

Discussion of the Link Between Plant Closures and the Labor Market

The finding that small, acquired plants were less likely to be closed over 1977-82 and large ones less likely to be closed over 1982-87 needs further discussion. Some of the change may be due to the shift in meatpacking operations to the West, poultry operations to the Southeast, and cheese production to the West (MacDonald et al., 2000; Ollinger et al., 2000; Manchester and Blayney, 1997). A more important source of differences may have been the radical changes in the technologies of the three meat and poultry industries and the fluid milk and feed industries during the early 1980s. In these industries, stagnating demand conspired with a new technology to force closure of many large plants and the exit of many old-line manufacturers (Ollinger et al., 2005). This trend was particularly true in meat and poultry. In this group of industries, high wages were a contributing factor to plant failures, but plant shutdowns may have been hastened by the move to larger, horizontal flow processing facilities that were better suited for highly specialized processing and the geographic shifts in cattle slaughter from the eastern part of the Corn Belt to lower-cost Great Plains States where they enjoyed closer proximity to their herds (MacDonald et al., 2000). Similarly, hog slaughter plants found it advantageous to obtain hogs under contract from large growers and moved to the Southeast, fluid milk plants consolidated existing plants into larger facilities and moved to the West, and large soybean processing plants were replaced by even larger plants in the Midwest.

The changed industries that emerged during the later 1980s featured much larger plants using more modern technologies and under new management (MacDonald et al., 2000). Since firms tended to buy more productive plants and then improve plant productivity (Ollinger et al., 2005), acquired plants were well-positioned for employment growth. However, acquiring firms did not increase wages beyond that which is the industry standard.

Production work in the food industries requires low-skill workers performing repetitive tasks, so there is no reason for firms to pay higher wages than do other companies hiring low-skill workers. For example, the industry with the greatest job growth, poultry slaughter and processing, added thousands of low-paid meat cutters to staff deboning and part cutup operations. These jobs require dexterity with a cutting knife but few other skills, making the tasks easily trainable and allowing the use of abundant low-skill labor.