

## Case 7

The August 1987 closing of General Motors' Firebird/Camaro assembly plant in Norwood, Ohio, which resulted in the loss of 4,400 jobs, typifies the devastating impact of large-scale workforce reductions on individuals and groups within a community. The Norwood plant, which had operated for sixty four years, provided approximately 30 percent of the City's tax revenue and supplied the School District with \$2.6 million per year. Its closing had a severe effect on the private sector economy of Norwood that was felt by suppliers of services - such as supermarkets, restaurants, and banks - and small businesses that provided the plant with miscellaneous goods and services.

The City of Norwood felt that over the years it had undertaken numerous measures to benefit General Motors. For example, the City expended \$750,000 to construct an underpass to accommodate rail traffic to and from the plant, as part of an earlier agreement under which General Motors undertook a \$200 million project to modernize the Norwood facility. The City, as well as the union at the plant (United Auto Workers, Local 674) complained that General Motors refused to cooperate in a full exploration of alternatives to the plant closing. In this connection, during 1987 the union offered savings worth \$112 million that year and \$200 million in 1988. Despite this, General Motors characterized the decision as an unavoidable response to increased competition in the "sporty road car" segment of the market. Such competition, General Motors maintained, made it clear that the Company could not support two separate production facilities. According to General Motors, its other Firebird/Camaro assembly plant in Van Nuys, California had distinct advantages over the old, inefficient Norwood facility; for example, Norwood's three story layout made it impossible to utilize new production systems.

In January of 1987, James F. MacDonald, President and Chief Operating Officer of General Motors made the following statement at congressional hearings:

General Motors has established community and joint GM-UAW transition teams at Norwood who will work with every employee, hourly and salary, to ease the transition. Employees who are laid off could be eligible for job opportunities anywhere in General Motors' U.S. operation. Financially, employees with one year or more of seniority receive Supplemental Unemployment Benefits. This combined with State unemployment compensation amounts to 95% of the employee's take-home pay for up to a full two years. If the Supplemental Unemployment Benefits run out before re-employment, employees with 10 or more years of seniority are provided from 50 to 75 percent of the individual's pretax pay, depending upon seniority. Limited benefits are also provided. The UAW-GM National Human Resources Center gives

counseling, explanations of benefits and retraining programs for displaced employees.

As of August 17, 1988, 2,200 Norwood employees either retired or accepted buyouts of their GM benefits. Only about 100 of the Norwood employees went to work at other GM plants.

A study prepared for the Joint Economic Committee of the U.S. Congress in 1976 reached the following conclusions about the overall social costs of unemployment. According to the study, "a one percent increase in the aggregate unemployment rate is associated with 37,000 deaths (including 20,000 cardiovascular deaths, and 920 suicides) along with 650 hospital admissions, 4,000 state mental hospital admissions and 3,300 state prison admissions." The study also found that a one percent increase in the unemployment rate results in \$3.3 billion of increased public aid expenditures.