



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Rural Displaced Workers Fare Poorly

Many workers, both rural and urban, were permanently laid off from their jobs between 1981 and 1986. Some found comparable jobs quickly, but others were jobless for 6 months or more, took a cut in pay to land a new job, or had to move away to find a new job. Overall, rural displaced workers fared more poorly than urban. Rural communities need to enhance the labor market flexibility of workers displaced by economic change.

Increased global competition, new automation technologies, and numerous plant closings caused many rural workers to lose their jobs in the 1980's. But we have not known if rural workers were at a relatively higher (or lower) risk of being displaced than urban workers. Nor have we known how the personal losses resulting from displacement differ for rural and urban workers.

To answer these questions, I combined information on job displacement from the January Current Population Surveys in 1986 and 1988 with information on migration from the March Current Population Surveys in those 2 years. (See box, "The Displaced Worker Survey.") Here's what the data show:

- Approximately 10.1 million workers were displaced from full-time jobs between 1981 and 1986. Of these, 2.5 million or 25 percent lived in nonmetro areas. This exceeds the 21-percent share of nonmetro workers in total national employment, indicating a somewhat higher rate of displacement in nonmetro labor markets.

- One in five nonmetro displaced workers were high school dropouts. Production workers, males, and minorities were also overrepresented.

Paul Swaim is an economist with the Agriculture and Rural Economy Division, ERS.

- Two-fifths of nonmetro displaced workers were jobless for more than 6 months. Once reemployed, a third reported reductions in weekly earnings of 25 percent or more. Many also lost health insurance.

- The length of joblessness following displacement was longer for nonmetro workers, and their earnings at their new job were often less than at their former job.

Job displacement has apparently been a greater source of economic hardship for nonmetro workers than for metro workers in recent years. It is difficult to assess whether rural displaced workers are adequately served by retraining and other adjustment assistance programs such as those funded by Title III of the Job Training Partnership Act. What is clear is that rural communities need to enhance the

labor market flexibility of workers displaced by economic change.

Why Might Rural Displacement Be Worse?

The industrial and occupational mix of rural employment suggests one reason why rural workers may be displaced more frequently than urban workers. Manufacturing and resource-based industries such as farming and mining are disproportionately rural. And many firms in these industries have been among the most affected by changing international trade patterns, new technologies, cyclical downturns, and other economic trends believed to cause displacement.

Once displaced, rural workers may also face greater adjustment difficulties than urban workers. In contrast to the 1970's, nonmetro employment growth in the 1980's lagged behind metro growth. As a result, the nonmetro unemployment rate rose more in the recession at the beginning of the 1980's and has fallen more slowly since. Workers displaced in rural areas thus likely faced intense competition from other job searchers. As a result,



Photo © J. Norman Reid

Job losses often reflect industrial restructuring. The challenge is to render the losses less disruptive. Haywood Technical College in Waynesville, North Carolina, helps displaced workers learn skills in demand in the workplace.

many may have needed a longer time to become reemployed; many may have had to settle for new jobs that did not make adequate use of their skills.

Even in better economic times, the character of rural labor markets may represent a disadvantage for the rural displaced worker. Any jobseeker with a specific combination of job skills and needs will fare better in a job market where there are many potential employers. Since the pool of potential employers is larger in an urban area than in a small or dispersed rural market, laid-off job seekers should generally fare better in the urban market.

Moreover, the benefit of a large urban labor market may be even greater in a mass layoff situation. A mass layoff in a small labor market will put large numbers of similarly qualified displaced workers in competition with one another for whatever vacancies exist. This congestion effect will be less, perhaps even negligible, in an urban market with a large labor turnover and numerous job vacancies.

The Extent of Displacement

I estimate that 1.7 million workers were displaced each year between 1981 and 1986 (table 1). Despite the 1981-82 recession, total displacements for 1981-84 were only a little higher than for 1983-86. Most of the job displacement in recent years apparently reflects ongoing structural changes in the economy rather than transitory cyclical downturns.

Of the 10.1 million workers displaced between 1981 and 1986, 2.5 million (25 percent) lived in nonmetro areas. By comparison, average monthly employment (age 20 and over) in 1985 was 100.7 million, with just 21 percent in nonmetro labor markets. Since nonmetro workers were a larger share of displaced workers than of all workers, the rate of displacement was (moderately) higher in nonmetro than in metro labor markets.

Just over half of all displaced workers were displaced because of plant shutdowns or relocations. This rate was somewhat lower in nonmetro areas, where "slack work" and "failure of own

business" were more frequently cited than in metro areas. Although the displaced worker survey identified relatively few displaced farmers, they tended to have been self-employed, and hence contributed to the relative importance of "failure of own business" in the rural displacement data.

During this period, employers generally were not required to provide advance notice to workers or local communities affected by permanent layoffs. Nearly half (48 percent) of the workers said they were not notified and had not expected to lose their jobs. Since February 1989, Federal law has required 60 days notice for many large layoffs. Thus, a larger share of workers likely receive advance notice of impending displacements now than was true in 1981-86.

Overall, 59 percent of the displaced workers had been employed in the goods-producing industries (agriculture, mining, construction, and manufacturing). Since just 36 percent of

employment was in this sector, displacement rates were clearly higher in the goods-producing than in the service sector. It is interesting to note, however, that the service sector share of displacements appears to be increasing and by the mid-1980's was nearing 50 percent in metro areas. Nonmetro workers were substantially more likely to have worked in goods-producing industries than were metro workers.

Nonmetro displaced workers were more likely to live in the South and Midwest than were metro displaced workers, consistent with regional differences in the level of urbanization. For example, in 1981-86, 45 percent of all nonmetro displacements occurred in the South compared with 33 percent of metro displacements. Those figures reflect the South's employment pool: the South has 44 percent of all nonmetro workers and 31 percent of all metro workers. The two regions with the highest nonmetro rates of displacement relative to

Table 1—Nonmetro workers at greater risk of displacement

Item	Unit	Displaced workers			Total employed, 1985
		1986 survey: 1981-84	1988 survey: 1983-86	Annual average: 1981-86	
Total	1,000	6,875	6,556	1,679	100,718
Goods producing	Percent	61.0	55.8	58.5	35.5
Plant shutdowns	Percent	47.5	54.1	50.7	NA
Advance notice	Percent	51.1	53.1	52.3	NA
Metro	1,000	5,116	4,923	1,255	79,470
Goods producing	Percent	58.6	52.6	55.7	33.5
Plant shutdowns	Percent	47.2	55.2	51.1	NA
Advance notice	Percent	51.7	52.7	52.4	NA
Nonmetro	1,000	1,759	1,633	424	21,248
Share of total	Percent	25.6	24.9	25.3	21.1
Goods producing	Percent	68.0	65.4	66.8	44.2
Plant shutdowns	Percent	48.1	50.6	49.3	NA
Advance notice	Percent	50.3	54.3	52.0	NA
Regional distribution of displaced workers					
Metro—					
Northeast	Percent	19.1	16.7	18.0	24.2
Midwest	Percent	26.1	25.0	25.5	23.0
South	Percent	31.3	35.6	33.4	31.0
West	Percent	23.5	22.7	23.1	21.8
Nonmetro—					
Northeast	Percent	9.7	9.2	9.5	10.4
Midwest	Percent	29.5	29.1	29.3	32.0
South	Percent	46.4	43.2	44.8	43.5
West	Percent	14.4	18.5	16.4	14.1

NA = Not applicable.

Source: Current Population Survey.

employment are the West and South. The pronounced increase in the rate of displacement in the nonmetro West between the 1981-84 and 1983-86 periods probably reflects the downturn in the energy sector.

Although just 43 percent of nonmetro employment is in blue-collar occupations, 61 percent of the nonmetro displaced workers lost such jobs (table 2). To better gauge occupational differences in displacement rates, I calculated relative risk rates for various occupations. (See columns 3 and 6 in table 2.) In nonmetro areas, blue-collar occupations had a relative risk level of 1.4, double the 0.7 rate for white-collar occupations. There is also considerable variation between blue-collar occupations: craft workers and semi-skilled (machine) operatives experienced the highest displacement rates. Among white-collar occupations, managers were most at risk.

A higher proportion of nonmetro than metro employment is in blue-collar jobs (43 versus 28 percent), and this difference appears to be a major source of the higher nonmetro displacement rate. Indeed, occupational differences in displacement risks are very similar in metro and nonmetro areas, except for the very low risk for nonmetro workers in farming, forestry, and fisheries occupations. The survey records few displacements of hired workers from agricultural jobs. The seasonal nature of much agricultural employment may mean that these jobs rarely achieve the degree of permanence required for displacement to be meaningful. Seasonal and temporary work is probably best viewed as a distinct source of employment insecurity, which generally is not reflected in the survey data.

Who's At Risk?

The demographic composition of displaced workers differs in several important ways from that of the total nonmetro labor force (table 3). Perhaps of greatest concern for rural policymakers is that displaced workers are less educated. More than one in five nonmetro displaced workers had not finished high school. Although many of these workers may have developed valuable production skills on their old job, there may be little

The Displaced Worker Survey

The basic data sources for my study are the 1986 and 1988 Displaced Worker Surveys. These surveys were special supplements to the January Current Population Survey in those years and were designed to identify a large, nationally representative sample of workers displaced from jobs due to plant shut-downs or other permanent layoffs.

Data were lacking until recently to answer many basic questions concerning worker displacement. In response to the need for better data, the Bureau of Labor Statistics added a special supplement on worker displacement to the basic Current Population Survey (CPS) in January 1984. The resulting Displaced Worker Survey provided analysts, for the first time, with an accurate picture of the national displacement problem.

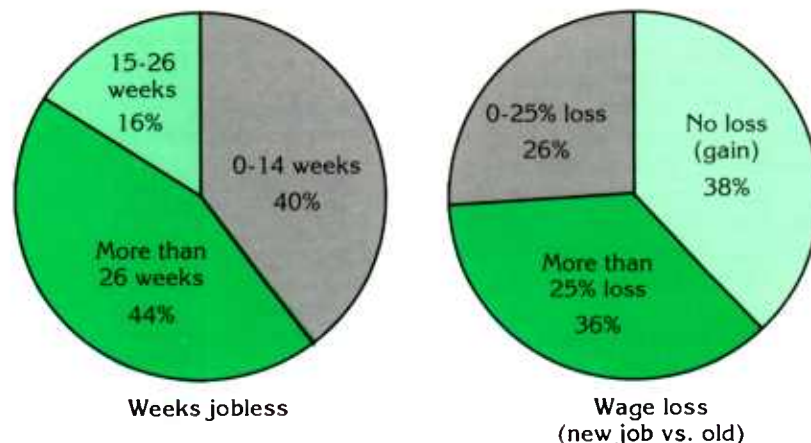
All respondents from the roughly 60,000 households in the January 1984 CPS were asked whether they or any adult member of their household had "lost or left a job since 1979 [i.e., in the 5 years prior to the survey] because of a plant closing, an employer going out of business, a layoff from which [the worker] was not recalled or other similar reasons." An affirmative response triggered a series of questions concerning the nature of the job lost and subsequent labor market experience. These supplemental questions augment the extensive demographic and labor force data in the basic monthly CPS.

The displaced worker survey was repeated in January 1986 and January 1988. The three versions of the survey cannot be pooled to construct a consistent history of displacement in nonmetro areas. The problem is that the 1984 survey used a metro-nonmetro classification scheme based on population patterns from the 1970 Census, while the 1986 and 1988 versions of the survey used a classification scheme derived from the 1980 Census. Since the data from the 1986 and 1988 surveys are more current, I analyze them in this article. My results are similar, however, when data from the 1984 survey are used instead.

Several earlier studies used the displaced worker survey data to study national patterns in worker displacement. Those studies concluded that approximately 1.5 million workers are displaced annually from full-time jobs and that a significant minority experience large losses. Economic losses are larger for certain groups (blacks, women, older workers) and for workers with less education or in less skilled blue-collar occupations.

Figure 1

Costs of job displacement vary widely



Source: Current Population Survey

Table 2—Blue-collar jobs most at risk

Occupation	Metro			Nonmetro		
	Displaced	All employed	Relative risk	Displaced	All employed	Relative risk
	---- Percent ----			---- Percent ----		
	Index			Index		
Blue collar	47.7	28.2	1.7	60.6	43.1	1.4
Farming, forestry, and fisheries	1.5	1.8	.8	3.5	8.4	.4
Craft	18.0	12.1	1.5	23.3	13.8	1.7
Operatives	17.5	6.6	2.7	19.8	10.1	2.0
Laborers and transport operatives	10.7	7.7	1.4	14.0	10.8	1.3
White collar and service	52.3	71.8	.7	39.4	56.9	.7
Managerial	11.4	12.3	.9	8.4	7.9	1.1
Professional and technical	10.9	16.8	.6	7.3	12.1	.6
Clerical	13.2	17.2	.8	8.9	12.2	.7
Sales and service	16.8	25.4	.7	14.8	24.7	.6

The relative risk is the ratio of an occupation's share of total displacements to its share of total employment. Thus a risk index value above 1.0 indicates an above-average rate of displacement.

Source: Current Population Survey.

demand for these largely manual skills in service industries. Earlier studies using data from this survey found that workers with fewer years of schooling experienced larger losses following displacement.

Displaced workers are a little younger than all workers and considerably more likely to be male. Ethnic minorities are also overrepresented: blacks and Hispanics represent 9 and 3 percent of nonmetro displaced workers, but just 7 and 2 percent of the nonmetro labor force. Minorities are an even larger share of metro displaced workers. The lower rate of minority displacement in nonmetro areas reflects their tendency to reside in metro areas. The uneven incidence of displacement reflects the concentration of men and minorities in production jobs. However, displacement is widespread with no groups enjoying immunity.

How Long To Find a New Job?

Has the relatively depressed condition of nonmetro labor markets slowed the reemployment of displaced workers? It seems so. In the survey, interviewers tried to ascertain the number of weeks workers were without work and "available" for work following displacement. While many displaced workers found jobs relatively quickly, a large group

experienced a very long spell of joblessness following displacement (fig. 1). For example, 40 percent of the nonmetro workers were without work for 14 or fewer weeks. At the other extreme, 44 percent were still not working after 6 months (26 weeks), and many of these experienced more than a year of joblessness.

Long jobless spells may seriously depress family living standards. Unemployment insurance is intended to stabilize income when a worker becomes unemployed. Just 60 percent of the displaced workers with a month or more of joblessness collected unemployment insurance benefits. Thus, many displaced workers apparently

did not meet eligibility requirements for this program. Furthermore, 49 percent of those collecting unemployment insurance reported exhausting their eligibility before becoming reemployed.

Although the pattern is similar for metro workers, they spent less time jobless (table 4). Median time without work in nonmetro areas was about a month longer than in metro areas (24 versus 20 weeks). In both metro and nonmetro areas, men spent less time jobless than women, and white-collar workers less than blue-collar. Blacks, high school dropouts, and workers in areas with high unemployment rates spent more time jobless.

It may be that the long jobless periods reported in the survey are misleading. Workers were asked about events that occurred up to 5 years before the survey interview and may not have remembered accurately the time required to find a new job. Reported jobless times may also include periods during which the workers were not actively searching for a new job.

Data from the survey on the labor force status of these workers suggest that long jobless spells frequently do indicate serious adjustment difficulties. In the survey, all displaced workers were asked the standard questions used each month to calculate official unemployment rates. In both metro and nonmetro areas, I used this information to calculate unemployment rates for the displaced workers. These rates far exceeded the corresponding rates for the total labor force (table 4). This indicates that between 1 and 5

Table 3—Displaced are less educated, males, minorities

Item	Displaced workers		Total 1985 nonmetro employment
	Metro	Nonmetro	
	<i>Years</i>		
Age	37.8	37.0	38.7
	<i>Percent</i>		
Male	65.5	66.8	55.1
Black	11.3	8.8	7.4
Hispanic	8.9	2.6	2.3
Years of schooling completed:			
Less than high school	17.7	21.0	17.8
High school	43.0	52.5	46.5
More than high school	39.3	26.5	35.7

Source: Current Population Survey.

years after being displaced, a significant share of displaced workers were still having difficulty adjusting. The higher unemployment rate for nonmetro displaced workers did, however, mirror the higher rate for the total nonmetro labor force.

Earnings and Benefit Loss

How do the earnings on new jobs compare with those on the old jobs when displaced workers are re-employed? Before making this comparison, I adjusted each worker's former earnings to approximate what the worker would have been earning when interviewed had he or she remained at the former job. Thus, I inflated past earnings by an index based on the worker's former occupation, sector of employment (government versus private), and year of displacement using the wage and salary component of the Employment Cost Index published by the Bureau of Labor Statistics.

As with weeks jobless, earnings losses ranged from nonexistent to very large (fig. 1). At one extreme, 38 percent of the nonmetro displaced had current weekly earnings that at least equaled their former earnings. This group seemed to have experienced no lasting reduction in earnings. At the other extreme, however, 36 percent earned

Table 4—Nonmetro displaced have larger losses

Loss measure	Metro	Nonmetro
	<i>Percent</i>	
Weeks jobless		
More than 26 weeks	39.8	43.5
	<i>Weeks</i>	
Median weeks	20	24
	<i>Percent</i>	
Unemployment rates		
Displaced workers (when interviewed)	9.7	14.0
Total labor force (1986-88 avg.)	5.9	7.2
Wage loss		
More than 25 percent loss (percent of reemployed)	30.4	36.1
Median percent loss	6.6	10.4

Source: Current Population Survey.

less than three-quarters (and 17 percent less than half) of their former rate of pay. Many in this group likely experienced large reductions in their standard of living. As with long spells of unemployment, earnings losses, particularly severe losses, were more frequent in nonmetro areas (table 4).

Although losses were generally larger for blue-collar workers, highly skilled craft workers did better than less skilled production workers. And, more educated workers had smaller earnings losses. Workers who had worked many years in their prior job, or had been employed in mining or durable manufacturing industries had some of the largest losses.

Displaced workers also faced a high risk of losing health insurance. For many Americans, health insurance is a fringe benefit of their job or the job of another family member. When the

Definitions

For this study, I focus on workers who lost full-time wage and salary jobs or became unemployed through the failure of a full-time, self-managed business in the years 1981-86. Since full-time workers have made a greater commitment to the labor market and, in general, make a larger contribution to household income than do part-time workers, displacement of such workers is probably of the greatest policy interest. I also limit my sample to workers between the ages of 20 and 64. I exclude workers 65 or older since these workers will generally be eligible for Social Security retirement payments (and possibly private pensions as well). They thus face a different set of choices regarding the labor market than do younger workers.

I include only workers who have been displaced from their previous job for a year or more in my sample. Earlier research with the survey data has shown that many workers laid off in the year immediately prior to the survey interview are eventually rehired by their former employer; hence, they are not permanently displaced. Limiting the analysis to workers who have had at least a year to adapt to the loss of their former job should also better capture the longrun effects of displacement. The result of these restrictions is a nationally representative sample of 3,375 workers displaced from full-time jobs in 1981-86.

I define an "urban" worker as a worker who resides in a Metropolitan Statistical Area (MSA), as designated by the Bureau of the Census. MSA's range from 50,000 up to several million people, and may include two or more cities and surrounding suburbs and communities. A "rural" worker is thus a worker who does not reside in an MSA. Throughout, I interchangeably use "rural" and "nonmetro."

Nonmetro displaced workers cannot be identified reliably with the information provided by the basic Displaced Worker Survey. Although place of residence when interviewed was recorded, residence when displaced (up to 5 years before the interview) was not. As a result, I combined the survey data with personal migration histories from the March Current Population Survey to impute residence when displaced.

job is terminated, however, this benefit generally terminates as well. Concern with this problem has led to Federal legislation allowing workers to participate in their former group health insurance plan for a limited time at their own expense. Massachusetts and Connecticut have enacted legislation mandating extension of employer-paid benefits for up to 4 months following layoff.

I computed health insurance loss rates as the percentage of displaced workers formerly covered by a group health insurance plan on their old job who were not covered by any group policy when interviewed (table 5). The loss rate for nonmetro workers was 34 percent, which exceeded the 26-percent metro rate. One reason for the higher loss rate for nonmetro workers was that they were less likely to be employed on the survey date. Although some of these workers were



Photo © J. Norman Reid

Once out of a job, rural workers generally stay jobless longer than urban workers, thereby requiring a greater commitment of local government services to see them through to their next job.

covered by their spouse's employer-provided plan or a public plan such as Medicare, many were not. Another reason for the lower rate of health insurance coverage in nonmetro areas was that nonmetro workers often accepted new jobs that did not provide this benefit.

Moving On

Worker adjustment to job displacement is likely to be more difficult if the worker must switch occupations or move to a new area. Nonmetro workers frequently reported both occupational changes and job-related moves to a new city or county. Seventy-nine percent of the nonmetro workers found new jobs in a different occupation than their old job, while 25 percent reported job-related moves. Metro displaced workers were less likely to switch occupations or move. Workers displaced in urban areas thus appear to have better prospects of finding a similar job locally.

Table 5—Many displaced left without health insurance

Labor force status	No health insurance	
	Metro	Nonmetro
	<i>Percent</i>	
Employed	19.8	24.3
Unemployed	65.5	68.1
Not in the labor force	41.3	62.4
Total	25.5	33.9

Source: The Current Population Survey.

Nonmetro workers switching to a new occupation had especially large earnings losses. Two-fifths of this group reported a reduction in weekly earnings of 25 percent or more. By contrast, the group moving to a new city or county generally had a somewhat higher reemployment probability and somewhat lower earnings losses than nonmetro workers. Many in the migrating group, however, had moved to metro areas.

Implications

My research shows that worker displacement was an important source of economic hardship in 1981-86. Furthermore, the displacement problem was somewhat more severe in nonmetro areas than in metro areas. Nonmetro workers were more likely to be displaced and to experience larger personal economic costs following displacement.

Since the high rate of displacement appears to reflect ongoing economic restructuring more than intermittent cyclical downturns, displacement may be an unavoidable cost of economic change. The challenge to rural areas is, thus, less to avoid displacement than to render it less disruptive. To do so will require both the creation of new jobs to replace those lost to economic change and assistance to workers to move from declining to growing sectors.

Creating new jobs reflects the need to diversify the economic base in many rural communities. The severe dislocation pains experienced by many nonmetro workers, however, indicates a second need: worker flexibility to adapt to shifting job markets.

A valuable tool for easing the adjustments required of displaced workers is job counseling and retraining programs like those funded by Title III of the Job Training Partnership Act. Yet, overall funding levels fall far short of what is needed to serve the 1.5 million workers displaced each year. And, since States have considerable discretion in allocating Title III funds (and limited reporting requirements), we do not know if their share of services adequately reflects the greater severity of the nonmetro worker's displacement problem.

Most of the evaluation studies of Title III programs have focused on metro workers. Thus, it is not clear if the current services, which emphasize workshops on job search skills, are appropriate for rural displaced workers. My research suggests that nonmetro workers require more occupational retraining and relocation assistance than do workers displaced in urban labor markets.