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A LOOK AT FOUR PLANT
SHUTDOWNS IN MINNESOTA

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Edited by Judith H. Weir

A challenge lies before us. Changing markets, consolidation of operations, new technology, business cycles, and factory obsolescence are resulting in permanent job losses from plant shutdowns. Joblessness associated with plant closings now contributes significantly to the statistics on national unemployment.¹

A look at the data from across the United States shows that in the manufacturing sector, 20 percent of the jobs that existed in 1969 were gone by 1975 along with 31 percent of the manufacturing establishments that had existed in 1969.² One study estimates that between 1969 and 1976, fifteen million jobs were lost.³ Another estimates that more than 15,000 plants were closed between 1975 and 1981 as a result of foreign competition alone.⁴

Consider the following true scenario from the testimony of a leader of the United Auto Workers before a committee in 1980:

"The travails that our members have been through are many. Not having enough money for food, loss of cars and homes and related repossessions of valuable equities is a common story. An example of one person affected may be relevant. He is Robert Fischer from Seaman Manufacturing [Pontiac, Michigan]. He had 23 years of seniority. He was 58 years old when they closed. His wife testified at the Hamtramck hearing on House Bill 5104, on December 10, 1979, that Robert Fischer died of a heart attack about three months after the plant closed. His wife testified that he was very despondent. He would not talk, eat, or sleep. He just gave up on life."⁵

The literature on plant shutdowns suggests this is not an isolated event. Ahlberg and Schapiro state that a one percentage point increase in the annual unemployment rate leads to 326 additional male suicides a year.⁶ If the unemployment rate of 10.8 percent in December 1982 were to persist throughout 1983, they estimated that there would be 1,565 more suicides than with an annual unemployment rate of 6 percent. A disproportionate number of these additional suicides would occur among males aged 45 to 64 (those most affected by plant shutdowns).

Harvey Brenner, possibly the person most commonly quoted on this subject, has slightly different figures.⁷ He states that a one percent increase in the overall unemployment rate sustained over a six-year period would result in approximately the following:

37,000	total deaths
420	suicides
650	homicides
500	deaths from cirrhosis of the liver
4,000	state hospital admissions
3,300	state prison admissions

In a more recent article, Brenner states that medical and social consequences of unemployment can be felt for a period of up to fifteen years after the initial shock.⁸ He states further that the 1981-82 recession could eventually contribute to as many as 75,000 deaths.

During the past recession of 1981-82 and through the present period, Minnesota has lost jobs and manufacturing firms due to plant closings. This report examines some of these plant closings to see what the experience has been. The report includes a methodology, case studies, and conclusions. The focus here is on the actual events that surrounded the closings rather than an in-depth study of the effects of job loss on individuals and communities. The question of whether Minnesota has gained more jobs than it has lost in the past few years is outside the realm of this report.

METHODOLOGY

One of the problems in studying plant shutdowns is the lack of information about which firms have shut down. A phone call to the Minnesota Department of Economic Security will quickly verify that information of this nature is not currently available. Faced with this dilemma, the case studies were selected as follows.

Munsingwear and Tonka were selected because they had been in the news and were known to be actual shutdowns. Beyond this, little was known about the events preceding or following the shutdowns.

Farmhand and Knudsen Trucking were selected from the report "Minnesota Businesses and Jobs, 1967-82" from the Small Business Development Center, St. Thomas College, St. Paul. At the time there was some controversy over the accuracy of this report and the two examples were chosen at random to see if they were actually plant shutdowns. This report, therefore, does not claim to present a representative sample of Minnesota plant shutdowns, but is simply a look at four individual plant closings.

THE CASE STUDIES

Perhaps the most common statement made in dealing with plant shutdowns is that each shutdown is unique and cannot be discussed in generalized terms. When one considers the possible host of variables that can influence a shutdown, the truth of this statement seems apparent. For example, variables such as the local labor market conditions, community size, occupations, size of wages, advance notice, social programs available, and worker demographics can all impact on the shutdown process.

The study of plant shutdowns is hampered further by the fact that case studies in the literature lack a control group for comparison. Given this fact, there is no way of being completely sure that efforts made to help the workers contribute more to the adjustment process than environmental variables. In addition, this makes it very difficult if not impossible, to provide conclusions that are generalizable. Nevertheless, some common elements appeared in the case studies and these will be discussed in the final section.

Knudsen Trucking, Inc.

In December 1983, Knudsen Trucking, Inc. moved its operations from Red Wing, Minnesota to Hager City, Wisconsin. The family-operated business had been located in Red Wing for over twenty years. The company headquarters, however, had moved to Hager City in 1979 after a fire destroyed the company's Red Wing headquarters. The new facility (which serves as a maintenance and repair shop, a terminal, and a storage area) is located on land adjacent to the corporate headquarters.

The firm hauls a variety of cargo throughout the continental United States. Its primary clients are Fisher Nut, Malt O'Meal, and Sanna Dairy. Knudsen Trucking employs approximately one hundred workers and operates about seventy trucks with thirty owner/operators. Given the fact that Hager City is less than ten miles from Red Wing, most of Knudsen's employees remained with the firm after the move.

According to the company, the primary reason for the move was the difference in taxes between Minnesota and Wisconsin. The company expects to save over \$100,000 per year in lower taxes.⁹ The biggest savings will be in the workers' compensation tax. Their Minnesota rate was \$12.17 per \$100 of payroll. The Wisconsin rate is \$5.00 per \$100 of payroll. This savings of over \$7 per \$100 of payroll will result in an estimated net savings of over \$60,000 per year.¹⁰ The company also claimed that fuel sales and corporate taxes were also lower. It should be noted that the company maintains a tire shop and an autobody shop in Red Wing.

In addition, it is worth noting that the trucking industry, as a whole, has been affected in the past few years by several external changes. For example, changes have been made in the requirements for workers' compensation insurance with respect to owner/operators. Prior to this time, owner/operators were responsible for their own insurance. A change in policy by the insurance companies now requires the firm to pay these premiums. In addition, the Highway Use Tax has increased significantly and costs to the industry generally have risen. Deregulation has made the demand for services more competitive. This slows the industry's ability to pass higher costs on to its customers.

Farmhand

In August 1982, Farmhand announced it would be closing its plant in Green Isle, Minnesota. They had been an employer in the area for over twenty years. On August 31, 1983, the plant officially closed.

The operation at Green Isle was primarily concerned with the manufacture of front-end loaders for farm equipment. At the time of the shutdown, Farmhand was in the process of expanding its product line to include other types of farm machinery.

At its peak in the early 1970s the plant had employed about one hundred and twenty workers. At the time of the shutdowns the employment level was about sixty-five. These figures vary a little depending on the dates. In the last month there were actually only about twelve workers left. The workers had been represented by the International Association of Machinists since 1966. Their wage at the time of shutdown was approximately \$8.15 per hour.¹¹ The workers, on average, were forty years old and with fourteen years seniority at that time. They had been employed as welders, machinists, painters, and draftsmen. According to the union and management, labor relations and productivity were good at the plant and not an issue in the closing. Their jobs were being eliminated in an effort by the company to reduce capacity.¹²

In discussing the decision to close, the company pointed to the downward trend in farm machinery manufacturers over the past few decades.¹³ The industry as a whole has been consolidating so that there are fewer manufacturers. Given this trend, the company felt that acquisition of other farm machinery manufacturers was the way to insure a position in the industry. With this philosophy they purchased two financially troubled companies. First in 1981, they bought Hawk Bilt in Iowa. They closed down one of its plants and consolidated its operations. Next, in 1982, they bought Dunham Lehr in Richmond, Indiana. This resulted in Farmhand having an over-capacity and they decided to close the Green Isle plant.

The Green Isle plant was built in 1960. The plant in Richmond was built in 1974. Both plants were unionized with Green Isle being represented by the International Association of Machinists and the Richmond plant being represented by the United Auto Workers. The Richmond plant had a lower wage rate.¹⁴ The company also states that energy costs and taxes were a little lower in Indiana.

However, Farmhand states that they were not looking to "escape" Minnesota, but were making decisions to survive, and Green Isle came up with the lower evaluation. Hawk Bilt is now being marketed under the Farmhand label and this will eventually be the case with Dunham Lehr also.

The company gave workers time off to interview or search for jobs if they requested it. They also arranged for the state job service to come out to the plant and sign the workers up for unemployment insurance. The company insurance plan was also continued for a year after the closing.

At present, little is known about the former Green Isle Farmhand workers. The company maintains an office in Hopkins, Minnesota and some of the former Green Isle workers are now employed there. A few others followed their former plant manager to another small manufacturing firm.¹⁵ The feeling of those interviewed is that a lot are still unemployed with some having been unemployed for over a year and having exhausted their unemployment insurance.

Tonka Corporation

On October 10, 1982, Tonka Corporation announced it would be closing its plant in Mound, Minnesota. Fourteen months later in December 1983, the plant officially closed. During the interim the company, county, and city made preparations for the shutdown.

Company efforts. Tonka originally began operations in Minnesota and had been an area employer for over thirty years. Its operations consisted primarily of the assembly and manufacture of toy trucks and automobiles. Its labor force came from several of the surrounding communities. Approximately 614 workers were permanently laid off.

The majority of those laid off were hourly production workers. Approximately thirty-five salaried office workers were also laid off. The workers were an average age of fifty-one with nineteen years seniority. The majority were women. The workers did not belong to a union, with the exception of the machinists (about thirty workers). The jobs held by the workers in Mound, Minnesota were not eliminated, but were transferred to a new plant in El Paso, Texas. An internal study suggested that moving the company to El Paso could reduce taxes 62 percent, labor costs 42 percent, and transportation expenses 5 percent.¹⁶ This would produce a combined overall savings of 30 percent.

Town	Number of Employees Displaced
Mound	150
Watertown	54
Delano	43
Waconia	41
Montrose	25
Howard Lake	24
Norwood	20
Saint Bonifacius	20
Winsted	20
Maple Plain	19
Silver Lake	18
Lester Prairie	17
Young America	16
Glencoe	15
All others	<u>228</u>
	710

*The 710 employee total above includes both active and those on layoff status at the time of the announcement.

The major tax savings was projected to come in a reduction of state unemployment taxes.¹⁷ The company suggests that the toy industry, in some regards, is similar to the automobile industry. Each year they retool to make model changes. This retooling results in a major layoff every year from approximately December to late February. This placed Tonka at the highest level of state unemployment tax. Tonka paid the following unemployment taxes:

1983	\$ 463,044
1982	453,935
1981	772,779

According to Tonka, new employers in Texas are assigned a tax rate of 2.7 percent on a base of \$7,000; and after eighteen months, are assigned a tax rate based on actual experience. The minimum in Texas is .5 percent. The maximum is 8.4 percent applied to a wage base of \$7,000. The Texas maximum of 8.4 percent is greater than Minnesota's maximum of 7.5 percent, however, the Minnesota base is \$9,800 (as of 1984). At the maximum rate this translates to \$735 per employee in Minnesota compared to \$588 per employee in Texas. Assuming the maximum rates in both states and applying them to a level of 700 employees, Tonka will save in excess of \$100,000 per year ($\$735 - \$588 = \$147 \times 700 \text{ employees} = \$102,900$).

Actually, the initial savings will be higher than this given the fact that the company will be assessed at a lower rate than the maximum during the first eighteen months, while it establishes an experience rating.

The issue of labor costs is exacerbated by the fact that many of the toys sold in the United States are produced in foreign countries with lower labor costs. Wages for assembly workers average \$8.45 at the Mound plant (\$9.60 including benefits) compared to an average of \$4.15 at the El Paso plant.

Tonka hopes to lower its transportation costs as well by its move to El Paso. California is one of its major markets. In addition, Tonka built a plant in Juarez, Mexico which began operating in March of 1982. Given the closeness of the El Paso plant, toys from both plants can be combined and distributed together.

One other point to consider is that the Mound building contains multiple floors and several piece-meal additions. The plant in Texas contains a single-floor manufacturing area. It is possible that this will contribute to a reduction in material handling costs.

After making the decision to move, the company was faced with the decision of what to do, if anything, with the employees left behind. Tonka decided to provide the workers with severance pay, extended medical and dental benefits, and money for retraining, as well as alternatives for accrued pension benefits. When asked why a company without a contractual obligation would choose to incur these expenses, they simply replied "they felt a responsibility as a corporate citizen." Severance pay cost the company an estimated \$842,360.¹⁸

Medical and dental benefits were extended for three months after an individual's layoff date. This included dependent coverage, which the employees had previously paid. In addition, employees had the option to extend their membership in the group plan up to twelve months (at their own expense). Life insurance was extended to the end of the month. Total costs to the company for these benefits was \$144,000.

The company set aside \$30,000 to help pay tuition costs for retraining. The company would pay half the tuition of any employee wishing retraining.

The company pension plan required ten years seniority above the age of twenty-five to be vested. The company waived this requirement and vested everyone with one year's seniority above the age of twenty-five. Employees had the option to withdraw their money in a lump sum or to place it with the insurance company in an annuity.

To qualify for the above benefits employees could not quit early, but had to be laid off. The combined costs to the company of the above benefits was slightly over a million dollars.

County efforts. Upon learning of the closing, the chairman of the Hennepin County Private Industry Council, in coordination with the director of the Hennepin County Training and Employment Assistance (TEA), contacted Tonka Corporation to offer assistance for the laid-off workers.

Tonka had been unaware of services available to them through the Hennepin TEA office. They arranged with the company to conduct a survey of their workers' needs. This was conducted in small groups at the plant on company time. It basically showed that the majority of workers preferred to find work again rather than retrain and that most were willing to travel twenty to twenty-five miles to find work. It also identified the population demographics and desired salary ranges, and inventoried workers' skills and job histories. With this information, Hennepin TEA had a better understanding of what kind of services would be needed.

The Governor's Job Training Office was also interested in the company. When they received federal Job Training Partnership Act, Title III money in February, they suggested to TEA that a project be initiated. They stipulated that a full-time job service person be included in the proposed project.

Hennepin TEA proposed their staff be used to help monitor and evaluate the project; that a job service person be located at the plant to help with the unemployment insurance claims and with job development; that workshops be held to help the former employees in interviewing, filling out applications, and other general job search strategies; and that these workshops be provided by an outside agency.

The project was eventually funded through the Governor's Job Training Office with federal Job Training Partnership Act, Title III money. Originally, the project was awarded \$50,000 and was to cover the period from June 1983 to December 1983 (phase I). An extension was granted from January 1984 to June 1984 (phase II). This extension also included an additional \$75,000.

After receiving the phase I funding, Hennepin TEA sent out requests for proposals to hire a subcontractor to do the job search workshops. Employment Action Center won the contract for service from August 15, 1983 to December 30, 1984. The workshops lasted three days (eighteen hours). Topics such as job goals, interviewing, resources, applications, and time management were covered. The emphasis was on preparing for a self-directed job search.

The job service representative started working at the plant in September 1983. Upon beginning the project, the representative took out a map and began contacting all the cities within the surrounding area. This generated a list of possible businesses to contact. They were called one-by-one to see if they could hire any of the former Tonka workers. Initially over one hundred businesses were contacted and several jobs were developed. In addition, commitments for future consideration were made by several firms. This initial effort provided a foundation for the representative to build on as the project continued.

At the end of phase I, Hennepin TEA again sent out requests for proposals to subcontract the job search workshops. However, it was stipulated at this time that fees paid to the subcontractor would be on a performance-based formula. This resulted in a change of subcontractors. The contract went to Control Data Corporation's Employment Preparation Services. They began workshops at the plant the first week in February. The change in subcontractors produced rumblings from some of the others involved in helping the workers and caused a lapse in service to the workers. It should be noted that the rumblings were not directed at the new subcontractors per se, but rather at the change in the middle of the project. A comparison between the subcontractors' services and results is beyond the scope of this report.

The overall results of the project are as follows. A total of 424 enrolled with the subcontractors for help in gaining re-employment out of a possible 614. Of the 424, 254 have been placed in a job; 159 are still actively looking.¹⁹ The overall average wage for those placed was \$5.20 per hour. The average cost per placement (\$125,000 divided by 254) was \$492. The placement rate was approximately 60 percent of those enrolled. Of the 190 that did not sign up for help, little is known. Additionally, those that got jobs on their own and did not report it are not included in the above figures.

City efforts. In between the time when the initial workers assessment was made by Hennepin TEA and the time when federal money was being arranged, the city manager of Mound became concerned that the ball had been dropped and nothing was going to be done. So with the support of the mayor and the city council he started

investigating options. He flew to Wasington D.C. to learn what was being done across the country to help displaced workers. He returned with some ideas.

In May 1983, before the federal money for the project had been awarded, he initiated efforts to form a group for cooperative decision making. Representatives from the Job Service, Hennepin TEA, Tonka (both management and employees) and the local school districts were invited to meet with him. They formed the Tonka Community Coordinating Committee. The committee became a focal point in bringing together all those involved in the closing. It served as an information clearing-house, improving the communication between those involved and reducing duplication of effort. The individual participants were interviewed about their feelings on the committee. Without exception they all recommended it as a positive effort.

Including former employees on the committee was seen as a great plus by the other members. The former employees were selected by the company. They had high seniority and were viewed by the company as somewhat informal leaders in the work force. Their candid comments were welcomed and appreciated.

The committee, however, was not always smooth sailing. Personalities sometimes clashed and tempers flared. A process of adjustment was required for the members to get to know each other and develop the trust and confidence in the committee that would make it function. Having the committee at the local level seemed beneficial. One member commented that "by having it at the local level, it appeared to be better accepted by the workers, who by now were perhaps apprehensive of outside help disturbing their already crumbling world."

The city manager was also concerned about what to do with a vacant 500,000 square foot building in the middle of town. Through the efforts of many, the building was sold to Balboa Construction from California. They are converting it into industrial condominiums.

In conclusion, it might be noted that many were concerned about the shutdown and their efforts were somewhat autonomous to one another. The forming of a local committee did not generate the concern, but it greatly helped to coordinate the efforts. The advance notice given by the company allowed plans to be made and actions to be taken before the actual shutdown. The company wishes to emphasize that giving advance notice had no adverse effects for the company, but actually turned out to have many positive effects.²⁰

Musingwear

On August 11, 1981, Musingwear announced it was closing its Minneapolis plant. Musingwear had been an employer in Minneapolis for over ninety years. The plant officially closed in February 1982. In April 1982, Musingwear closed its Little Falls, Minnesota plant. The Montgomery, Minnesota plant was also shut down at this time. Workers were told it was just temporary, but the plant never reopened.

Musingwear is in the garment industry. It is involved in sewing, producing, and cutting fabric for garments from underwear to sports shirts. Its sports shirts can easily be recognized by the embroidered company logo (a penguin) on the front.

The Minneapolis closure resulted in the loss of 425 jobs. About 350 of these were hourly production jobs and the remainder, salaried office jobs. Approximately 60 percent of the production workers were men. When the Little Falls plant closed, sixty workers were displaced. An additional one hundred had been laid off earlier. The Montgomery closing eliminated one hundred jobs. Nearly 90 percent of the Little Falls and Montgomery workers were women. The production workers at all three plants were represented by the Amalgamated Clothing and Textile Workers Union. Their wages ranged from \$5.50 per hour to \$10.23 per hour. A total of 685 workers lost their jobs with these plant closings.

The decision to close the plants was based on the need to improve the company profit level.²¹ The company had not shown two consecutive years of profit growth in twenty years.²² The company was feeling the effects of excess capacity while at the same time struggling internally. A. Byran Reed resigned as the chief executive officer (CEO) in 1979 and Raymond Good filled the position in January 1980. He was replaced by Donald Brown in October 1982. Mr. Brown was replaced by George Hansen in 1983. Mr. Hansen is the current CEO.

While Mr. Good was the CEO, the focus was on reducing capacity. This resulted in the closing of eight plants from a total of seventeen. The three Minnesota plants were among the eight closed.

At the announcement of the closing of the Minneapolis plant, the union became very active in trying to keep the plant open. They acted as a catalyst in getting the state and city involved in trying to explore options to keep the plant open. Discussions were held with the company about pursuing alternatives. However, the company remained adamant about closing the plant.

The union was able to negotiate some severance pay and insurance coverage at the Minneapolis plant. It was involved, as well, in negotiations for workers at the other two Minnesota plants—in Little Falls and Montgomery—but was less successful

there. The company organized a job fair to help the workers find jobs. It was perhaps best described by one of the organizers "as a novel experience for those involved." Employers and former Munsingwear workers showed up not knowing exactly what to expect. Some got jobs, but no figures were kept. It is believed by most to have had modest success, if any.²³

The union tried to organize the workers into unemployment councils and met with some short-lived success. Then in 1983, it applied for and received \$45,000 under the Job Training Partnership Act, Title III from the Governor's Job Training Office.

In an effort to assess the former workers' needs and gain some information about their work experiences since the shutdown, the union conducted a survey of all the former workers. They found that current unemployment rates varied among the three plant sites, but that the overall average was about 30 percent. It needs to be remembered that the survey was completed nearly two years after the plant closings.

After the survey, meetings were held at each of the locations to advise workers that some funding was available to help in retraining. Workshops on career planning were held at each of the locations. Retraining courses included typing, data entry, beautician, and nurses aid, among others. The majority enrolled in nurses aid. Workers were given monetary assistance for tuition, tests for certification, child care, renting typewriters to practice on, and transportation (a bus card). Combining the workshops and retraining courses, 275 workers participated. Approximately 145 have received jobs.²⁴

In looking back on their efforts to help their former members, the union expressed frustration over slow paperwork; changes in the program completion dates; and, in general, a lack of communication with the state. It was encouraged by its ability to contact its former members, but found most of them reluctant to retrain. One leader stated "they just want another factory job and hope a new factory will open in the area." (The Little Falls and Montgomery plants are both still vacant.)

CONCLUSIONS

Conclusions about the case studies are grouped into comments on: information, industrial restructuring, advance notice, production concerns, relocation of work, state business climate, key players, and, finally, a comment on Tonka. Comments are restricted to statements of observation rather than firm conclusions because of the lack of empirical data.

Information

There is a general lack of centralized or organized information about plant closings in Minnesota. There is no information available on the number of plant closings;²⁵ the average length of unemployment of displaced workers; or their current employment status—wages, benefits and so forth.

Industrial Restructuring

All four companies were in industries undergoing structural changes. The trucking industry was deregulated and faced higher user fees. The farm machinery industry was severely hit by the recession and continued its pattern of contraction. The toy industry suffered from video game invasion and foreign labor rates.²⁶ The garment industry faced stiff foreign competition (although Munsingwear did not claim this to be their primary problem.) It should be noted that not all plant shutdowns are the result of industrial restructuring. In fact, efforts should be made to understand why a plant is closing in order to fashion a response compatible with the situation.

Advance Notice

Farmhand, Tonka and Munsingwear all made statements that their plants were going to close before the actual closing. The notices ranged in length from approximately six months to a little over a year. At the Minneapolis Munsingwear plant this time was used to negotiate closing benefits and to try to persuade the company not to close. At Farmhand a closing agreement was also negotiated. At Tonka the advance notice was used to plan how to sell the plant and how to help the workers to gain new employment. In this context, the question is often raised about how much advance notice is required to plan for a plant closing. However, perhaps a more appropriate question would be what actions are critical to successful planning during an advance notice period? Advance notice by itself does not produce a transition effort.

Production Concerns

Tonka and Munsingwear (the Minneapolis plant only) were faced with older multiple floor plants. Multiple floors often contribute to higher production costs than for single floor plants. Farmhand and Munsingwear stated that excess capacity was the primary factor in their closing.

Relocation of Work

Knudson Trucking and Tonka transferred jobs that existed in Minnesota to another state. All four businesses studied still have operations in Minnesota: Tonka and Munsingwear have their corporate headquarters in Minnesota.

State Business Climate

Knudsen Trucking firmly stated that it left Minnesota to avoid taxes. Tonka planned on reducing unemployment taxes by \$100,000 per year by moving to Texas. However, their ability to reduce wages by over \$4 million per year appears to be a far more compelling reason. Farmhand stated it would pay lower taxes and wages in Indiana, but was not trying to escape Minnesota per se.

Key Players

Knudson was the sole player in its move to Wisconsin. Both management and labor were involved in the Farmhand closing. With Tonka's closing, management, labor, community leaders (both city and county), and the state were involved. For the Munsingwear closings, the union, the city and the state were involved, with the union taking the leading role. The company pursued an adversarial role with the union and a "hands off" attitude towards the city and the state.

In reviewing these cases it appears that although labor and management relations were good at Farmhand, a specific program to help those losing their jobs was not organized. The antagonistic attitude of management at Munsingwear seemed to stifle efforts to organize a program for their workers. The union at Munsingwear was able to organize the program described here, with the aid of the state. At Tonka, the cooperation of management, employees, community, and state resulted in the organization of a program for their workers. The individual importance and contribution of these key players (management, workers, community, and the state) is unknown. It appears, however, that lack of management support is a major deterrent. At the same time, good management and labor relations does not ensure that a response different from business-as-usual will be made for displaced workers.

Comments on Tonka

Some have suggested that the Tonka experience should be used as a model for other plant closings. The assumption behind this view is that this type of process helps the workers get back to work faster than leaving them to their own resources. However, at present there is not an abundance of empirical data to support or refute

this position. There is data to suggest that displaced workers face extended periods of unemployment. As a matter of fact, it is fairly common for 50 percent of displaced workers to still be unemployed six months after the shutdown. In Tonka's case at least 25 percent were still unemployed a year after the shutdown and this figure could go as high as nearly 50 percent given the unknown status of 190 workers.

The cost of unemployment to the state is enormous. In the Tonka example, if 50 percent of the workers were unemployed for six months, the cost would be over a million dollars. The company's share of this cost, paid at the beginning of the year as unemployment insurance, would have been approximately \$450,000, leaving a state deficit of over \$600,000. The weekly payments that the state would make in unemployment benefits to these workers would be \$42,980 (307* workers x \$140** each per week). At that rate the state could break even on the \$125,000 it committed to the project, if unemployment per Tonka worker was reduced on the average by 2.9 weeks. Any reduction above this rate would have resulted in a savings for the state.

A Final Word

The overall recommendation of this report is that the state identify its costs and potential cost saving actions with regards to plant shutdowns and displaced workers. At present, information of this type is not available. The lack of this type of information makes it difficult, if not impossible, to make policy decisions based on anything other than intuition. Such folklore should no longer be acceptable as the data base for making these policy decisions.

*Half of the 614 displaced workers.

**The average weekly unemployment benefit at that time (1984).

NOTES

1. Jeanne Gordus, et. al. Plant Closings and Economic Dislocation (Kalamazoo, Michigan: W. E. Upjohn Institute for Employment Research, 1981), p. 3.
2. Marc Bendick, Jr. Plant Closure and Worker Layoff Procedures in the United States (Washington, D.C.: Urban Institute Press, 1981), p. 1.
3. Barry Bluestone and Bennett Harrison. Capital and Communities: The Causes and Consequences of Private Disinvestment, (Washington, D.C.: The Progressive Alliance, 1980), p. 59.
4. U. S. Department of Labor, Plant Closings Checklist: A Guide to Best Practice (Washington D. C.: Government Printing Office, 1983), p. 1.
5. Employee Protection and Community Stabilization Act of 1980: Hearings before the Committee on Labor and Human Resources, United States Senate, 96th Congress, 2nd Session, on S.1609 (Testimony of Ken Morris on March 7, 1980), p. 184.
6. Dennis Ahlburg and Morton Schapiro, "The Darker Side of Unemployment," Hospital and Community Psychiatry, (May 1983): 389.
7. Harvey Brenner, Mental Illness and the Economy (Cambridge, Mass: Harvard University Press, 1973).
8. Harvey Brenner, "And the Poor get Sicker," Scientific American. (September 1984): 82.
9. Conversation with the company accountant (February 1984).
10. A detailed examination of workers' compensation taxes is beyond the scope of this report. The figures are reported as they were presented to me by the company accountant.
11. Conversation with Mr. Leo Walters, business agent at Farmhand for the International Association of Machinists (March 1984).
12. Conversation with Mr. John Annin, vice president at the Farmhand plant in Hopkins, Minnesota (March 1984).
13. Ibid.
14. Mr. Annin and Walt Peterson, the former plant manager at Green Isle, both made this statement.
15. Approximately eight workers secured jobs with their former manager. Nearly forty applied for jobs with their former manager.
16. Joe Rigert, "Case Study Tonka," Minneapolis Star and Tribune, (April 9, 1984): 9A.

17. Conversation with Mr. David Anderson, vice president for Human Resources at Tonka (January 1984). y
18. Ibid.
19. Written correspondence with Ms. Krislang, Control Data Corporation (August 1984).
20. Written correspondence with Mr. Anderson (April 1984).
21. Conversation with Mr. George Hansen, chief executive officer of Munsingwear (April 1984).
22. Minneapolis Star and Tribune (May 5, 1983): 1D.
23. Conversation with participants, organizers, and union officers.
24. Conversation with Richard Metcalf, manager of Amalgamated Clothing and Textile Workers Union.
25. If information of this type exists, it is one of the best kept secrets in the state.
26. Claudia Waterloo, "Dismissal of Tonka's Chief Finance Officer Casts a Pall Over the Struggling Toy Maker," Wall Street Journal (February 22, 1984): 33.

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