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What Plant Closings Cost a Community: The Hard Data

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What Plant Closings Cost a Community: The Hard Data

Abstract

[Excerpt] Because the public doesn't understand, they don't support us – or worse – they support the company that is trying to destroy us. On the other hand, if they really did understand how our fight was their fight, they will enthusiastically support us and demand that other leaders support our initiatives. This is real beginning of the process that finally gives the labor movement political strength in city councils, state legislatures, and, finally, on the federal level. Social Cost Studies are one way to effectively show these kind of connections and interconnections. Midwest Center for Labor Research (MCLR) has been a pioneer in developing this kind of research.

Keywords

plant closings, public support, labor disputes, social cost studies, Midwest Center for Labor Research, MCLR

The MCLR Index

What would happen if the *5,435 remaining blue-collar jobs* at Briggs & Stratton were lost? The total cost to workers and taxpayers in the first two-years would be enormous:

Total cost to taxpayers: \$197.8 million

Total cost per laid-off Briggs & Stratton worker: \$36,398

Number of Milwaukee-area jobs destroyed in ripple effects: 6,735

Total jobs lost from layoff and ripple (5,435 plus 6,735): 12,170

Laid-off workers still out of work one year later: 3,337

Workers still jobless after two years, long after unemployment compensation runs out: 2,175

(including 24% of the Briggs & Stratton workers)

Laid-off Briggs & Stratton workers' income loss: more than 40%

Wisconsin income tax revenues lost due to layoff: \$19.9 million

Indirect business taxes lost, including WI sales tax: \$30.4 million

Federal income tax revenues lost: \$37.5 million

Property tax revenues lost: \$13.7 million

Social Security tax revenues lost: \$41.3 million

Increased Unemployment Compensation spending: \$50.7 million

Increased Welfare assistance costs: \$4.5 million

Percentage of the workforce which is female: 48

(women suffer longer periods of unemployment and get lower wages when they do find jobs)

Percentage of the workforce which is minority: 14

(predominately African-American; same issues apply as women when dislocated)

Average age of the workforce: 44

(older workers suffer age discrimination, more often have injuries or prior medical conditions)

Number of Briggs & Stratton workers living in Milwaukee: 2,216

Number of communities with more than 100 endangered workers: 10

(West Allis, Menomonee Falls, Greenfield, Waukesha, New Berlin, Sussex, Germantown, Wauwatosa, Brookfield and West Bend)

What Plant Closings Cost a Community:

The Hard Data

■ *Robert Ginsburg, Ph.D.*
Research Director, MCLR

Making our issues—jobs, labor rights, the environment, social justice—political issues that are understood and supported by political leaders and their supporters requires greater effectiveness in our presentations to the public.

Typically, the public still reacts to our fight around a plant closing or a strike as a typical “labor/management” dispute or the demands of a “special interest” group called labor. They don’t recognize that although organized labor is on the front line, this is an issue which affects the *whole* community including other workers—organized and unorganized; local businesses that supply and buy products; local government; consumers; local service agencies; the church community; etc.

Because the public doesn’t understand, they don’t support us—or worse—they support the company that is trying to destroy us. On the otherhand, if they really did understand how our fight was their fight, they will enthusiastically support us and demand that other leaders support our initiatives. This is real beginning of the process that finally gives the labor movement political strength in city councils, state legislatures, and, finally, on the federal level. Social Cost Studies are one way to effectively show these kind of connections and interconnections. Midwest Center for Labor Research (MCLR) has been a pioneer in developing this kind of research.

MCLR's Social Cost Studies were originally developed to quantify four major impacts of plant closings: total job loss and loss of income; duration of unemployment; lost tax revenue; and increased social safety net spending. This information can show that job losses affect other workers in the community and taxpayers in general and provides clear reasons for politicians and other groups to support campaigns against plant closures.

Decline in Standard of Living

Following plant closings or permanent layoffs, some workers find jobs quickly. Others remain unemployed for a substantial length of time and must adjust to a reduced standard of living based on unemployment compensation and other income support programs. MCLR developed a model that estimates the annual income of workers who lose their jobs based on expected duration of unemployment, the average wage in their new jobs, and the specific level of unemployment and welfare benefits paid in their state.

Not surprisingly, the average wage in new jobs averages less than in the original job. Workers, on average, lose 30% of their income for the first year following a plant closing.

MCLR's model also estimates the number of "ripple-effect" workers who lose their jobs because of decreased spending by the laid-off workers and the closed business. For example, laid-off workers will spend less money in restaurants, make fewer purchases of furniture or appliances, and put off buying a car. The company will not purchase supplies and will use not use local services. This decreased spending results in layoffs in other businesses.

Duration of unemployment

The amount of time it takes a displaced worker to secure new employment depends on a number of variables, including the race, sex, and age of the person, as well as the local employment rate. MCLR's projection of the length of time workers will remain unemployed is based on 24 such variables. It takes a woman longer to find new work than a man, and blacks longer than whites. Heads of families or sole earners will be more likely to take the first acceptable job, even at much lower pay, because of the importance of a paycheck for a family. Using the model, MCLR's analysis of the Briggs & Stratton plant in Milwaukee estimated that 24% of the 5,400 workers and 13% of the 6,700 ripple-effect workers will still be unemployed after two years.

Lost Tax Revenues

MCLR developed an estimate of the decrease in taxes and fees paid by the closed business and by ripple-effect businesses as a result of job

losses. Obviously, a plant closing will reduce the taxes paid by the workers and eliminate the taxes paid by the company. Workers will have lower incomes, so they will pay fewer social security and income taxes, less sales taxes since they will make fewer purchases, and even pay lower property taxes since some displaced workers will be forced to sell or abandon their homes or move to smaller apartments. Companies pay a wide variety of taxes and fees to the government. For example, MCLR calculated that the closure of the Leslie Fay plants in Pennsylvania would result in the loss of nearly \$15 million dollars in tax revenues.

Increased Social Safety Net Spending

With the estimates on the number of people unemployed and the average length of time the displaced workers will be unemployed, MCLR's social-cost analysis calculates the total unemployment compensation costs following layoffs. The cost to local and state government can be substantial.

Those workers unable to find new jobs after receiving unemployment benefits would be forced to rely on general welfare programs including Aid for Families with Dependent Children (AFDC), General Relief, Food Stamps, and Medicaid. Again, MCLR's analysis of the Briggs & Stratton layoffs estimated that welfare costs will increase by \$4.5 million. In total, local and state government would pay \$50.7 million to Briggs & Stratton and ripple-effect workers.

Other Uses of MCLR Social Cost Analysis Methodology

MCLR has begun applying the basic methodology for analyzing the impact of plant closings to a number of other areas. For example, MCLR recently estimated the benefits of paying union wages in a construction project in West Virginia. In addition, MCLR's research staff is developing the model to evaluate the impact and cost effectiveness of subsidies to companies. Specifically, we can estimate whether the subsidies or tax breaks will ever be recovered by the government and identify who actually pays whatever extra taxes are generated—e.g., Do the tax breaks generate more taxes by workers and people in the lowest income categories or more taxes by corporations and higher-income people?

MCLR has done over a hundred of these studies for unions, community coalitions, plant closing coalitions and others. We take the actual figures from the local area and show, in graphic ways, how this impacted the local community. MacNeil/Lehrer News Hour featured our studies in one of their segments.

Please call MCLR Research Director Bob Ginsburg at 312-278-5418 if you would like information on these studies, the cost of doing one for your own campaign, or any other questions you might have. ■