hard times
COMMUNITIES IN TRANSITION

Assessing, managing, and mitigating the impacts of economic decline: A community perspective

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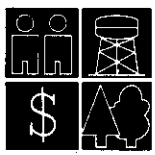

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A regional center for applied social science and community development cooperating with Land Grant Universities in:
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Since the mid-1970's, plant shutdowns and mass layoffs have become a serious problem in the United States. Data on the problem are not collected systematically, so it is difficult to know the true extent and severity of the problem. We know, however, that between 1975 and 1981 some 13,000 plants employing 2.2 million workers applied for Trade Adjustment Assistance, claiming employment was reduced as a direct result of import competition (*Berth and Reisner, 1983*). Since only trade-affected enterprises are eligible for this program, this estimate of affected workers is surely conservative. A later study conducted by the U.S. Department of Labor in 1984 found that a total of 11.5 million workers 20 years of age and over had lost jobs because of plant closings or layoffs between January 1979 and January 1984 (*Flaim and Sehgal, 1985*).

Trade competition is one reason for the economic decline in many parts of the United States, but not the only one. A more accurate picture suggests that plant closures are a symptom of significant social and economic change in the United States, and in other nations. New methods of production, as well as changes in consumer preferences and in the location of economic activity, have taken on a global dimension, resulting in considerable adjustment problems throughout the world.

The most frequently cited reasons for increased plant closures in the United States include:

- Restructuring of major basic industries, e.g., automobiles, rubber, textiles, and apparel;
- Continued lagging or declining growth rates in some industries;
- Modernization of production through labor saving technology; and
- Shifts in growth away from basic industries and into energy, high technology, and service sectors.

Other contributors to plant closure and economic decline include:

- Corporate decisions to disinvest rather than upgrade existing facilities —by some estimates resulting ultimately in the loss of millions of jobs over the past decade (*Bluestone and Harrison, 1982*);
- Shifting production machinery from old to new locations;
- Reallocating financial resources away from less profitable opera-tions and into other more profitable investments; and
- Continued difficulties and conflict between an uncompromising management or an uncooperative and hostile work group.

These changes have translated into mass layoffs, plant closures, and a general economic downturn which affects millions of workers, their families, and thousands of communities, whose very economic lifeblood is threatened (*Gordus et al., 1983; Hansen and Bentley, 1983; Bluestone and Harrison, 1983*).

While many people in western communities have developed personal strategies for coping with unemployment and the "boom and bust" phenomenon associated with mining and large-scale construction projects, in recent years the problems of individuals who have been laid off are quite distinct because, as a result of the malaise in many sectors of the U.S. economy, there is a lack of employment alternatives. In many rural areas, problems associated with plant closures have become compounded by an economic crises in agriculture during the mid-1980's. In communities facing slow rates of decline and economic stagnation, the problems are different in type and scope, but still severe for the individuals who have lost jobs and for their families. Whether communities are faced with rapid or slow rates of decline, they need to take the most effective action possible to help residents attain their goals.

Recognizing the serious nature of problems associated with economic decline, the Western Rural Development Center and Land Grant universities in 13 western states and Guam have cooperated in the development of a special educational program for local leaders who are concerned about maintaining and improving the quality of life in their communities. Called the "Communities in Transition Project," the program is designed to provide educational assistance and an opportunity for teams of community leaders to develop plans that will involve local people in analyzing problems related to economic decline, and in developing strategies to resolve those problems.

In this paper, we present a model for guiding impact assessment, management, and mitigation activities. The first part of the paper uses the model as a guide for assessing the likely impacts of a substantial reduction in employment. Within this discussion, as a means of illustrating the kinds of impacts that may be expected and the application of the model, we will review some findings of recent research into the effects of plant closures and layoffs on individuals, families, and communities. The second part of the paper focuses on impact management and mitigation. The model is used as a means of viewing alternative strategies for local action. The paper provides a framework around which the Communities in Transition project is organized.

The paper is written especially for individuals at the local level who are in positions of leadership in government —e.g., mayors, councilpersons, agency professionals, and commissioners—or leaders of voluntary associations—e.g., officers of a Chamber of Commerce or a mental health organization. Although the paper will primarily concentrate on situations of rapid economic decline which are the result of a plant closure, substantial layoffs, or a relocation, this material can also be applied to slow growth situations where problems may be similar, but different in scope.

Assessing the impacts of economic decline

The literature on plant closure reports that communities have traditionally responded "well after the fact" (*c.f. Gordus et al., 1980:38*). This delayed response, or lack of one, is partially explained by the absence of advance notice, by the inaccessibility of information about the consequences of mass layoffs, plant closures, and possible adjustment options[1], and by the difficulty in organizing and funding community responses.

In conjunction with carrying out the necessary crisis management and the organizational development work which we will discuss next, it is important for local leaders to understand the kinds of impacts that may be expected in a community as a result of a plant closure, reduction in work force, or relocation. Data on expected impacts is necessary for effective planning and for negotiations with company, state and Federal government officials who may be in a position to assist.

An impact assessment, management, and mitigation model. A useful tool in investigating the types of changes that may be expected when economic decline is anticipated, and in developing options for its management and mitigation, is the impact assessmment, management and mitigation model shown in Figure 1. Derived from a social impact assessment model first proposed by Cortese and Jones (*1976*) and later adopted for use with rapid growth impact assessment and management by Faas and Howell (*1979; see also Howell and Weber, 1982*), the model delineates a critical distinction between expected and actual impacts. It also provides a framework for organizing an impact assessment, and broadly emphasizes the management and mitigation options available to community leaders faced with a plant closure, or another cause of economic decline. The focus of the model is on the community, and on the interrelationships among the model's components.

Outside forces. These forces include the legislation, policies, needs, and changes in demand determined outside of the community and which condition 1) the ways in which the source of impact will effect the community, and 2) the community's management and mitigation options. For example, many states have enacted legislation requiring certain procedures, such as severance payments or minimum notice of closure, from a corporation that plans to shut down a plant. Some states have programs to help with employee-buyout. The potential for private sector assistance with employee-buyout should also be considered. Another example of an outside force would be the decline in the price of imported oil, so that it was no longer economical to extract oil from shale in Colorado or to produce oil from U.S. wells.

Source of impact. Refers to the specific facility or plant that is shutting down, relocating, or substantially reducing its work force. The elements to be investigated include the size and demographic characteristics of the work force; size of the payroll; corporate taxes paid to the community; and company policies toward severance pay, retraining workers, or otherwise providing the community with impact assistance. The source of impact may also be individual producers who are replacing labor with capital, or government agencies reducing the number of employees because of declining revenues.

Setting. Refers to the social, economic, demographic, fiscal, cultural, and political characteristics of the community or area that will be affected by the closure, or reduction in work force. Characteristics of this component include the size and structure of the population, labor market conditions, extent of community cohesion, the community's job-loss history, and the capacity for leadership exhibited by local government and other community instututions.

Expected impacts. Refer to the changes that are likely to occur in the community under existing conditions as a result of a plant closure or other economic loss. Several categories of impact can be anticipated, including psychological, social, demographic, economic, and fiscal. Psychological impacts involve the stress in individuals which lead to problems with both physical and mental health. Social impacts include the increased stress on families, organizations and community life, and the related effects on group behavior. Demographic impacts reflect changes in size and distribution of the population, and subsequent changes in the birth and death rates. Economic impacts include decline in employment; reduced payrolls and sales; disinvestment in plant facilities; reduced family income, and loss of job-related benefits such as health insurance and retirement funds; reductions in the price of housing, local businesses, and other facilities as well as the distribution of these changes, over time, among jurisdictions and populations groups. These are the categories that can be predicted, assessed, and used as the basis to develop management and mitigation policies, programs, and actions at the local level.

Impact management and mitigation options. Refer to alternative policies, programs and actions that people and their institutions can develop in response to the expected impacts of economic decline. For example, the county Extension agent, and other local professional and volunteer leaders, may develop support groups, or educational programs, that will help individuals and their families with the shock of layoff (*Webster, 1983*). Or, the community and affected employees may develop a plan to buy out the plant that they expect to close.

Actual impacts. The psychological, social, demographic, economic and fiscal changes that occur in the community as a result of an aggressive impact management and mitigation program.

Impacts of economic decline. Developing an understanding of the changes that have occurred in other communities as a result of economic decline is a major part of assessing the impacts that may occur in a community anticipating a plant closure or a reduction in work force. These data must be combined with locally-generated information in order to negotiate for impact assistance, and to develop the necessary strategies that are essential for managing and mitigating the expected impacts. In conjunction with collecting information from the literature on impacts of economic decline, information about the source of impact and the setting, as enumerated above, must also be collected to prepare place-specific estimates.

Specific techniques and methods for generating these data will be discsussed in other papers in this series. Here, we will review some of the literature on plant closures to illustrate the kinds of changes to expect from rapid economic decline. Although the research base for viewing the impacts of economic decline is quite limited (*c.f., Buss and Redburn, 1985:5*), the available literature shows that a shutdown can have a substantial impact on displaced employees, and on all aspects of family and community life (*Gordus et al., 1981; Buss and Redburn, 1983*).

While many findings of the research that are reviewed below will not apply to slow-decline situations, the lessons should help the reader understand what kinds of changes may be expected locally in the short and long run during gradual economic decline. For example, loss of a job effects an individual in similar ways whether it happens during slow or rapid economic decline. On the other hand, it may be less stressful to lose a job when the economy at large is expanding, than during periods of widespread economic recession or depression. The opportunity to migrate to new employment may soften the blow.[2]

The personal consequences of job loss vary with the capacity of an individual to cope, and with the situation. However, there is a pattern to the impacts of economic decline, regardless if it is slow or rapid.

To help organize the necessary analytic work to be accomplished when economic decline occurs or is anticipated, and to emphasize critical distinctions between different types of impact, we have categorized the changes which can occur into psychological, social, demographic, economic, and fiscal.

Psychological impacts. Research has shown that negative self-concept and dissatisfaction with the self (*Cohn, 1978*), as well as a loss of self-esteem (*Braginsky and Braginsky, 1975*) are related to job loss. These changes within the individual have been linked to psychological disorders such as depression (*Dooley and Catalano, 1980* and *Pearlin et al., 1981*). Increased suicide rates were an early indicator of the relationship between economic decline and psycho-pathology (*Henry and Short, 1954*). A recent review of the literature indicates impressive evidence that unemployment can lead to many stress-related physical and mental disorders (*Hagen, 1983*). Although the research shows a clear link between job loss and pyscho-pathology, these disorders may be significantly lower in plant closure situations because of family and community support (*Liem and Liem, 1979*).

The work of Cobb and Kasl (*1980*) provides insight into the difference in psychological impacts of unemployment between rural and urban areas. Their research shows that it was relatively more difficult to find work in rural areas compared to urban areas in the first year after a plant closure. However, in the second year the pattern reversed. Using several measures of psychological adjustment, Cobb's and Kasl's research showed that the lives of the rural workers were less disrupted than the urban workers. In a review of this work, Gordus et al. suggest that the above finding may reflect the social support that rural people receive through community associations, as opposed to an urban situation, where the plant may be a "community in itself" (*1981:137*). The findings of Cobb and Kasl and Liem and Liem point to the need for effective local action to mitigate the psychological impact of widespread layoffs due to a plant closure, regardless of the number involved., as well as to the importance of social support from family and community institutions in assisting unemployed individuals.

Social impacts. Major changes in group behavior are considered to be social impacts. For example, a breakdown of normal community functions may lead to vandalism, and other forms of deviant behavior, or the threat of a plant closure can lead to increased community cohesion. Buss and Redburn's (*1983*) assessment of the impact of steel mill closures in Youngstown, Ohio, illustrates some of the social results that may be anticipated from a plant closure.

One important type of social impact is the effect of a major change, such as a plant closure, on the quality of family life. As discussed above, the family is an important means of reducing personal stress associated with unemployment. However, a plant shutdown which results in a substantial amount of unemployment, may reduce the capacity of the family to provide assistance when it is critically needed (*Liem and Liem, 1979*).

Buss and Redburn (1983) collected various kinds of social indicator data from Mahoning County (Ohio), where Youngstown is located, and from Trumbull County (Ohio), which served as a comparison, during a 21-month period before and after the closure of a major steel mill. Data on domestic-relations court cases, and on child abuse and neglect, were used to measure the impact on family life. These data show that the mean number of domestic relations court cases increased from 81.7 during the period before closure, to 93.8 after the closure.[3] Data from the Mahoning County Children's Services Board

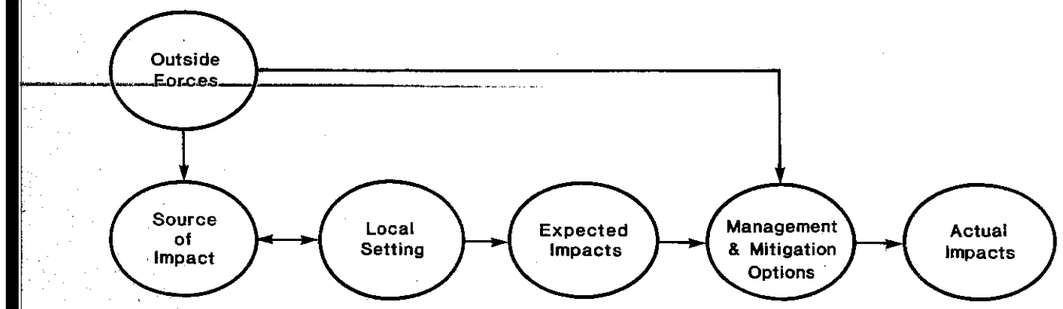

Figure 1. An impact assessment, management and mitigation model.

[1] For examples of publications concerning adjustment options, see U.S. Government Publication (1983, Mazza, et al.(1982) and Utah Center for Productivity and Quality of Working Life (1984).

[2] For a discussion of the important role of social support systems in reducing stress from the loss of a job, see Liem and Liem (1979).

[3] While the before/after differences in Buss and Redburn's (1983) data on domestic relations court cases were not statistically significant using a pairwise t-test, a projection of (cont'd. p. 6)

incidence of various crimes fluctuated during the years just prior to and after the shutdown, rather than uniformly increasing or decreasing. Rape, assaults, and larceny all increased in the years following the closing, while rape, robbery and larceny showed some decline in 1979. Although the crime index was higher for the period just prior to and immediately following the closure, in 1979 this statistic returned to slightly higher than the 1976 level, and the authors concluded that the closing did not influence rates of criminal activity in the community. Likewise, their data did not indicate that alcohol consumption increased in the community following the shutdown.

Other studies have shown that unemployment clearly places severe stress on local human services agencies as a result of increased caseloads (*see, for example, Kapolow and Ochberg, 1976*).

Social impacts may be of a positive nature. Efforts at the local level to retain industry, such as worker-community or worker plant ownership (*Gordus et al., 1981:49-58*), can result in continuity in the source of employment and strengthening of community life.

Demographic impacts. Demographic changes may occur depending on the availability of alternative employment within the affected community and on the duration of the unemployment. In the Youngstown data, the number of marriages declined after closure of the steel mill (*Buss and Redburn, 1983*). Delayed marriages may effect fertility rates. The uncertainties of finding steady employment may also affect decisions to have children. Buss' and Redburn's (*1983*) research did not show any changes in the mortality rates, the second component of the demographic equation, in Mahoning County relative to Trumbull County and the national average. The third element of the demographic equation—migration—would clearly be affected if there were poor opportunities for

of transfer payments, such as unemployment insurance, and to other sources of employment and economic stimuli in the community. Employment in manufacturing within Youngstown remained relatively stable due to gains in other areas, such as production of transportation equipment. Non-agricultural employment (a measure of employment in retail trade, services, and miscellaneous industry sectors) showed increases in the year following the steel mill closure greater than the preceding 12 months. Growth in this latter index reflects the influence of liberal transfer payments made to unemployed workers, and the fact, that during the period in question, Youngstown grew in importance as a retail trade center for neighboring areas (*Buss and Redburn, 1983:68*).

The Youngstown situation provides a good illustration of the positive influences of transfer payments, and of growth in other sectors of the economy, as a means to counter negative economic impacts of a plant closure. If the crisis lasts beyond the period when unemployed workers are receiving transfer payments, and other employment possibilities do not open within the community, secondary economic impacts will follow, with a decline in local commercial and business activity (*Gordus et al., 1981:50-51*).

Fiscal impacts. The full "ripple effect" of a plant closure, reduction in the work force, or a plant relocation, will be translated into lower tax revenues, which can severely affect the capacity of local government to provide public services. A hypothetical example, contained in a guide for communities that face plant closures (*Mazza et al., 1982:5*), shows the effects of a shutdown on tax revenues, population size, employment, and new housing sales. Before the shutdown, their hypothetical community had tax revenues of $24 million, a population size of 200,000, and a total employment of 94,000, with an unemployment

sector employees, and of public services.

Research on plant closings, and on other forces that produce economic decline, shows that the impact varies according to existing conditions, policies and programs in the setting, the needs or demands of outside forces, and the characteristics of the source of impact. For example, when alternative sources of employment are available, or the retail trade sector is growing, the social, economic and fiscal impacts will be slight, relative to the impact in a rural community that loses its major source of employment.[6] When assessing the expected impacts of a change on a community, it is critical to understand the characteristics of the setting, the source of impact, and the outside forces.

In a review of the impacts from a plant closure, one major lesson is the need to act fast and effectively. At the first sign of a pending shutdown, layoff, or relocation, it is necessary to organize for effective analysis, planning, and local control. An important question to ask is: Do local government and other agencies and organizations in the community have the capacity to manage and mitigate the expected impacts? As stressed above, the greatest demand for services will likely come when local resources are strained to their limits. If out-migration occurs as a result of the decline, school age children are likely to leave the community. It will be important to estimate the demographic changes that will occur in order to help with school planning. It will also be important to estimate the extent of decline in tax revenues to assist with local government planning. Other data that are needed for planning and impact management and mitigatioin are illustrated above. Knowing about the impacts that have occurred in other communities as a result of economic decline, and analyzing the way the source of impact, outside forces, and the local community interact to pro-

Impact management and mitigation

For a community to be in the best possible position to manage and mitigate the types of impact expected as a result of plant closure, reduction in work force, or plant relocation, it is necessary to organize local control. Crisis management in the short run (*see Mazza et al., 1982*) will be essential if little notice is given of a pending closure; however, long range planning will be necessary, and there may be a need for a substantial amount of organizational development work, to put the community in the strongest position to negotiate with company officials and to seek assistance from state and federal government. Organizational development may also be needed to effectively manage and mitigate the impacts of economic decline. In this section, we will discuss a general strategy that should be helpful when organizing for local control, and several options available for managing and mitigating the impacts of economic decline.

Organizing for local control. At first sign of a plant shutdown or severe retrenchment, it is important to organize the community to act autonomously, rather than remain totally vulnerable to forces outside the control of local leaders. Under such conditions, it should not be hard to find people who sense the urgency of the situation and are willing to help. The more difficult situation in which to organize may be slow economic decline or stagnation. Here, local leaders may be apathetic, and it will be necessary to persuade them to take action. In either case—the anticipation of rapid change, or slow decline that has been occurring over an extended period—the setting should be carefully examined before action is taken.

Little and Krannich (*1982*) have outlined several helpful approaches to organization for local control when rapid change is anticipated.[7] Before

local economy. A second major consideration is the power structure, or the formal and informal networks of people that will determine the outcome of public decisions and control local action. Power structures can range from highly centralized to decentralized. Whatever the case, identify the values, interests, and expectations of the "power actors," the people who can get the job done, or those who stand in the way of progress toward certain goals. A third factor to consider is the viability of existing organizations, the structures in the community that function to resolve the problems associated with economic decline. It is generally best to work through existing organizations and structures if they have the capacity to do the job, but if specific organizations necessary to handle human and family problems, or economic recovery, do not exist, new organizations must be formed or old ones revitalized. For example, if rapid economic decline is anticipated as a result of a plant shutdown, a special "Community Shutdown Team" might coordinate local action. Finally, it will be essential to inform people of the changes taking place or anticipated, and of actions necessary in response to the situation.

Once the setting is clearly understood, then one or more organizing strategies can be developed to implement actions and policies directed at resolving problems associated with economic decline. If there is agreement on the issues and courses of action among leaders of established organizations, then a collaborative strategy may be most appropriate. On the other hand, there may be a lack of sufficient consensus about the issues and means of resolving current or anticipated problems. Under these conditions, a campaign strategy will be needed. When there is a lack of consensus, people will need to be informed and persuaded to take a specific course of action. During these early steps of organizing for local control, emphasis

(CSB) pertaining to the extent of child abuse and neglect show that: "Requests for services increased 4.5 percent from 1975 to 1976 and 3.2 percent from 1976 to 1977. In the two years after closure, requests for services increased 61.9 percent and 29.8 percent, respectively. Trumbull County's CSB, on the other hand, showed annual increases in services demand of 28.1 percent and 7.1 percent in the two years prior to the closing, and decreases in demand of 2.1 percent from 1977 to 1978 and 2.8 percent from 1978 to 1979."

Although Buss and Redburn point out that the Mahoning County trend cannot be fully attributed to the steel mill closing, "the pattern does suggest that family relations in the community were becoming more strained in the two years following the closing." Their data also showed a pattern of fewer marriages after the closing in Mahoning County than in Trumbull County (*1983:82*).

While empirical evidence showing a relationship between massive job loss and the quality of family life is quite limited,[4] there is sufficient data to indicate that families are vulnerable to the many pressures associated with unemployment of the major wage earner.

The extent of other kinds of social impact is determined by factors such as the size of the layoff, community size, the availability and quality of resources, and other opportunities for employment both within and outside the community. Plant closings can cause severe community problems, particularly for those communities with the fewest resources and advantages. Unfortunately, because the impact of plant closures at the community level is an area of research "only now opening up" (*Gordus et al., 1981:50*), we cannot draw on an extensive body of research findings for this review.[5]

Statistics on criminal activity and alcohol consumption were used by Buss and Redburn (*1983*) to measure some of the social impacts of a steel mill closure. Their data show that the incidence of various crimes fluctuated during the years just prior to and after the shutdown, rather than uniformly increasing or decreasing. Rape, assaults, and larceny all increased in the years following the closing, while rape, robbery and larceny showed some decline in 1979. Although the crime index was higher for the period just prior to and immediately following the closure, in 1979 this statistic returned to slightly higher than the 1976 level, and the authors concluded that the closing did not influence rates of criminal activity in the community. Likewise, their data did not indicate that alcohol consumption increased in the community following the shutdown.

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Economic impacts. The economic impacts of a plant closure are clearly related, in the short run, to the extent of transfer payments, such as unemployment insurance, and to other sources of employment and economic stimuli in the community. Employment in manufacturing within Youngstown remained relatively stable due to gains in other areas, such as production of transportation equipment. Non-agricultural employment (a measure of employment in retail trade, services, and miscellaneous industry sectors) showed increases in the year following the steel mill closure greater than the preceding 12 months. Growth in this latter index reflects the influence of liberal transfer payments made to unemployed workers, and the fact, that during the period in question, Youngstown grew in importance as a retail trade center for neighboring areas (*Buss and Redburn, 1983:68*).

The Youngstown situation provides a good illustration of the positive influences of transfer payments, and of growth in other sectors of the economy, as a means to counter negative economic impacts of a plant closure. If the crisis lasts beyond the period when unemployed workers are receiving transfer payments, and other employment possibilities do not open within the community, secondary economic impacts will follow, with a decline in local commercial and business activity (*Gordus et al., 1981:50-51*).

Fiscal impacts. The full "ripple effect" of a plant closure, reduction in the work force, or a plant relocation, will be translated into lower tax revenues, which can severely affect the capacity of local government to provide public services. A hypothetical example, contained in a guide for communities that face plant closures (*Mazza et al., 1982:5*), shows the effects of a shutdown on tax revenues, population size, employment, and new housing sales. Before the shutdown, their hypothetical community had tax revenues of $24 million, a population size of 200,000, and a total employment of 94,000, with an unemployment rate of 6.6 percent. After the shutdown, the total population was down 10 percent, total employment was down 20 percent, and tax revenues were down 35 percent. Unless impact assistance is provided to the community by the company involved in closing a local plant, or by state and federal government agencies, a decline of this magnitude in tax revenues will clearly result in reduction of public sector employees, and of public services.

Research on plant closings, and on other forces that produce economic decline, shows that the impact varies according to existing conditions, policies and programs in the setting, the needs or demands of outside forces, and the characteristics of the source of impact. For example, when alternative sources of employment are available, or the retail trade sector is growing, the social, economic and fiscal impacts will be slight, relative to the impact in a rural community that loses its major source of employment.[6] When assessing the expected impacts of a change on a community, it is critical to understand the characteristics of the setting, the source of impact, and the outside forces.

In a review of the impacts from a plant closure, one major lesson is the need to act fast and effectively. At the first sign of a pending shutdown, layoff, or relocation, it is necessary to organize for effective analysis, planning, and local control. An important question to ask is: Do local government and other agencies and organizations in the community have the capacity to manage and mitigate the expected impacts? As stressed above, the greatest demand for services will likely come when local resources are strained to their limits. If out-migration occurs as a result of the decline, school age children are likely to leave the community. It will be important to estimate the demographic changes that will occur in order to help with school planning. It will also be important to estimate the extent of decline in tax revenues to assist with local government planning. Other data that are needed for planning and impact management and mitigatioin are illustrated above. Knowing about the impacts that have occurred in other communities as a result of economic decline, and analyzing the way the source of impact, outside forces, and the local community interact to produce place-specific impacts, can greatly aid management and mitigation, as well as strengthen the hand of local leaders when they negotiate for assistance.

Impact management and mitigation

For a community to be in the best possible position to manage and mitigate the types of impact expected as a result of plant closure, reduction in work force, or plant relocation, it is necessary to organize local control. Crisis management in the short run (*see Mazza et al., 1982*) will be essential if little notice is given of a pending closure; however, long range planning will be necessary, and there may be a need for a substantial amount of organizational development work, to put the community in the strongest position to negotiate with company officials and to seek assistance from state and federal government. Organizational development may also be needed to effectively manage and mitigate the impacts of economic decline. In this section, we will discuss a general strategy that should be helpful when organizing for local control, and several options available for managing and mitigating the impacts of economic decline.

Organizing for local control. At first sign of a plant shutdown or severe retrenchment, it is important to organize the community to act autonomously, rather than remain totally vulnerable to forces outside the control of local leaders. Under such conditions, it should not be hard to find people who sense the urgency of the situation and are willing to help. The more difficult situation in which to organize may be slow economic decline or stagnation. Here, local leaders may be apathetic, and it will be necessary to persuade them to take action. In either case—the anticipation of rapid change, or slow decline that has been occurring over an extended period—the setting should be carefully examined before action is taken.

Little and Krannich (*1982*) have outlined several helpful approaches to organization for local control when rapid change is anticipated.[7] Before taking any action, it is essential to analyze the characteristics of the community. The first set of factors to identify are the values, attitudes and expectations of local residents towards growth, and the revitalization of the local economy. A second major consideration is the power structure, or the formal and informal networks of people that will determine the outcome of public decisions and control local action. Power structures can range from highly centralized to decentralized. Whatever the case, identify the values, interests, and expectations of the "power actors," the people who can get the job done, or those who stand in the way of progress toward certain goals. A third factor to consider is the viability of existing organizations, the structures in the community that function to resolve the problems associated with economic decline. It is generally best to work through existing organizations and structures if they have the capacity to do the job, but if specific organizations necessary to handle human and family problems, or economic recovery, do not exist, new organizations must be formed or old ones revitalized. For example, if rapid economic decline is anticipated as a result of a plant shutdown, a special "Community Shutdown Team" might coordinate local action. Finally, it will be essential to inform people of the changes taking place or anticipated, and of actions necessary in response to the situation.

Once the setting is clearly understood, then one or more organizing strategies can be developed to implement actions and policies directed at resolving problems associated with economic decline. If there is agreement on the issues and courses of action among leaders of established organizations, then a collaborative strategy may be most appropriate. On the other hand, there may be a lack of sufficient consensus about the issues and means of resolving current or anticipated problems. Under these conditions, a campaign strategy will be needed. When there is a lack of consensus, people will need to be informed and persuaded to take a specific course of action. During these early steps of organizing for local control, emphasis should be on communication, as well as leadership and organizational development. Campaign strategies will most likely be needed under conditions of slow economic decline or stagnation. In either case, a mix of strategies will usually be warranted, depending upon the characteristics of the setting as enumerated above. A leader may even encounter the need to use conflict as a means of obtaining appropriate action.

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domestic relations court cases using statistical regression methods indicates that domestic relations court cases in Mahoning County may be increasing at a substantial rate after closure (p.79).

[4] For a review of the literature on the impact of job loss on the family, see Gordus et al. (1981:143-149).

[5] For a selected list of available literature about plant closings and related topics, see Hansen et al. (1983).

[6] For an excellent article about the positive and negative community impacts of the boom and bust cycle associated with oil shale-related developments in western Colorado, see Gulliford (1983).

[7] Although Little and Krannich present methods of organizing for local control when rapid economic growth is anticipated, the same principles and procedures will apply to situations of economic decline.

Once ideas have been generated about ways to help resolve the problem of economic decline, secure the support of key local leaders. When proper approval is achieved, the next step is to gain broader commitment, either within groups such as voluntary associations, government agencies, private corporations and unions, or from the general public. Task forces, study groups, or ad hoc committees may be needed to help develop a better understanding of the issues, and to identify, and possibly carry out, appropriate courses of action.

The actions proposed above have addressed the need for local people to assume leadership in resolving problems related to economimc decline.[8] Acting autonomously to protect local interests is very important, but it may also be helpful to call upon outside resources for assistance. Professionals with state and federal agencies, including Cooperative Extension agents and specialists, and private consultants can help define problems, identify alternative courses of action and locate resources. The combination of local initiative and appropriate resources from outside of the community may provide the mix that is necessary to resolve the problems of economic decline and to stimulate recovery.

The community shutdown team. In the face of a potential plant or facility shutdown, severe retrenchment, or precipitous economic decline, the unified action of community leaders through an organized team is an essential element of recovery. The community team, by whatever title it chooses to represent its efforts—crisis committee, community shutdown team, job development committee, economic development task force—is the foundation of every strategy, the catalyst of new ideas and resources. The immediate and unified efforts of this distinct group can often find access to the skills and expertise to cope with the debilitating effects of closure, layoff, or decline, and ultimately can replace lost jobs with new economic capability. But while community response is often the critical linchpin of recovery, it is also the most difficult aspect of the recovery process to put together and maintain.

The community-based approach to plant shutdowns provides advantages that are not usually found in the typical approaches used by companies, unions, and state agencies dealing with the displacement effects of plant closure. These advantages include:

- One organization empowered to coordinate federal, state and local programs, and other resources available to workers and communities affected by a shutdown.
- One central organization to provide cohesion for what would otherwise be disparate and diffused efforts, and to coordinate efforts to secure funds, training and other forms of assistance for workers, the affected plant, suppliers, users of discontinued goods and services, and the community.
- One visible public or quasi-public organization that provides tangible, valuable support to workers and the community, as evidence of concern and a determination to find answers and results.
- One organization charged with the identification of emerging problems and issues, and potential resources available to help resolve personal, family, and community problems.

A community approach to a shutdown has the potential to mobilize and rally public and private resources to a common cause, to provide leadership and direction for a coordinated solution, and to assume responsibility for the public good.

Although community action to avert or cope with plant closures is still so infrequent as to be novel or noteworthy, there are enough good, available examples to establish the precedent and to identify the process, agenda, and scope of activities.

Hartford, Connecticut, provides an early (*1929*) example of a city that organized an unemployment committee to help secure employment for the 1,400 workers displaced by the closing of the Hartford Rubber Works. The work of the Armour Automation Committee in the 1960s is another example of community-labor-company involvement in meeting the needs of displaced workers.

More recent examples of the community approach to plant shutdowns have occurred in Great River, Michigan (MN Industries), Mansfield, Ohio (Mansfield Tire and Rubber), Garland, Utah (U and I Sugar), Herkimer, New York (Library Bureau, Inc.) and most recently, the Downriver Communities Conference in Wayne County, Michigan. These are further evidence of the utility and value of a community-based approach to workers, and to the community generally (*Hansen and Bentley, 1983*).

Broad options for impact management and mitigation. The impact assessment, management and mitigation model shown in Figure 1 suggests four sets of options that local leaders can consider when economic decline is anticipated or occurring (*Figure 2*). The options can be used in combination to minimize the negative, and maximize any positive, impacts that may be associated with decline.

Political activity. Option 1 refers to political action initiated by local leaders that is directed toward influencing state and federal legislation, or the policies, programs, and actions of government officials. Using this approach, community leaders attempt to influence the source of impact, or the nature of the impacts of a closure, through state or federal action. An illustration of such change is legislation proposed by community organizations that has been enacted, or is being considered at both state and federal levels. For example, Michigan Public Act 44 requires company officials to give advance notification of a pending plant closure so that special assistance can be offered to an affected community by the Michigan Department of Labor. Legislation proposed in Ohio would require a community assistance payment in the form of 10 percent of the total wages of employees who loose their jobs as a result of a shutdown (*see Gordus et al., 1980:58-63*).

Several other examples of political activity described in Hansen and Bentley (*1981*) illustrate the many possibilities available through a well-organized, broad-based approach to political action.

- The Ohio Public Interest Campaign (OPIC) is widely known as a state-wide, non-profit citizens' organization "working to bring about fair taxes, and protection for workers and communities affected by plant closings." It is a coalition of church, labor, neighborhood, minority, and senior citizen groups from throughout the state of Ohio.

OPIC has launched a broad-scale attack on the issues of plant closings. They have worked closely with seriously impacted communities, such as Youngstown, to develop community responses to the closure of major steelmakers in their area. In addition, the OPIC staff has put together resource packages to help educate public officials, trade unionists, and community leaders about the nature of plant closings. A bill developed by OPIC entitled "The Community Readjustment Act" (SB 188) was introduced in the Ohio legislature and provided the focus for a debate on the issue of plant closings. OPIC organized rallies in support of the bill and lobbied extensively in its behalf.

OPIC has also sought grants from federal agencies to run model education and training programs for human service workers in Ohio communities to help them become more effective in meeting the needs of displaced workers. Finally, OPIC has launched extensive media campaigns to influence public opinion in Ohio on the issues of plant shutdowns.

- In Illinois the State AFL-CIO has used CETA funds to organize a "Manpower Assistance Program" to help communities in that state become more knowledgeable about plant shutdowns and learn how to deal with the problems created thereby. They recently published a survey of the kinds of options available to communities and workers with specific examples of projects and services.
- In Los Angeles the Citizens Labor Committee on plant closures was organized in 1979 by interested groups to "establish a resource center and national network, support of legislation, the preparation of a model bill, cooperation with labor coalitions and others engaged in activity in the area and the development of a national movement around the issue of plant closures."
- At the national level, organizations such as the Progressive Alliance, The Conference on Alternative State and Local Policies, Public Citizens Congress Watch, and the Council on Economic Priorities have generated "Plant Closing Strategy Packets" and other literature in support of their lobbying efforts on behalf of legislation designed to deal with plant closings and related issues (*see Hansen and Bentley, 1981*).

Impact assistance. Option 2 indicates local community leaders (and union leaders if unions are involved) who negotiate for impact assistance from the private corporation, or from the unit of government responsible for the source of impact. Some of the legislation referenced above and which is proposed, provides a legal framework for negotiations between local community leaders and officials of the corporation or unit of government considering closure of a plant or facility. The intent is to provide financial assistance, in the form of severance payments, to employees who have been laid off, and various types of assistance to local municipalities, in an effort to minimize the negative impact.

Legislation is being considered which offers financial and technical assistance with problems of decline to stimulate economic recovery. One important piece of legislation is the Small Business and Employee Ownership Act of 1980, Title V of Public Law 96-302. Under this Act, the Small Business Administration has authority to make guaranteed loans to employee trusts to aid in employee buyout.

When the intent to close a plant is recognized, another area of negotiation with company officials is relocation.[9] Gordus et al., point out that it is not clear what actions workers, or leaders of a community, might take to alter a decision to relocate or to close a plant (*1980:33*). However, they provide several ideas that should be considered as strategies for influencing decisions. One possibility is to offer subsidies in the form of labor and/or capital. These options could function to reduce the cost of staying at the present site. Wage concessions granted by workers, such as Chrysler employees in the automobile industry, are a form of subsidy. The HUD Urban Development Action Grant Program (UDAG) illustrates a means of working jointly with an outside force (a federal government agency) and the source of impact, to alter a decision to relocate. Subsidies offered jointly by the local community and federal programs could provide the necessary incentives to lower costs. Tax subsidies are another incentive community leaders have used, but these have been shown to be ineffective. They also remove badly needed operating funds from the community (*c.f. Gordus et al., 1980:34*).

Change in the setting. Option 3 refers to changes effected by developing legislation, policies, programs, plans, and administrative and organizational capacities, that will maximize desirable impacts and minimize undesirable ones in the community where a facility closure is occurring. One major response to a plant closure is worker ownership. Many forms of buyout are occurring through coalitions among workers, community members, local banks and other private corporations,

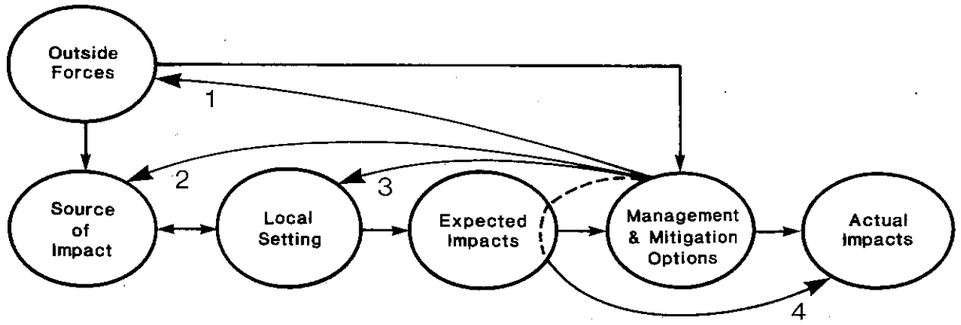

Figure 2. Four sets of impact management and mitagation options suggested by the impact assessment, management and mitigation model (Figure 1).

[8] For an excellent article showing the importance of local action for economic development, see Williams, et al. (1977).

[9] For a list of the steps that may be taken by management prior to closing a plant or facility, see Gordus, et al.(1980:33).

as well as state and federal government agencies. A substantial amount of literature is available that explains the process and the success and shortcomings of employee or other forms of local buyout (*see Gordus et al., 1980:49-58, and Raines et al., 1982*).

Response to a plant closure in Horseheads, New York, provides an excellent illustration of the important roles community serivce groups, a union, a Chamber of Commerce, a community college, and government agencies played in helping to alleviate the many social and economic problems that may follow a plant closure, reduction in work force, or relocation. Support came in many forms: information on available programs, family and financial counseling, assistance with creditors, job placement, preparation for advanced training, and other forms of personal counseling (*c.f., Gordus et al., 1980*). When a plant closure is anticipated or has occurred, a realistic plan must be developed as rapidly as possible to mobilize and coordinate the necessasry agencies to help solve problems as they arise. It may be necessary to organize new groups, such as a community shutdown team, or counseling and referral organizations, and to carry out new educational efforts. As mentioned above, special educational programs and organizational development assistance is available through public service organizations such as Cooperative Extension. The local organizational and development work is difficult, but it is essential to alleviate the social and economic problems of displaced workers and their families, as well as to create a force that can negotiate with officials of the company responsible for precipitating the economic decline.

Taking no action. Option 4 is to take no action at all in response to an anticipated plant closure, or to stand by and let economic decline occur without working to assess, manage and mitigate the expected impacts. Community leaders who stand back and take the passive option must expect that anticipated impacts may be identical to actual impacts.

Summary

In this first paper of a series about economic recovery strategies and techniques for assessing, managing and mitigating the impacts of econmic decline, we have presented a model that local leaders can use to analyze, plan, and organize activities. Research into the psychological, social, demographic, economic, and fiscal impacts of rapid economic decline indicates that the impact varies with conditions in the community, the extent of change in needs or demands outside of the community (outside forces), and characteristics of the source of impact. A rural community that loses its major employer may experience impacts that are different in magnitude and scope from that of a large city, where other sources of employment may alleviate the effect of a plant shutdown. There is a pattern to the impacts, however, and this pattern, as well as the differences, should be considered in an impact assessment. Most communities have reacted to economic decline after the fact. It is necessary to monitor for signs of change, and to organize for local control when decline is anticipated. There are several options for managing and mitigating the impacts of economic decline, many of which have been used effectively.

For other publications in this series, please contact the Western Rural Development Center, Oregon State University, Corvallis, Oregon 97331.

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