displacement to the sum of displaced workers not employed and the total number of employed workers (Farber 2003).

Displacement at a Glance: What the Data Show

The nation

Nationally, the number of jobs lost due to displacement has increased significantly since the late 1990s. From 1997 to 1999, 3.3 million workers lost jobs, but from 2001 to 2003 the number had increased to 5.3 million. Over the entire sixyear period more than 9.3 million workers were displaced.

The rate of displacement—that is, the share of displaced workers relative to the workforce as a whole—went from 2.4 percent in the 1997 to 1999 period to 4.0 percent in the 2001 to 2003 period. It increased across all categories—gender, race, age, education, and household type.

One-third of all jobs lost due to displacement in the 2001 to 2003 period were in manufacturing. Forty-two percent were held by people with a high school education or less (Figure 1).

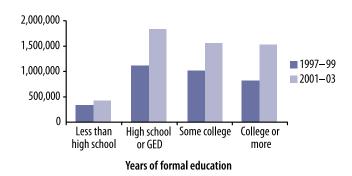
Rural America²

As in urban parts of the country, low-skill workers in rural America are the most vulnerable to displacement caused by increases in productivity and international competition. The U.S. Department of Agriculture's Economic Research Service (ERS) estimates that 42 percent of rural jobs are low-skill: that is, they are less complex and require less formal education (Gibbs, Kusmin, and Cromartie, 2005). Though the share of rural jobs that are low-skill is declining, the proportion remains higher than in urban areas, as it has been historically (Figure 2).

From 1997 to 1999, 637,000 rural workers were displaced. In the 2001 to 2003 period the number increased to 800,000. Over the six-year period 1.5 million rural workers lost their jobs. Less educated rural workers were more likely to be displaced; workers with a college degree lost their jobs at half the rate of those with only a high school education.

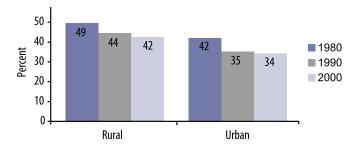
As was the case in the nation as a whole, the workers who were hardest hit were those in manufacturing. Nearly half of all rural jobs lost because of displacement were in manufacturing (47 percent), compared with about one-third in the nation as a whole (Figure 3). This indicates that manufacturing jobs in rural areas have been especially vulnerable to international competition and the effects of automation. This is consistent with the fact that rural manufacturing jobs tend to require fewer skills than urban manufacturing jobs (Gibbs *et al.* 2005).

Figure 1: Displaced workers by education, U.S., 1997–99 and 2001–03



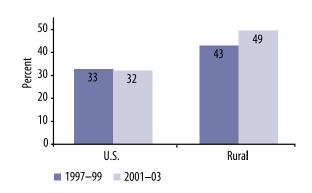
Source: Displaced Worker Survey supplement to Current Population Survey

Figure 2: Low-skill employment share, rural and urban U.S., 1980–2000



Source: Gibbs and Cromartie, 2005

Figure 3: Displaced workers previously employed in manufacturing, U.S. and rural U.S., 1997–99 and 2001–03



Source: Displaced Worker Survey supplement to Current Population Survey

The Regional Story

The impacts of increasing productivity and international competition—and thus worker displacement—are playing out differently across rural America. Two regions stand out in particular. First, the rural South is losing the *largest number* of jobs to displacement. From 2001 to 2003, 42 percent of rural displaced workers—326,000—were located in the South (Figure 4). One-third (262,000) were located in the Midwest. Second, the rural Northeast is losing jobs at a *higher rate* than other regions of the country. The rural Northeast and Midwest have lost jobs at a faster rate than the rural West and South (Figure 5).

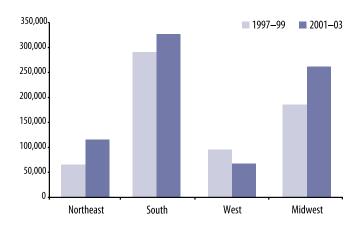
Most rural job loss is in the South; more is on the way

Almost 616,000 workers in the rural South were displaced from 1997 to 2003—more than in any other region in the country. Again, workers with no more than a high school education experienced the highest rates of displacement (Figure 6). In the 2001 to 2003 period, almost one in ten southern rural workers who lost their job due to displacement were employed in manufacturing. This is five times the proportion of displaced rural workers who were employed in the service sector.

Though the rate at which rural workers in the South are being displaced did not increase significantly over the time period studied here, ongoing changes in international trade policy indicate that more serious problems lie ahead. On January 1, 2005, the Multi-Fiber Arrangement expired as part of an agreement reached in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations. For the first time since 1974 American, Canadian and European apparel and textile markets were unprotected by the quota-based trade system that had previously controlled the level of textile and apparel imports into the signatory countries (MacDonald, 2006). In response to fears that Chinese imports would flood the American market, safeguards and renewed quotas were introduced and enacted on some Chinese imports with implementation beginning January 1, 2006 (Office of the U.S. Trade Representative, 2006). Forecasters suggest that the American apparel and textile industry will face further declines in the next two years. The consequences of this change have been and will likely continue to be traumatic for rural areas in some southern states.

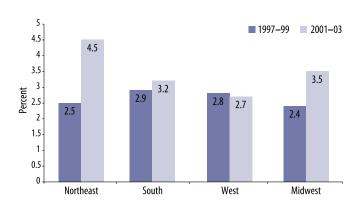
Recent research by Karen Hamrick of the Department of Agriculture's Economic Research Service charts the changes underway in America's textile and apparel industries. More than 400,000 jobs have been lost in the industry since 2000. More than 279,000 were located in the rural South. Compared to other displaced workers, those who lost jobs in the textile and apparel industries were more likely to be women

Figure 4: Displaced workers by region, 1997–99 and 2001–03



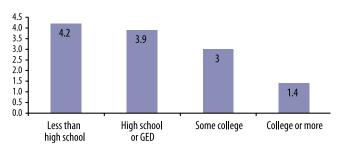
Source: Displaced Worker Survey supplement to Current Population Survey

Figure 5: Rate of displacement by region, 1997–99 and 2001–03



Source: Displaced Worker Survey supplement to Current Population Survey

Figure 6: Rate of displacement by education, U.S. South, 2001–03



Source: Displaced Worker Survey supplement to Current Population Survey

and more likely to have a high school education or less. When they lost their jobs, they were more likely to leave the labor force rather than find new jobs. Overall, they faced bleaker prospects than other workers because of their lack of job search experience and low education levels. Of those who did find new employment, over 80 percent had lower real earnings than in their previous job (Hamrick 2005). Estimates of future job loss in these two primarily southern and largely rural industries are in the hundreds of thousands (U.S. Department of Labor 2005).

Rural workers in the northeast: fewer in number, but losing jobs at the highest rate

The rate at which rural workers in the Northeast have been displaced was the highest in the nation and continued to increase during the period from 1997 to 2003. The number of rural workers who experienced permanent job loss increased by almost 50,000 between the 1997 to 1999 and 2001 to 2003 periods. Job losses increased for men, workers with low education levels, and for those in manufacturing. Northeastern rural workers in manufacturing were five times more likely than those in the service sector to be displaced from 2001 to 2003.

What explains these findings? Though economic restructuring is taking place across the country, the Northeast manufacturing industry has been hit especially hard and has experienced more long-term job losses than those of any other region (Deitz 2004). In rural New England, for example, losses in the pulp and paper sector have been dramatic (Northern Forest Alliance 2002).

Policies for Assisting Displaced Workers in Rural America

Findings presented here confirm anecdotal evidence that economic restructuring is having serious consequences for large numbers of workers in rural America. Jobs are disappearing and are doing so at an increasing rate.

In this section, we examine how circumstances make it difficult for displaced rural workers to find new jobs, ways in which past policies and current proposals have tried to address the situation but still fall short, and how policies can better assist workers in rural America.

Rural circumstances make adjustment difficult

As noted earlier, industries that have long driven the economy in many rural communities produce goods that are traded internationally under significant competitive pressure. Many analysts have documented how concentration in the textile and apparel industry and other trade-sensitive sectors makes rural areas particularly vulnerable to the kind of industry-wide shifts that are currently taking place (Leichenko and Silva, 2004; Bernard, Jensen and Schott, 2005; Glasmeier, Kays, Thompson and Gurwitt, 1995).

Nevertheless, the direct effects of international trade are not the only cause of permanent job loss in rural America. There are indirect consequences of globalization as well, most notably when demand is reduced for entire skill sets within the labor force. Thus, in many cases, plant closures and mass layoffs are not tied to an immediate change in the flow of imports, but instead to a longer and more pervasive economic transformation. The low-skill work that has characterized much of the nation's rural economy is now being automated or done elsewhere at lower cost. At the same time, new products are replacing older, less sophisticated models. Under these circumstances, making the link between job loss and international trade is more difficult than when a specific plant closure is clearly tied to an upsurge in imports of a particular product. While the causes are more complex and harder to trace, the effects are the same—job loss, family distress, and community decline.

Two important factors make it harder for rural workers than for urban workers to adjust to job loss. First, the local economy in rural communities often depends on one industry rather than the diverse set of industries that characterize urban economies. When the paper mill closes in a small town in New England or a textile firm moves its operations from the rural South to China, workers who lose their jobs have few, if any other, local job prospects. Second, even when there are other employment opportunities in rural communities, they often require retraining and skill upgrades and, as the case study of Coosa Georgia suggests, the training and education infrastructure is not as well-developed as it is in urban parts of the country (Fletcher, Needles, Flora, Gaddis, Winter, and Litt, 2002).

Past policy responses and current policy proposals

Trade-related job loss has been a concern of federal policy makers since the early 1960s. The Trade Adjustment Assistance (TAA) program currently provides assistance to displaced workers. It was originally created by the Trade Expansion Act of 1962 and modified by the Trade Act of 1974. A second program, the North American Free Trade Agreement Transitional Adjustment Assistance program (NAFTA-TAA) was created in 1993 for similar reasons—to

help workers impacted by trade become reemployed quickly (General Accounting Office, 2000).

The TAA underwent major revisions and was significantly improved in 2002 (Kletzer and Rosen, 2004). Among the new provisions were these:

- TAA and NAFTA-TAA were merged and made consistent;
- refundable tax credits for health insurance were added;
- the cap on funds for training was increased (but remained subject to the regular appropriations process); and
- income maintenance payments were augmented.

Many bills were introduced in the 2005 Congressional session to further address the negative impacts of trade. Provisions that would specifically help rural workers include those intended to:

- expand eligibility to workers in the services sector, including, for example, call center workers whose work has been sent out of the country;
- streamline the eligibility-certification process and allow certification on an industry- or occupation-wide basis;
- make permanent and simplify the process of certification for wage insurance for older workers;
- add additional funds for worker retraining; and
- increase the level of health care premiums covered by a federal tax credit.

If approved and fully funded, these bills will help a wide range of rural workers, including those in the service industries, those not close to retirement, and those who are approaching retirement and need help as they transition out of the labor force. However, because of the specific rural circumstances discussed above, the proposed legislation is not adequate. A multi-pronged strategy is required to address the changing nature of work in rural America.

Recommendations: broader and deeper policy responses are needed

Rural America faces unprecedented challenges as we enter the 21st century. As the evidence presented here confirms, reliance on a low-skill economy has resulted in significant job loss in many of the nation's rural communities. Particularly in the South, where rural poverty rates are higher and educational levels are lower than elsewhere in the nation, more serious problems lie ahead.

Shutdown in Coosa Valley Georgia

In the 12 months leading up to Spring 2005, three textile and apparel plants closed in the Coosa Valley region of Northwest Georgia. Hundreds of workers lost their jobs. The work force in the plants was predominantly women, many with less than a high school education and more than a decade of work in the mills. The financial and personal loss associated with being displaced had shaken many of these women to the core.

In a focus group six months after the last plant closed, a group of women who had worked at the plants reflected on the shutdowns as if they had just happened. By that time, most of the women had signed up for one- and two-year certificate training programs. There were problems with the availability of training slots in many of the high-demand programs—for example, those that prepared people for health care occupations in the region. For each woman enrolled in a training program in health care there were two waiting to get in. While they waited, they were using up their training funds. One recently divorced woman in her 40's complained she had stayed until the plant closed and missed the opportunity to get into the best training programs.

Several of the women complained that the system was rigid, and yet chaotic. They said that they never knew whether their situation would be covered under the program, nor how changes in existing programs would affect their other benefits. A 48 year old divorced mother of two said, "The most troubling aspect of the displacement process is the ambiguity about benefits available to us." Another mother of two young children found it difficult to determine how unemployment, educational, and other types of benefits could be used in conjunction with Trade Adjustment Assistance.

Six months after they lost their jobs, these women were still trying to determine what resources were available to help them get new jobs.

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Community Response to Job Loss in Berlin, New Hampshire

Berlin, in New Hampshire's North Country, is known as "The City That Trees Built," and its economy is based on access to timber and the water resources needed to manufacture pulp and paper. Over half a century, Berlin has declined significantly, going from 30,000 residents 50 years ago to 10,000 in 2006.

The day before the World Trade Center towers fell, Berlin collapsed. On Sept.10, 2001, the city's biggest employer, a 113-year-old paper company, suddenly closed, throwing 850 people out of work. According to the New Hampshire Business Review, "Mill workers were later denied access to their hard-earned wages" when a Berlin bank would not honor their paychecks. Because Pulp and Paper of America had stopped paying local taxes months before it declared bankruptcy, the cities of Berlin and nearby Gorham were crippled, millions of dollars short of their expected budgets.

State and local officials crafted a package of incentives, including relaxed environmental standards, that induced a Canadian firm to buy and reopen the mill eight months later. Some 600 people went back to work at Fraser Papers, but Berlin had to face a new reality.

"The big deal was realizing the mill was not going to be the savior," explained Cathy McDowell, executive director of the Family Resource Center at Gorham. She said that the city required "not just economic development, but also community development," with a focus on "combining economic development with education, human services, technology—incorporating them all."

To this end, the Androscoggin Valley Economic Recovery (AVER) was formed in 2001 by Berlin business and community leaders to stabilize the local economy through diversification and education. AVER put the brakes on a 2002 initiative to build a casino in the area. In 2003 the group commissioned a study of local education, finding that Berlin sorely needed to keep teenagers in high school and upgrade the skills of younger adults.

Prisons are not our economic development strategy, McDowell said, though AVER has worked with public officials to locate a new medium-security federal prison here, due to open in 2008. The 300 new jobs it creates will pay well by local standards, McDowell said, "We'll be importing a middle class."

But, Berlin's troubles are not over. Just a week ago, the new owners of the mill announced it would close permanently in May. When its doors finally close, the last 250 workers will lose their jobs, joining rural America's growing population of displaced workers.

> Julie Ardery Austin, Texas

These problems require a comprehensive approach to rural development policy that includes, but also goes beyond, current proposals to enhance displaced worker programs. Policymakers at all levels of government should be guided by three principal goals:

- The nation must invest in comprehensive education and training in rural America, with an emphasis on community and technical colleges that prepare workers for the economy of tomorrow as well as today.
- Economic development strategies must go beyond business recruitment. Alternatives include:
 - * supporting industry clusters;
 - * encouraging new and existing entrepreneurs;
 - * increasing access to capital; and
 - * focusing on specific industry sectors, such as health care.

While much remains unknown about the effectiveness of clusters, "home-grown development," and other alternatives, consensus is growing among community economic development practitioners that these alternatives are important strategies for creating new jobs and raising incomes.

 Policies must focus on community-based approaches to development, not only on the needs of individual workers, firms, and industries. Investing in effective social services, basic municipal infrastructure, strong leadership, and proactive local foundations will help ensure that communities are prepared to address the challenges of a 21st century economy. As the Berlin example shows, communities are on the front line of assisting displaced workers and stabilizing local economies.

ENDNOTES

- 1. Tables for data on displacement rates are available from the authors.
- 2. Here, "rural" refers to nonmetropolitian counties as classified by the U.S. Office of Management and Budget (OMB). The specific metropolitan identifiers on DWS files analyzed here are based on OMB's June 30, 1993 definitions. http://www.bls.census.gov/cps/bmetro96.htm.

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Data used in this report

The major data source for this report is the Displaced Worker Survey (DWS), a supplement to the Census Bureau's monthly Current Population Survey. The DWS is conducted in January or February of even-numbered years. Since 1994, the DWS has covered displacements that occurred within the three years immediately prior to the survey month. Data presented in Figures 1 and 3–6 are from the 1997-99 and 2001-03 surveys. Thus, the six-year period analyzed is 1997-2003.

For this report, data from the 1997-99, 1999-01 and 2001-03 surveys were pooled to produce estimates of the total number of workers displaced over a six-year period. Double-counting was avoided by eliminating respondents who were displaced during the most recent year in which two consecutive surveys overlapped. For example, data from the 2004 survey (covering displacements that occurred during 2001–2003) were combined with data from the 2002 survey (covering displacements that occurred during 1999–2001). Thus respondents to the 2002 survey who were displaced in 2001 were eliminated from the pooled estimates.

DWS data allow us to examine the rate of displacement and why displacement is occurring. They also allow a closer examination of the characteristics of displaced persons, including the industry of previous employment, location (urban or rural), level of education, gender, race, age, and family status.

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