Conclusions: Displacement Rates Low, but Rural Displacement Still a Concern

The analysis presented here suggests that nonmetro workers are not at greater risk of displacement than metro workers. Indeed, they faced a slightly lower risk of displacement during 1995-97. This is a reversal of the experience of the 1980s, when nonmetro workers had greater displacement rates than metro workers. For measures of hardship after displacement such as unemployment rates, weeks jobless, or lost earnings, nonmetro displaced workers fared about the same as metro displaced. Consequently, assessing whether nonmetro displaced faced more or less hardship than metro displaced is not straightforward.

Despite this favorable news, analysis reveals several concerns about displaced workers in nonmetro areas:

(1) Once displaced, nonmetro workers were less likely to find a new job than metro displaced. A larger share of nonmetro displaced workers dropped out of the labor force than metro displaced workers.

(2) Although nonmetro displaced workers who found a new job did about as well as metro displaced workers in replacing their lost-job earnings, nonmetro median weekly earnings were considerably less than the metro median weekly earnings. And related to this, nonmetro displaced workers were more likely to be in low-income households than metro displaced workers.

(3) Nonmetro workers were less likely to be covered by the legislation designed to protect displaced workers, WARN, ERISA, COBRA, and HIPAA. Because the intent is to protect displaced workers and their benefits, perhaps the differences in employment characteristics between metro and nonmetro jobs should be taken into account.

(4) The large number and share of trade adjustment assistance certifications in nonmetro areas suggest that layoffs are continuing at a relatively high rate given the low unemployment rate. Even though layoffs from these plant closings and downsizings constituted a small share of the total nonmetro labor force, they likely had a large impact on rural communities. The effect of restructuring of the apparel industry in particular is falling disproportionately on nonmetro areas. Assistance is clearly warranted not only to help the displaced workers, but also to help the affected communities adjust and develop new sources of employment. Restructuring and relocations continue as the United States becomes increasingly involved in the global economy. For example, recent announcements directly affecting nonmetro areas include sheet and towel maker WestPoint Stevens Inc.'s plans to close its plant in Halifax County, NC, due to streamlining and technological advances; Baldwin Piano's closing of its plant in Leflore County, MS, to outsource the manufacturing of components; International Paper Co.'s closing of its plywood mill in Ware County, GA, due to competition from imports; Ohio Art Co.'s plan to close its Etch A Sketch plant in Williams County, OH, and move production to China; Converse's reorganization and bankruptcy protection filing that will close the Robeson County, NC, sneaker plant and then license production to Asian manufacturers; and the closing of the Sunshine Mine, the nation's largest silver mine in Shoshone County, ID, due to low silver prices.

(5) Were the United States to again face the financial market conditions of the 1980s debt crisis–the high value of the dollar and high interest rates–nonmetro areas would probably experience extensive displacement. In the recent global financial crisis, the U.S. trade deficit increased sharply in 1998 and 1999, hurting the goods-producing sector, in particular, agriculture and manufacturing, resulting in a decline in nonmetro employment growth. Fortunately, nonmetro areas did not experience lasting damage from the global financial crisis, unlike the experience of the 1980s debt crisis.

The labor market story of the mid-1990s is very much a favorable one. The tight labor markets of this phase of the expansion have reduced displacement levels and rates and allowed most displaced workers to find new jobs. However, layoffs continue at a relatively high rate given low unemployment, and some groups face disproportionate hardship. Worker displacement in nonmetro areas is of particular concern as goods-producing industries continue to lay off workers. Economic change is inevitable; the challenge is to adequately provide for workers and communities dealing with change.