

Summary

During 1995-97, 3.4 million workers lost their jobs because their plant or company closed or moved, their employer had insufficient work, or their position or shift was abolished. Of these displaced workers, 500,000 (15 percent) were nonmetro residents. The nonmetro displaced worker experience was generally the same as that of metro displaced workers; however, a large share of nonmetro displaced workers dropped out of the labor force and also a large share of nonmetro displaced workers were in low-income households. In addition, Federal programs and legislation to assist and protect displaced workers unevenly serve nonmetro workers.

Economic restructuring can cause economic dislocation as workers lose their jobs. Technological advances, firm downsizing, and shifts in consumer product demand cause restructuring as these factors change the pattern of job-skill demand. Displacement occurs even though the economy is expanding. Displaced workers may experience hardship in the form of joblessness and lower earnings once a new job is found. Analysis on displacement in nonmetro areas is a component of ERS research in understanding how changing market conditions affect rural economies, and how Federal programs affect rural areas. Past research found that metro-nonmetro residence is an important factor in analyzing displacement, as disproportionately more displaced workers were from nonmetro areas than from metro areas in the early to mid-1980s. During that time, nonmetro displaced workers experienced greater hardship from losing their jobs than did metro displaced workers.

This report examines the displaced workers' experience during 1995-97 in metro and nonmetro areas. First, data from the Bureau of Labor Statistics survey on displaced workers was used to answer the two questions:

- ◆ Are nonmetro workers displaced more or less often than metro workers?
- ◆ Is the hardship for nonmetro displaced workers greater or less than for metro displaced workers?

Analysis includes descriptive statistics on the demographic and job characteristics of displaced workers. Detail is presented on three groups: those age 55-64, those without a high school diploma, and those in low-income households. Models and their resulting estimates are presented for the probability of displacement, the probability of employment after displacement, and the earnings loss experienced.

This analysis finds that nonmetro workers were at a slightly lower risk of displacement than metro workers during 1995-97. However, once displaced, nonmetro workers were less likely to find a new job than metro displaced and more likely to drop out of the labor force. Women, workers with long tenures on their lost job, and low-skill workers had lower probabilities of finding a new job compared with other displaced workers. About half of the employed displaced workers, both metro and nonmetro, found a new job but with lower real weekly earnings. The main reason for earnings loss was the reduction in hours worked—displaced workers who had been working full time but could only find a part-time job. Displaced workers who had longer tenures on their lost job had more earnings loss than other displaced workers who had found a new job.

The second part of this analysis used administrative data on Federal programs to assess how well nonmetro workers are served by Federal programs and legislation designed to assist and protect displaced workers. Several Federal programs assist workers who lost their jobs as a result of structural change in the economy. The Unemployment Insurance Program (UI) is the main income assistance program for displaced workers, and nonmetro workers were found to have the same rate of UI use as metro workers. Also, the training and employment programs of the Workforce Investment Act appear to be equally accessible to nonmetro and metro displaced workers. However, nonmetro workers are less likely to be covered by the advance notice and benefit portability legislation designed to protect displaced workers. Trade adjustment assistance programs were greatly utilized by nonmetro communities during 1994-98; 40 percent of all certifications of benefit eligibility were in nonmetro areas.

Despite the strong economic expansion of the 1990s with tight labor markets, layoffs continue at a relatively high rate, and some groups face disproportionate hardship. The implication of these findings is that continued assistance is needed for workers who lose their jobs from structural or technological change.