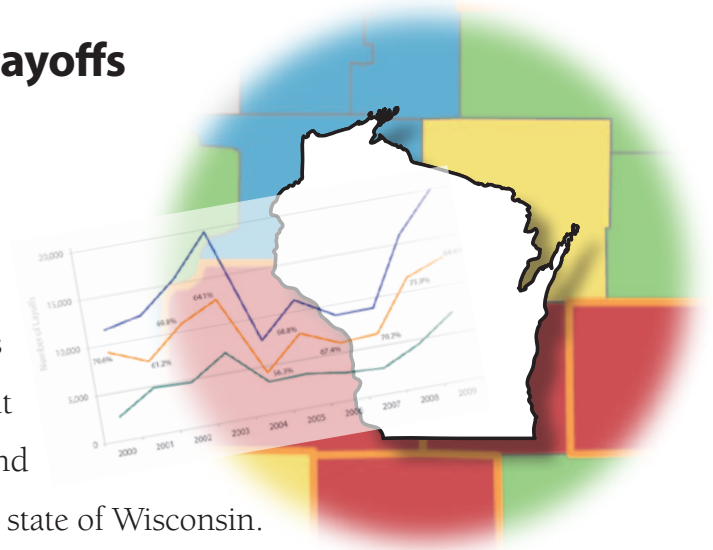


Recent Trends in Closings and Layoffs in Wisconsin, 2000-2010

Heather O'Connell, Katherine J. Curtis

This report is the fifth in a series of briefings on the results of recent research on historical, geographic and racial aspects of family poverty in the state of Wisconsin.



In this briefing we describe the current and recent historical trends in closings and layoffs in Wisconsin. Previous briefings showed poverty is not evenly distributed across the state. Moreover, poverty disproportionately affects Wisconsin's racial minorities because minority populations tend to be located in economically vulnerable places. Layoffs and closings weaken the economic vitality of local areas. Repeated layoffs and closings increase the negative impact of such events on the local economy since the closing of one company decreases the stability of other companies in dependent sectors and lowers the attractiveness of the local area for future development.¹

We find recent layoffs and closings are concentrated in high racial minority counties. Layoffs and closings are not exclusive to high poverty counties. We analyze trends in the location of layoffs during the past decade to provide a comprehensive snapshot of which counties have been most affected by layoffs in recent years. We discuss the implications of our findings for poverty amelioration and economic development.

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Wisconsin in the National Context

Compared to the nation, Wisconsin's population has been particularly affected by layoffs accompanying the most recent recession. In May, June and July of 2010 alone, Wisconsin had 17,975 initial claimants for unemployment insurance. Wisconsin residents made up 3.6 percent of the 500,777 claims made in the nation during the same time period.² The proportion of the state's working age population that has made an unemployment claim is two times that for the United States as a whole (0.50 percent compared to 0.25 percent).³

Recent layoffs in Wisconsin include the closing of the Land O' Lakes dairy in Madison (Dane County) and Weather Shield Manufacturing in Greenwood (Clark County). These two closings alone affected 120 and 194 jobs, respectively. Major layoffs of Metalcraft of Mayville, Inc. employees also took

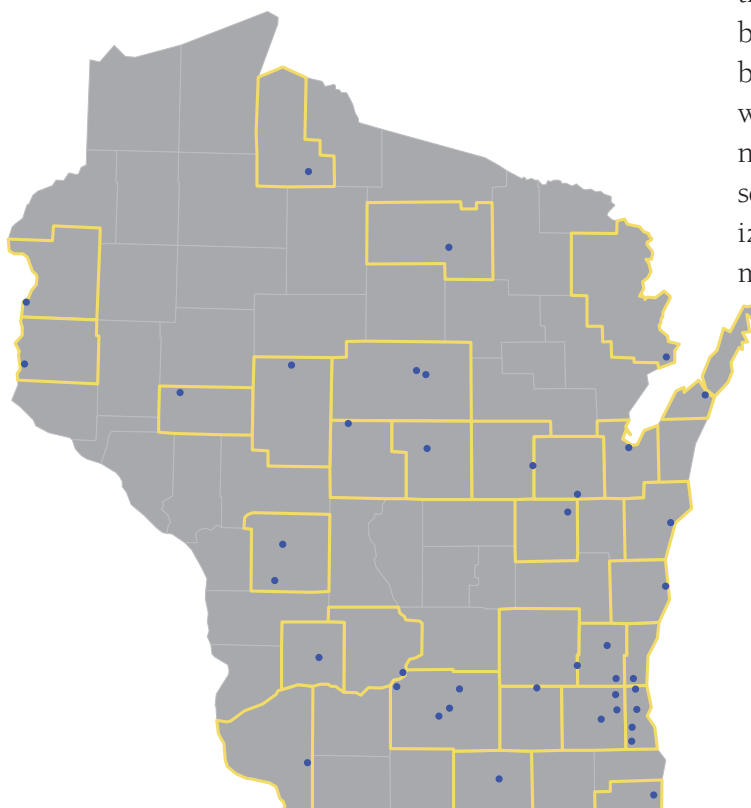
place in Mayville (Dodge County, 244 jobs) and West Bend (Washington County, 81 jobs).⁴

Although the state economy has been slowly recovering in recent months, layoffs are scheduled to continue. American Concrete Pipe recently closed plants in Green Bay and Milwaukee at the end of November. Lake Lawn Resort in Delavan was also expected to close by mid-December.⁵ In addition, two nation-wide companies, GE Healthcare and Harley-Davidson, that have large employee bases in Wisconsin, have made recent employee cuts and have shown signs of future down-sizing.⁶ Layoffs are a pressing concern for Wisconsin residents because they negatively impact local economies by escalating unemployment which, in turn, contributes to sustaining poverty.

Layoffs in Wisconsin, 2010

Figure 1

2010 Closings and Layoffs



The most recent data on layoffs in Wisconsin (through October, 2010) show clear clustering in the southeast corner of the state. Manufacturing has been historically concentrated in this area. The link between manufacturing and layoffs is consistent with deindustrialization that has accompanied national economic restructuring in favor of the service sector. Research has shown that deindustrialization has had a pronounced effect on the manufacturing industry since the 1980s.⁷ Racial minorities' connection to the manufacturing industry increases their likelihood of being directly or indirectly affected by layoffs relative to non-Hispanic whites.⁸

- Places with at least one report of a layoff or closing, January 1, 2010 - October 31, 2010

□ Counties with at least one place reporting a layoff or closing

Although Wisconsin has had a large number of layoffs, not all counties are equally affected and, consequently, not all residents are equally vulnerable. Figure 1 shows that the 41 locations with at least one layoff in 2010 thus far are isolated

to 30 counties. In addition to industrial concentration, the geographic distribution of racial groups plays an important role in the extent to which layoffs increase the economic vulnerability of certain groups.

Temporal Trends in Wisconsin Layoffs

The magnitude of total layoffs has not been stable over time. During 2000 to 2009, the number of layoffs ranged from a low of 7,674 in 2004 to a high of 20,020 in 2009. Not surprisingly, the peaks in layoffs are associated with economic recessions, which correspond roughly with the years 2003 and 2009.

Figure 2 shows that layoffs occur both during economic declines and expansion, but the magnitude is much greater during downturns. Throughout the state (blue line), layoffs slowly increased through 2002, at which point there was comparatively sharper growth in 2003. During the next year there were comparatively fewer layoffs; 2.5 times as many layoffs occurred in 2003 as compared to 2004. Layoffs rose noticeably again in 2008 and continued through 2009. Although more layoffs are scheduled for the 2010 calendar year, early estimates suggest the state's

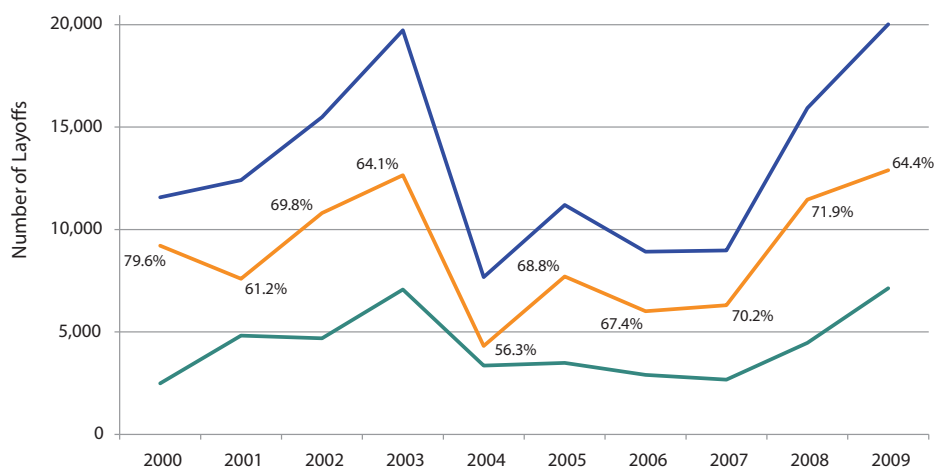
annual number of affected jobs for 2010 will be lower than that for 2009 (5,846 jobs have been lost to events occurring prior to November 1, 2010).

Counties with a high concentration of racial minorities consistently report the majority of layoffs. For example, in 2004, 56.3 percent of the state's layoffs were from high minority counties (gold line). The disparity is even greater during recessions. In 2003, 64.1 percent of all layoffs were located in counties where the overwhelming majority of Wisconsin's racial minorities reside, namely in Brown, Dane, Kenosha, Marathon, Milwaukee, Outagamie, Racine, Rock, Sheboygan, Walworth, Waukesha and Winnebago counties. The local economies in which racial minorities are employed are the most affected in terms of the frequency and severity of layoffs.⁹

Figure 2

Annual Number of Closings and Layoffs, 2000-2009

- State Total
- High Racial Minority Counties*
- Low Racial Minority Counties*



*High racial minority counties are defined as counties with an above average percentage of the state's racial minority population throughout the 2000-2009 period. County minority concentration is calculated as the number of racial minorities in a county divided by the total number of racial minorities in Wisconsin. For example, in 2000, there were 675,155 non-whites in the state. Of that total, 9,898 resided in Sheboygan County. Dividing 9,898 by 675,155 gives Sheboygan a value of approximately 1.5 percent. Counties with values exceeding 1.4 percent in 2000 are considered high racial minority counties. Two counties with values below the state average in some years in the observed period are included in the high racial minority county category (Marathon and Walworth) because their values are closer to counties above the average than to counties below the average. Continuing with the example from 2000, 1.2 percent of the state's racial minority population resided in Marathon County. Walworth County also housed 1.2 percent of Wisconsin's 2000 racial minority population. All other counties are considered low racial minority counties.

Layoffs, Poverty and Racial Inequality

Where layoffs occur is not systematically related to a county's poverty rate in the following year. For instance, layoffs in 2007 occurred in counties with varying degrees of poverty in 2008, which is the most recent year in which county poverty data are available. Milwaukee County is among the high poverty counties (17 percent in 2008) and had eight different places reporting at least one layoff in 2007. However, Washington County also reported a large number of places with a layoff (4 in 2007) and, at the same time, reported one of the lowest poverty rates (4.9 percent).¹⁰ The disparate outcomes suggest the presence of layoffs in the previous year is not a dominant factor contributing to overall poverty.¹¹

However, layoffs are clustered in counties with high concentrations of racial minorities. All but one of the high racial minority counties had at least one layoff during 2007 (Walworth County is the exception). Moreover, 60 percent of places (e.g. cities, towns and villages) with at least one layoff were located in a county with a large racial minority population. As described in the second briefing in this series, racial minorities are concentrated in specific counties. Current results suggest such concentration makes them vulnerable to layoffs and the associated negative economic impacts.

In Wisconsin, a racial minority resident is more likely than a non-Hispanic white resident to live in a county affected by layoffs. According to intercensal estimates for 2007, 71.6 percent of Wisconsin's non-Hispanic white population lived in one of the 29 counties affected by a layoff in 2007. In contrast, 88.9 percent of the state's racial minority population lived in counties affected by layoffs, a 17 percentage-point difference.¹² The disproportionate incidence of layoffs in counties where racial minorities are concentrated likely contributes to the racial inequality in poverty described in earlier briefings in this series.

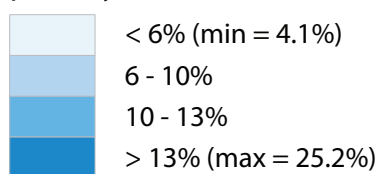
Although we cannot determine the extent to which racial minorities are disproportionately laid off with these data, we can conclude that racial minorities are more likely to face local economies with limited opportunities as compared to non-Hispanic whites. The implication for racial inequality in poverty is that poor labor market prospects discourage individuals from engaging the labor force or from actively searching for a job,¹³ thus disproportionately increasing the average racial minority's likelihood of being poor relative to non-Hispanic whites.

Figure 3

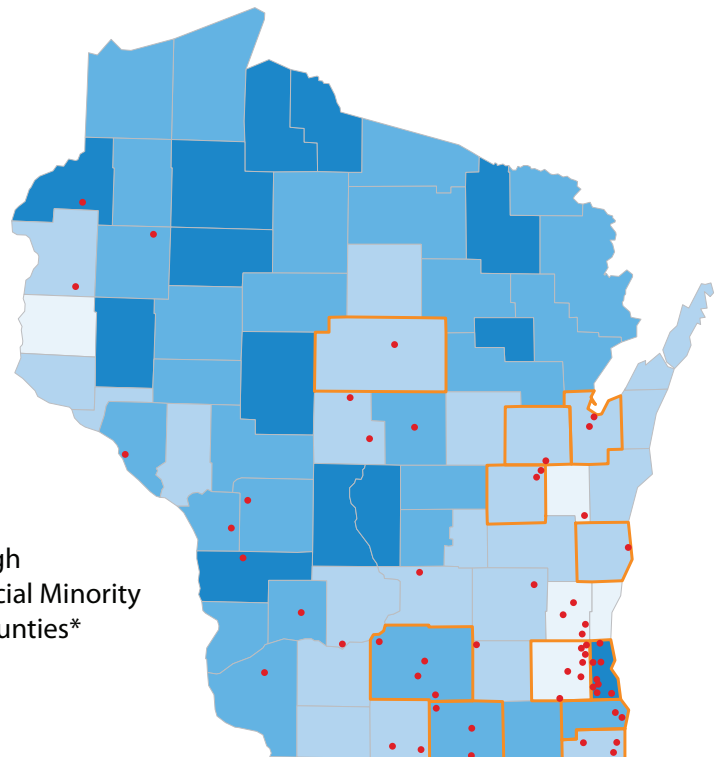
2007 Closings and Layoffs, Poverty and Racial Minority Concentration

- Places with at least one report of a layoff or closing, January 1, 2007 - December 31, 2007

SAIPE estimate of individual poverty rates, 2008



High Racial Minority Counties*



*High racial minority counties are defined as counties with a larger percentage of Wisconsin's racial minority population than expected if racial minorities were evenly distributed across the state. See the note in Figure 1 for a full explanation.

Cumulative Impact of Layoffs

The cumulative effect of multiple layoffs experienced over time may increase county poverty above and beyond an increase in poverty associated with layoffs in the most recent year alone. Therefore, it is important to understand past layoffs in addition to recent layoffs. To that end, we have classified Wisconsin's counties by the magnitude of layoffs' impact over the past 11 years.¹⁴ We present this classification in relation to racial minority concentration in Figure 4.

We identify 7 counties that have been persistently affected by large layoffs (Dane, Calumet, Jefferson, Milwaukee, Racine, Rock and Waukesha) (red). In addition, during the period examined, there are 17 counties with persistent layoffs that were large but significantly smaller than those found in the above counties (yellow).

There is strong evidence that the cumulative impact of layoffs is concentrated in counties with a disproportionate share of the state's racial minorities. Of the 12 high racial minority counties, 11 are among the places most affected by layoffs (the Extreme, red, and Substantial, yellow, categories). Of the 17 Moderate (green) counties, only one contains an above average proportion of the state's racial minorities (Walworth County). In contrast, less than 2 percent of Wisconsin's racial minority population resides in the five counties not directly affected by a layoff during 2000-2010 (gray).¹⁵ This further suggests racial minorities are disproportionately exposed to weakened local economies, where poverty is a likely consequence of limited economic opportunities for area residents.¹⁶

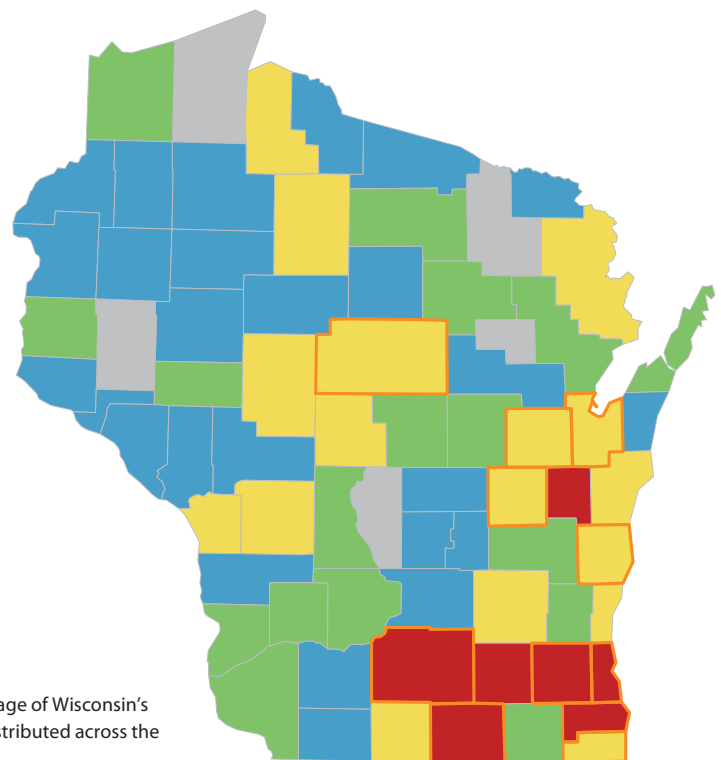
Figure 4

Cumulative Closings and Layoffs, 2000-2010, and Racial Minority Concentration

County Classifications based on the Extent of Layoffs' Direct Impact

- None (index = 0)
- Limited (index: 0.003 - 0.094)
- Moderate (index: 0.14 - 0.34)
- Substantial (index: 0.45 - 0.89)
- Extreme (index: 1.18 - 3.23)

- High Racial Minority Counties*



*High racial minority counties are defined as counties with a larger percentage of Wisconsin's racial minority population than expected if racial minorities were evenly distributed across the state. See the note in Figure 1 for a full explanation.

Implications

Although layoffs principally affect the individuals whose jobs are eliminated, the downsizing and closing of companies also has important consequences for the ability of local economies to support their residents. Poverty is a direct result of such limited economic opportunities, as demonstrated in earlier briefings discussing the role of unemployment and underemployment. Local government officials and program developers alike would benefit from monitoring the extent of layoffs in their counties. Attention should be given to contemporary and recent historical trends because both past and present layoffs affect current economic development.

We have shown that counties with high concentrations of racial minorities are especially vulnerable to the negative effects of layoffs. The concentration of racial minorities in high layoff counties is a potential source of racial inequality in poverty in Wisconsin. Earlier briefings showed that racial minorities in Wisconsin have higher levels of

poverty than non-Hispanic white residents for as long as data on race and poverty have been available. Moreover, in recent years, poverty rates have been increasing for non-whites but declining for whites. State agencies and local governments can take steps towards decreasing racial inequality by encouraging economic development in counties most affected by layoffs.

Layoffs are a source of economic instability that should be considered when addressing issues related to poverty, particularly those related to racial inequality. In this briefing, we provide information on layoff trends in the most recent years and tools to conduct future layoff analyses. These resources are intended to aid the understanding of Wisconsin poverty. However, layoffs are not the only source of poverty. Additional structural factors emphasized throughout this series, including unemployment and underemployment, should be considered in combination with the results presented here.

Endnotes:

¹ See the following for research in support of the reinforcing effect of economic decline on poor economies: Lamore, R., Link, T. and Blackmond, T. (2006). Renewing people and places: Institutional investment policies that enhance social capital and improve the built environment of distressed communities. *Journal of Urban Affairs*, 28, 429-442; Wilson, W. J. (1987). *The truly disadvantaged: The inner city, the underclass, and public policy*. Chicago: University of Press. Chicago. However, an alternative argument has been presented by other scholars, such as Michael Porter, which suggests high unemployment is attractive to business owners because there is an available workforce (see for example, Porter, Michael. (May 27, 2010). Michael Porter on inner city business: Companies can benefit their communities by doing more business closer to home. *Bloomberg Businessweek*, http://www.businessweek.com/smallbiz/content/may2010/sb20100526_383016.htm).

² US Bureau of Labor Statistics. Economic News Release, Mass Layoffs Summary. August 20, 2010.

³ These proportions were calculated using the reported number of claimants divided by the estimated 18-64 population for 2009 from the US Census Bureau. The denominators were calculated by multiplying the percentage under 18 and the percentage 65 and over by the total population estimate for each geographic area. The numbers of people under 18 or over 64 were then subtracted from the total population estimate for Wisconsin and the United States.

⁴ These figures are drawn from the official notifications of a plant closing or mass layoff reported to the Office of Economic Advisors (OEA) in the Wisconsin Department of Workforce Development, http://dwd.wisconsin.gov/oea/plant_closings_and_mass_layoffs.htm

⁵ These layoffs have been reported to the OEA but are subject to change. Therefore, we do not include them in our subsequent analysis and focus on events from January 1, 2010, through October 31, 2010 for the 2010 analysis.

⁶ See the following reports for information on GE and Harley-Davidson's economic situations: Gallagher, K. (August 27, 2010). GE Healthcare moving work to Texas, Mexico. *Milwaukee Journal Sentinel*, <http://www.jsonline.com/business/101652158.html>; Barret, R. (November 11, 2010). Harley rejects state tax credits: It says job stipulations on \$25 million are too rigid. *Milwaukee Journal Sentinel*, <http://www.jsonline.com/business/107332333.html>

⁷ See for example Bound, J. and Holzer, H. (1993). Industrial shifts, skill levels, and the labor market for white and black males. *Review of Economics and Statistics*, 75, 387-396; Green, G. and Sanchez, L. (2007). Does manufacturing still matter? *Population Research Policy Review*, 26, 529-551; Harrison, B. and Bluestone, B. (1988). *The Great U-turn: Corporate Restructuring and the Polarization of America*. Basic Books; Kasarda, J. (1989). Urban industrial transition and the underclass. *Annals of the American Academy of Political and Social Science*, 501, 26-47; and Wilson, W. J. (1996). *When Work Disappears*. New York: Alfred A. Knopf.

⁸ Of the racial minorities, Hispanics have the highest concentration in manufacturing (33.2 percent) followed by Asians (29.6 percent). The percentage of employed non-Hispanic whites in manufacturing was 22 percent, 11 percentage-points below that of Hispanics. Even smaller percentages of African Americans (18.8) and American Indians (14.8) were employed in manufacturing in 2000. These figures were calculated using data from the US Census Bureau, Census 2000 Summary File 4, table 85.

⁹ This does not imply that the reason there are more layoffs in these counties is the high concentration of racial minorities. Instead, results suggest racial minorities are at an economic disadvantage compared to non-Hispanic whites due to their concentration in counties with economies weakened by layoffs. Racial minority disadvantage from layoffs could stem from other factors that are related to both minority concentration and layoffs, including issues surrounding unionization.

¹⁰ Poverty rates are from the Small Area Income and Poverty Estimates made by the US Census Bureau, <http://www.census.gov/did/www/saipe/data/statecounty/data>

¹¹ The correlation coefficient for the number of places in a county with a layoff in 2007 and 2008 poverty is -0.15, which is no different from zero, suggesting layoffs and poverty are not related. We reach the same conclusion when examining the number of individuals laid off in a county and poverty (correlation = 0.07, not significantly different from zero).

¹² These figures are based on 2007 intercensal estimates made by the US Census Bureau's Population Estimates Program, <http://www.census.gov/popest/datasets.html>

¹³ For an example of work on this topic see Van Ham, M., Mulder, C. and Hooimeijer, P. (2001). Local underemployment and the discouraged worker effect. *Urban Studies*, 38, 1733-1751.

¹⁴ We calculate this index first by summing the total number of places within a county with at least one layoff or closing in any year. Second, we count the number of different years these events took place. The sum of these two numbers is then divided by the total population to make sure populous counties are not over-represented among the top counties. Finally, we multiply by the total number of individuals laid off because large events are assumed to carry more economic weight than small events. Essentially, in combining the last two steps, we weight the summed number by the proportion of the total population affected by a layoff. This final weighted number was then ranked and used to distinguish separate categories representing recent cumulative exposure to layoffs. As an example of this process, consider two hypothetical counties. County A and County B have a total of 10 affected cities during 5 separate years, yielding a base index of 15 (10*5) for both counties. However, the proportion of each county's total population that was laid off differs. County A has a cumulative number of individuals laid off of 50 and a total population of 100. The weight we apply to County A's base index is then 0.5 (50/100). The corresponding numbers for County B are 60 and 150, giving us a weight of 0.4 (60/150). The final indices for each county are 7.4 and 6 respectively. Therefore, although County B has a larger total number of individuals laid off than County A, we estimate the extent of the impact of layoffs on County A to be larger than that for County B.

¹⁵ This is not to say that racial minorities are not prominent within these counties. Indeed, 88.4 percent of Menominee County's population was a racial minority in 2000, and over 13 percent of Ashland and Forest Counties' populations were classified as racial minorities. However, the absolute number of minorities within these counties is small compared to those highlighted in our analysis. For example, in Menominee County there were 4,033 racial minorities compared to the 16,211 in Rock County. Rock County had approximately 4 times the number of racial minorities as Menominee County.

¹⁶ We do not find evidence of a connection between overall county poverty and the cumulative magnitude of layoffs. For instance, 43 percent of the persistently high layoff counties had high poverty. Similarly, 54 percent of the counties with only a limited impact of layoffs also had high poverty. Indeed, the county with the highest poverty rate (Menominee County) has had no layoffs during the past 11 years. The lack of layoffs in Menominee County may be more of a reflection of the lack of large businesses capable of reporting a major layoff rather than a sign of a strong economy. As reported in briefing 3 of this series, Menominee County had the highest unemployment rate in 2000 (16.5 percent) and the highest poverty rate since 1970, when Menominee county was designated.

Briefing 5 **Recent Trends in Closings and Layoffs in Wisconsin, 2000-2010**

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