

# Rural Community Response to Closure or Downsizing of a Major Employer

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Rural communities across the United States are undergoing dramatic economic restructuring. Many communities in the Upper Midwest have suffered economic turbulence associated with changes in agriculture, mining, and manufacturing. The “farm crisis” of the 1980s beset not only farm families but also businesses and public service providers in agricultural trade centers, and recently sluggish prices for major commodities suggest that these problems may recur. The fortunes of some Midwest communities are likewise tied to mining and that industry has undergone both expansion and contraction when market conditions or resource exhaustion dictate. Finally, closure or downsizing of public facilities has led to substantial economic adjustments in some communities.

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*Rural communities across the country are sometimes forced to cope with the closure or downsizing of a major employer. Five communities in Minnesota and North Dakota recently coped with these events. Interviews with community leaders, together with a survey of almost 600 residents, revealed that community adjustments were facilitated by the presence of an active local or regional economic development organization, by substantial lead time prior to the closure or downsizing, and by cohesive local leadership with connections to State and regional organizations.*

Past research has found that fallout from facility closure and/or industry downsizing can be quite variable, ranging from mild negative economic effects that result in few community problems to devastating downward spirals of lost employment, dwindling income, population loss, shrinking tax base, and reduced ability of small-town governments to maintain basic services. Because locales differ greatly on economic, demographic, and related factors that influence the extent of impacts and the potential for recovery, it is difficult to generalize common findings from community-level studies. One aim of this article was to identify some of these community-level differences that might determine the success of local economic recovery. Specific objectives were to:

- Study the approaches that Midwestern communities have used to maintain or restore their economic vitality in the face of plant closings and/or downsizings;

- Describe the economic, community, and organizational factors related to the effectiveness of these community development efforts; and
- Apply that knowledge to assist rural communities in responding to economic restructuring.

## Study Communities and Their Closure Experiences

The study communities ranged in size from less than 400 residents (Altura, MN) to about 10,000 (Worthington, MN) (table 1). The communities also differed substantially in their proximity to larger cities. Altura and Courtland, MN, in particular, are within a relatively short commuting distance of larger cities (Rochester and Winona for Altura, Mankato and New Ulm for Courtland), whereas Bowman, ND, is about 85 miles from the nearest city with 10,000 or more people and 150 miles from the nearest Metropolitan Statistical Area (MSA) (fig. 1). Each community had recently experienced the closure or

downsizing of a major employer. However, the effects of these events and the communities' responses to them differed substantially.

### Altura, Minnesota

With a population of just over 350, Altura was the smallest of the five communities we examined. In May 1996, the community lost its dominant employer, a turkey processing plant that employed 222 and had been in existence for over 65 years. Although the plant was later purchased by another firm for use as a processing and freezing facility, by the end of our study (mid-1999) there had been no employees at the facility for more than 2 years. The nature of the facility limited its reuse options, but local impacts were mitigated in that most of the displaced workers were commuters rather than local residents. Workers at the shuttered processing plant reportedly came from 11 Minnesota communities, some as distant as 40 miles, and 3 Wisconsin towns, each about 60 miles away.

The closure had an immediate impact on some Altura businesses, as well as on the city budget. Roughly half the business of a

nearby grocery-grill was from workers at the plant. Since the closure, the store has expanded its catering service and reduced its staff. When the turkey processing plant was operational, it used about 85 percent of the city's water and 90 percent of its waste treatment operating capacity. Consequently, the city is now overbuilt, but the city council has elected not to pass on rate increases to residents, instead running those charges on a deficit out of the city budget. The closure also resulted in a loss of local property tax revenue (roughly \$3,000 annually) as a result of the difference between the sale price and previous assessment of the processing plant.

Local leadership was initially stymied in developing a plan to respond to the closure, in part because the sale of the plant to a beef processing firm in nearby Rochester, MN, failed to result in any new employment. Lack of available land for either commercial or home development appeared to limit the possibilities of growth. However, 3 years after the closure, the city council has moved to develop a number of new home sites. New residents could poten-

tially commute to jobs in Rochester or Winona, Minnesota, each about 25 miles away.

### Bowman, North Dakota

Bowman and three other small communities were within 25 miles of the Gascoyne coal mine, which closed in 1995. The 53 displaced workers were locals, but most transferred to jobs at other facilities owned by the Knife River Coal Company. Immediate local impacts were associated with loss of the mine payroll and tax revenue and increased outmigration, rather than substantial unemployment. The outmigration of mine workers and their households exacerbated long-term trends of population decline in the affected communities, and because the miners were well paid, the loss of the mine payroll was significant. Loss of coal severance tax payments represented a substantial revenue reduction for counties, cities, and school districts (totaling about \$500,000 annually). The combination of declines in population and local tax revenue have placed added stress on local schools, businesses, and public services. One school has closed since the mine closure, while Bowman area residents have been concerned for several years about the future of their hospital.

The impacts of the mine closure were offset somewhat by an expansion of oil and gas activity in the area. Local officials did not perceive dramatic local impacts from the mine closure per se. However, the losses of tax revenue, mine payroll, and workers and families have added to the challenges of maintaining local businesses and public services in the face of steadily declining farm numbers and rural population base.

Table 1

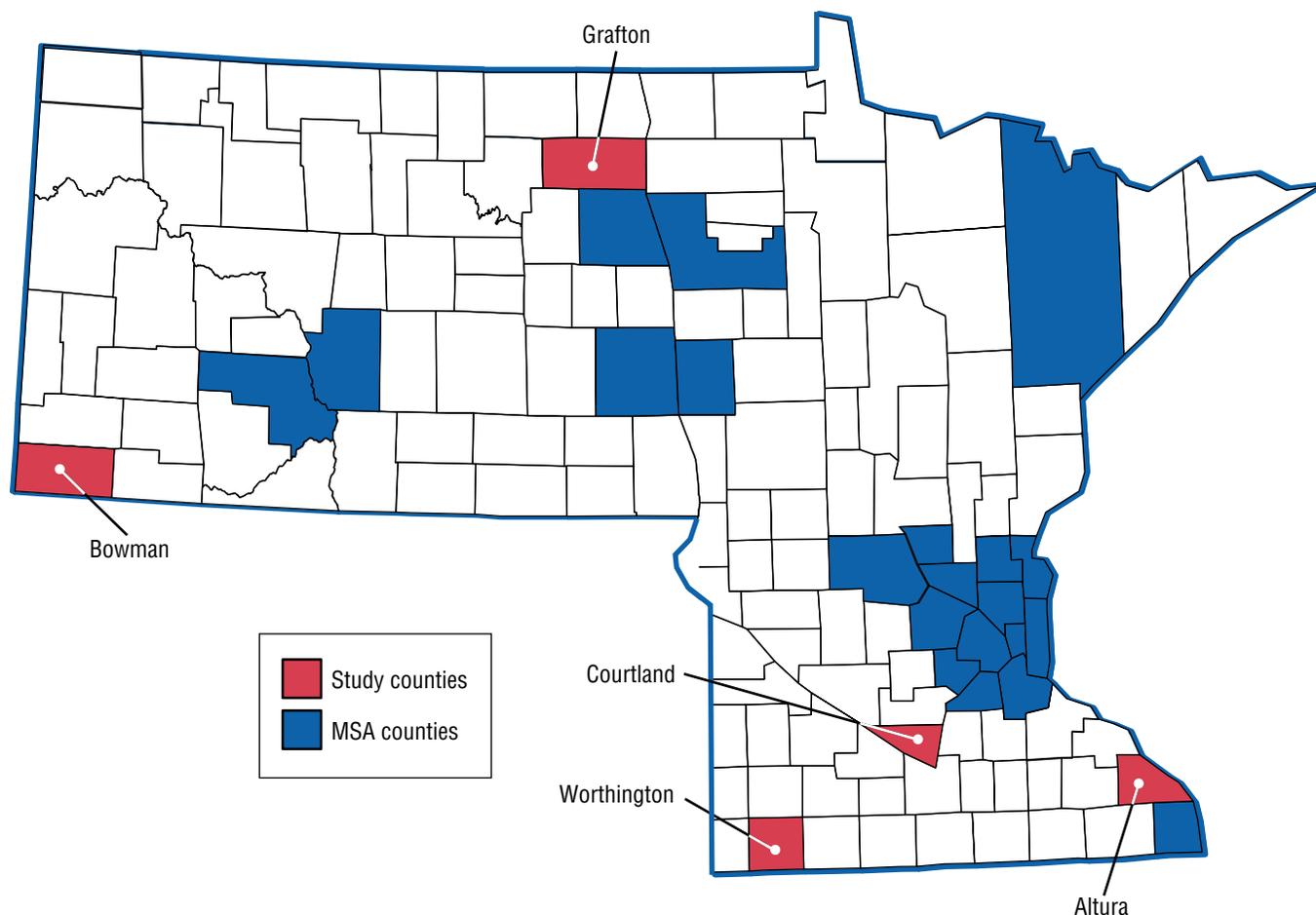
#### Population of study communities, 1970-96

*Communities varied both in size and population trend*

Town	Population			
	1970	1980	1990	1996
<b>Minnesota:</b>				
Altura	334	354	349	377
Courtland	300	399	412	458
Worthington	9,825	10,243	9,977	10,321
<b>North Dakota:</b>				
Bowman	1,762	2,071	1,741	1,602
Grafton	5,946	5,293	4,884	5,480

Source: U.S. Department of Commerce, Bureau of the Census.

Figure 1  
**Study community location and metropolitan statistical areas**



Community efforts to respond to the closure were aided by the fact that Knife River Mining gave almost 18 months notice before closure began. This allowed the affected area to apply for a Title 9 grant from the U.S. Economic Development Administration, which was used to fund a jobs committee. Over its 3-year life, the committee has attempted both to find alternative uses for the mine site and to support other types of economic development in the region, with the aim of replacing the lost jobs. Several of the efforts that have been supported appear to have

promise, but none have created any new jobs yet.

The Gascoyne mine closure demonstrates that economic recovery/community development efforts can take a long time to show results. The jobs committee, 3 years into its tenure, had many projects still in the feasibility analysis and/or planning stages and had yet to launch viable local businesses. Because of this, it may be unrealistic to believe that a community response effort can generate new jobs in time to prevent the relocation of displaced workers. Rather, the nurturing of businesses that

may, in time, grow enough to replace the lost jobs and tax revenues may be a community's best hope.

### **Courtland, Minnesota**

Courtland, with 458 residents, is 8 miles west of New Ulm in south-central Minnesota. The proximity of Courtland to New Ulm and its labor needs underpins the vitality of the town. Most employed Courtland residents work in New Ulm, and locals acknowledge the "bedroom community" feature of their town.

Courtland experienced the closure of a livestock research farm located within Courtland city limits. Most displaced farm workers (30 total) were not Courtland residents and were readily absorbed in the Courtland-New Ulm labor market. The research lab associated with the operation continued to operate, retaining all of its 23 employees. Local residents indicated that the community lost only one family as a result of the closure.

Courtland has the great advantage of proximity to a larger city with extensive labor needs. Good roads over a short distance facilitate the commute to New Ulm. While the research farm's closure has not prompted much insight into the problems and pitfalls of downsizing, the community is vacillating over the appropriate level of future growth. Some focus on future planning is mandated by continued population growth in the community, but planning issues could have been stimulated as well by the adjustment to a shutdown. In short, the range of options for Courtland is extensive, but the size of the closure, the strong economy at the time of the downsizing, and the fact that not all displaced workers were Courtland residents made the community adjustment minimal.

### **Grafton, North Dakota**

Grafton is a community of about 5,000 located in the northern Red River Valley region of North Dakota and is the county seat of Walsh County. The State Developmental Center was established in Grafton in 1904 and grew to be the town's largest employer, with about 1,040 full-time equivalent (FTE) positions (and nearly 1,200 total personnel) in the late 1980s. Over 1989-95, the center downsized to less than 500 FTE positions, as

more than 80 percent of the clients were moved into group homes and other facilities around the State.

Local officials and Developmental Center personnel indicated that many previous employees probably left the area. Others remained, often because of family ties, and commuted to jobs within 1 hour driving time from Grafton. Local leaders added that the immediate impacts of the downsizing were mitigated because many of the center's personnel had been commuting from outside Grafton.

Overall, respondents did not recall dramatic impacts from the downsizing. Some separated personnel later rejoined the center staff in another capacity. The reduced demand for housing led to lower values and rents, but the community did not experience widespread vacancies. Main Street businesses felt considerable pressure during the late 1980s and early 1990s, but similar problems plagued virtually every small trade center around North Dakota, as the State's largest urban centers captured increasing shares of retail and service activity.

The Grafton area's response to the downsizing took two forms: (1) efforts to establish other uses for the Developmental Center facilities that were being vacated, and (2) more general economic development efforts aimed at establishing "replacement jobs" in the area. Local resources were mobilized through the Walsh County Jobs Development Authority (JDA), funded through a countywide property tax levy (3.6 mills), as well as the Grafton Growth Fund, funded from a local option sales tax (1 percent). In addition, the Red River Regional Council has provided technical assistance to the county and community.

These entities have succeeded in both their objectives. They obtained grants, developed a new industrial park, built a speculative building at the park, and attracted a major manufacturing employer to the community. However, local development officials emphasized that several years of effort were required before employment gains were realized. (The JDA was established in 1988 and the Growth Fund in 1990, and the new employer announced its relocation in late 1996.)

Efforts to develop alternative uses for the Developmental Center facilities resulted in a plan to rehabilitate two buildings, demolish one, and reserve a fourth for future use. The two rehabbed buildings will be developed for senior housing, one at market rates and the other as affordable housing. The building planned for future use is expected to be an assisted living facility.

An important lesson learned from the Grafton experience is that it is possible for a community to recover from a major employment loss. Grafton represents a community in an area characterized by declining employment and population, but nevertheless has replaced the jobs lost in the downsizing. Another lesson from the Grafton experience is that economic recovery/community development efforts can take a considerable time to show results.

### **Worthington, Minnesota**

Worthington, Minnesota, is the largest community in southwest Minnesota and, with a population of about 10,000, the largest in our study. In mid-May 1997, the Campbell Soup company announced that its Worthington chicken processing plant would close on

or about August 1, 1997. More than 400 unionized production workers were terminated in the shutdown, along with 35 office personnel. The Campbell Soup closure in Worthington was one of three Campbell operations closed nationwide when the company decided to purchase their meat supply less expensively. About 70 percent of the Campbell Soup employees were Worthington residents; the remaining workers resided in 20 other Minnesota communities and 8 Iowa towns within a 30-mile radius of Worthington. The Campbell workers were generally long-term workers, averaging over 13 years on the job. The average age of the predominantly female workforce was 43, and the average wage was nearly \$9 per hour.

The termination of 435 Campbell employees represented 4.4 percent of Nobles County 1996 total employment. Still, Campbell Soup was not the dominant meat processing employer in the community. The local pork processing unit of Swift & Co. employs about 1,600. Other substantial employers include the public school system (500 employees), a plastics manufacturer (400), and a mobile home manufacturer (200).

A task force was created to study options for the community. The Job Service and the Worthington Chamber of Commerce sponsored a job fair for the soon-to-be displaced Campbell's workers, and the State contributed \$600,000 for retraining needs. Because of these measures, and because the pork plant was expanding, the outmigration of dislocated workers was minimal.

One of the chief characteristics of the Worthington community response, as identified by local respondents, was the cohesion of community agencies and resources. Turf issues disappeared, and the various groups focused on getting new industry for the Campbell facility that would employ local residents, pay area farmers who had contracted to provide grower facilities for Campbell, and purchase water and power through city-owned utilities. The community created a working partnership with the county, and involved local and State economic development offices.

The Worthington experience demonstrates that city leaders need to support displaced workers and that activity needs to be coordinated. Finding replacement jobs through recruiting new industry and retraining terminated workers provides continuity and growth for the community as a whole. A second lesson learned is that turf issues are less important than the total program. Leaders now have experience in coordinating their efforts, and in so doing they are not only ready for the next challenge, but they are also able to see the positive side of any downturn and make it work for community betterment. Responsive leadership has increased city-county economic development, and as a result of marketing, a number of potential employers loom as possible county residents. Further, joint planning on the part of city-county offices means that new efforts are being made to make the community attractive for both new industry and new residents. These efforts include providing natural gas for potential employers and coordination with other communities in establishing an increased water source.

## Survey of Study-Community Residents

To gain a better understanding of the effects of the closures/downsizings on the study communities, a survey of area residents was conducted. Residents of the study communities were asked what steps had been taken by the employer to ease problems associated with the closure or downsizing. Transferring workers to other employer-owned units was the employer action reported most often (47 percent), followed by providing workers with a significant severance package (31 percent), assisting workers in finding other jobs (26 percent), and assisting local officials in finding new uses or tenants for the closed facility (21 percent). Many respondents (41 to 55 percent for the actions cited) indicated that they did not know whether the specified steps had been taken.

The frequency with which employer actions were reported varied substantially by community. More than three-fourths of Altura and Bowman respondents reported that their respective employers had transferred workers, compared with only 22 percent for Courtland. Significant severance packages were reported by 48 percent of respondents in Worthington and 33 percent of those in Bowman, compared with only 17 percent of those in Grafton. Employer assistance in helping displaced workers to find other jobs was reported most often by respondents from Bowman and Worthington, and least often by those from Grafton. On the other hand, Grafton respondents most frequently reported that the employer had assisted local officials in finding new uses/tenants for the facility, while respondents from Altura and Courtland reported this least often. These results are

consistent with information gathered from local officials and representatives of the closed/downsized facilities.

Survey respondents were also asked about steps taken by local officials to respond to the closure/downsizing. About 30 percent overall indicated that local officials helped displaced workers find other work, 23 percent reported that local officials attempted to recruit other employers, and 16 percent indicated that local leaders offered incentives or concessions to the employer to maintain jobs. The share of respondents who reported the different actions again varied

substantially by community. Sixty-one percent of Worthington respondents reported that local officials assisted displaced workers, compared with only 15 percent of Altura respondents. Forty-one percent of respondents from Worthington and 33 percent from Grafton reported that local officials had recruited other employers, compared with 8 percent in Courtland and 9 percent in Altura. (About 40 percent of Grafton residents indicated that their local leaders had lobbied State officials to maintain jobs at the Developmental Center, a State facility.) Respondents who indicated that incen-

tives/concessions had been offered to the employer ranged from 13 percent for Worthington to 3 percent for Altura. As with employer actions, many residents indicated that they did not know whether the local officials had initiated various actions, ranging from 45 percent for assisting displaced workers to 59 percent for incentives/concessions.

### Effects of Closure on Respondent and Family

A series of questions explored effects of the closure/downsizing on the respondents or members of their immediate family (husband/wife, son/daughter, father/mother, sister/brother). Nearly 13 percent of the respondents had worked at the facility that was closed/downsized, ranging from 29 percent of Grafton respondents to 3 percent of those in Bowman (table 2). About 5 percent of the respondents had lost their jobs as a result of the closure/downsizing. Another 18 percent had immediate family members who had worked at the facility, and 10 percent had one or more immediate family members who lost their job as a result of the closure/downsizing. The response to this question varied substantially by community, in part reflecting the dominance of the various employers in their respective communities.

For residents who did not work for the closed/downsized facility, almost one-fourth (24 percent) reported that their employer had lost business as a result of the closure/downsizing, ranging from 15 percent in Altura and Courtland to 32 percent in Worthington (table 2). Of this group, 3 percent reported losing their jobs as a result of the other facility's closing/downsizing, while another 6 percent reported that their hours and/or pay were

### Procedures

The research plan first required selection of nonmetropolitan communities to be studied. The authors developed lists of communities in Minnesota and North Dakota that had experienced the closure or downsizing of a major employer (affecting 25 or more workers) between July 1994 and January 1998. From more than 40 communities initially identified, 5 were selected based on factors such as community size, proximity to other market areas, and the nature of community response to the closure; the aim was to represent small as well as larger towns, and those with highly organized as well as less structured responses.

In each of the five case study communities, the authors used common formats in conducting indepth interviews with a cross-section of community leaders, to gain an understanding of the communities (i.e., population characteristics, economic base, etc.), the circumstances of the closure/downsizing that occurred, the effects of the closure/downsizing, and the community's response. These persons were identified based on their elected or appointed governmental positions (e.g., mayor, economic development director) and roles in business, community, and educational organizations. Other community leaders were identified using a snowball technique, whereby individuals interviewed were asked to suggest others who would be knowledgeable concerning the issues discussed. The individuals interviewed (between February and November of 1988) thus included both formal and informal leaders.

Subsequently (January-February 1999), a short survey was mailed to a random sample of residents in each of the study communities. The survey focused on the effects of closure on the community and the respondent, responses to the closure, and the respondent's satisfaction with the efforts made by company officials and community leaders. The survey resulted in 571 usable responses, without followup mailings, for a 33-percent completion rate.

Table 2

**Effects of closure/downsizing on respondents and their families***A majority of respondents were not directly affected*

Effect	Community					Overall
	Altura	Bowman	Courtland	Grafton	Worthington	
	<i>Percent</i>					
Respondent worked for employer that closed/downsized	5	3	12	29	9	13
Respondent lost job	0	2	8	8	6	5
A member of respondent's immediate family worked for employer that closed/downsized	18	8	13	36	13	18
Family member lost job	12	4	13	10	11	10
Respondent's employer lost business as a result of closure/downsizing	15	27	15	25	32	24
Respondent lost job	2	1	5	4	5	3
Respondent's hours and/or pay were reduced	6	7	4	5	7	6
Business that respondent owned or managed lost business due to closure/downsizing	11	18	16	14	18	16
Respondent's income was reduced	11	18	5	13	18	14
Respondent was not directly affected by closure/downsizing	65	51	67	60	56	59

Source: Plant closure survey.

reduced. Sixteen percent of the respondents reported that a business that they owned or managed had lost business (revenue) as a result of the closure/downsizing, and 14 percent reported that their income had been reduced. Overall, about 59 percent of the respondents reported that their employment had not been directly affected by the closure/downsizing, ranging from 51 percent for Bowman to 67 percent for Courtland.

### Effects of Closure on Community

Employment opportunities were the community attribute that the most respondents (75 percent) felt was hurt by the closure/downsizing, followed by local businesses (74 percent) and income of area residents (67 percent). These attributes were the three most often identified by residents of all five study communities (table 3). Other attributes seen as hurt by at least one-third of respondents, overall,

were city government (46 percent), property values (46 percent), schools (43 percent), quality of life (41 percent), and social organizations (40 percent).

### Priority Given to Future Closures/Downsizings

Community residents were asked what priority should be given, by several groups, to future closures/downsizings. The respondents felt that residents, business people, and city government should

give this issue high priority (data not shown). More than 75 percent of respondents from each community felt that community residents should give high priority to future closures/downsizings, while more than two-thirds felt that business people and city government should give this issue high priority. Somewhat lower percentages of the respondents, overall, felt that coun-

ty officials (61 percent), State officials (60 percent), and religious leaders (48 percent) should give high priority to closures/downsizings.

### Satisfaction with Community

The respondents were asked to rate satisfaction with their community both before and after the closure/downsizing. Overall, more

than three respondents in four were somewhat or very satisfied with their community before the closure/downsizing (data not shown). Their rating of the community after the closure was 20 percentage points lower (58 percent versus 78 percent were somewhat or very satisfied). Residents' ratings of the community fell after closure in all communities but Courtland.

Table 3  
**Effects of closure/downsizing on selected community attributes**  
*Job opportunities, local businesses, and residents' incomes were most often affected*

Attribute	Community					Overall
	Altura	Bowman	Courtland	Grafton	Worthington	
	<i>Percent who reported a negative effect</i>					
Employment opportunities	6	71	84	69	80	75
Local businesses	75	74	65	72	80	74
Income of area residents	59	70	64	65	75	67
City government	50	47	43	50	41	46
Property values	38	53	16	45	61	46
Schools	30	66	15	49	38	43
Quality of life	30	32	33	47	53	41
Social organizations	30	55	32	40	37	40
County government	18	48	16	34	33	32
Ethnic minorities	38	6	4	26	50	26
Crime	12	9	3	21	31	17

Source: Plant closure survey.

## Conclusions and Implications

While numerous factors affect communities' ability to cope with the effects of a major job loss, some insights can be drawn from the experiences of these communities. Case study communities tended to adjust "better" when there was/were:

- An economic development organization (regional, if not local) in place prior to the closure;
- Cohesion of community and agency leaders who were not concerned with "turf" issues;
- A focus on both assisting displaced workers and economic development;
- A breadth of contact and networking with State agencies, consultants, and community leaders from other communities that had already weathered a dislocation;
- Substantial lead time prior to closure/downsizing;
- An understanding that the adjustment period from downturn to upturn was not overnight, but might take months or even years;
- A closure/downsizing that was not the sole or dominant employer;
- Some displaced workers who were not local residents, but were commuters;
- A range of alternative reuse options for the closed facility; and
- Job alternatives available in nearby communities. **RA**

### For Further Reading . . .

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