



Cornell University  
ILR School

## Labor Research Review

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Volume 1 | Number 3  
*Fighting Rust: Labor-Community Struggles in  
Smokestack America*

Article 5

1983

### Documenting the Social Cost of Unemployment

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## Documenting the Social Cost of Unemployment

### Abstract

[Excerpt] In the commercial press, unemployment figures, are frequently cited and there are periodic human interest stories about the unemployed. But rarely are the causes of plant closings analyzed and linked to the profound and terrible impact they have on the communities that have nurtured these same corporations for generations. Costs, profits, and industrial development are perceived in narrow corporate terms, not in their full relationship to our society.

### Keywords

unemployment, Gulf + Western, Taylor Forge, social costs

# Documenting the Social Cost of Unemployment

by Dan Swinney

For the last 8 years, I worked as a turret lathe operator at Taylor Forge, a subsidiary of Gulf+Western. I witnessed the dwindling of the plant from 800 workers to 200 before the final closing. I saw the decay in the plant capacity, in its profitability, equipment, and in the relationships between all employees. These were results of disinvestment by G+W as it drained the capital we created for use in the stock market or new ventures elsewhere. I saw the anger of productive, hard working men thrown out in the streets after giving a life to that section of industry—skilled machinists now hustling odd jobs.

Workers who experienced life in Nazi Germany and in occupied Poland compared G+W management to those who guarded them in prison camps. I used to compare what the response would be to a conglomerate which wrecked an industry and injured its workers and the surrounding community to a worker who used a hammer to smash up a few cars and who inadvertently injured a few people. It didn't take much argument to convince my fellow workers that the current corporate "freedom" to destroy wasn't just and that the social contract must be changed to restrict this "freedom" which has had such a destructive impact.

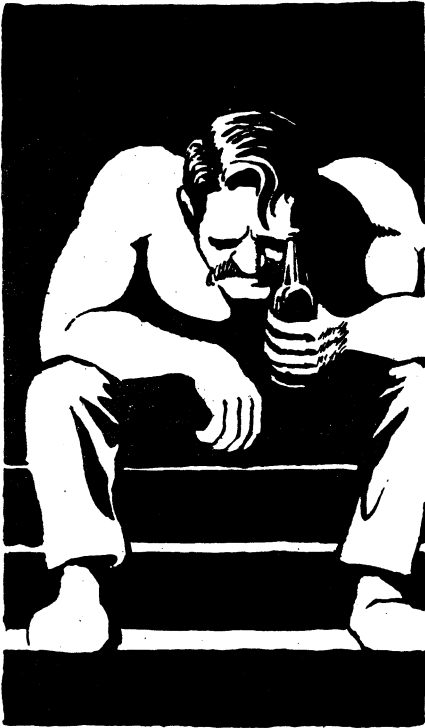
When it finally closed, I had little difficulty in convincing even lower level management, much less my fellow union members, that G+W should be tried for criminal charges. Experiences like mine have encouraged more and more activists to explore ways to document the impact of the industrial crisis on people, knowing that this knowledge can be potent fuel in the effort to change a society mired in crisis.

In the commercial press, unemployment figures are frequently cited and there are periodic human interest stories about the unemployed. But rarely are the causes of plant closings analyzed and linked to the profound and terrible impact they have on the communities that have nurtured these same corporations for generations. Costs, profits, and industrial development are perceived in narrow corporate terms, not in their full relationship to our society.

Hard and reliable figures which show how social, medical, and family problems increase dramatically along with the increases in unemployment help a broader range of people understand the actual social costs of corporate disinvestment strategy. It

helps larger groups of people to coalesce and to demand a role in the decisions involving industrial development. This kind of research gives union and community organizers as well as concerned local government officials the ammunition they need to lead in these hard times.

In the last 6 months, MCLR has become increasingly involved in gathering this kind of "social cost" data. What started as a small telephone survey of clinics and agencies in the Calumet Region in preparation for a speech has led us to an active role in a broader Task Force on the Health Impact of Unemployment and Low Income. This task force includes the Cook County Department of Public Health, Health Partners of South Cook County, the Park Forest Health Department, and Suburban Cook County Health Systems Agency. As part of the Task Force, MCLR is focusing on interviews with unemployed workers to document their medical



**Table I**  
**Ripple Effect of a Reduction**  
**of 20,000 Jobs in Primary Metals**

<i>Industry</i>	<i>One Year Impact</i>	<i>Five Year Impact</i>
<b>Construction</b>	<b>882 jobs</b>	<b>2996 jobs</b>
<b>Transportation and Public Utilities</b>	<b>736 jobs</b>	<b>2500 jobs</b>
Trucking & Warehousing	200 jobs	682 jobs
<b>Wholesale Trade</b>	<b>474 jobs</b>	<b>1612 jobs</b>
<b>Retail Trade</b>	<b>2658 jobs</b>	<b>8810 jobs</b>
Food Stores	438 jobs	1488 jobs
Department Stores	312 jobs	1064 jobs
Auto Dealers/Service Stations	322 jobs	1094 jobs
Apparel Stores	158 jobs	536 jobs
Eating & Drinking Places	838 jobs	2852 jobs
Drug Stores	104 jobs	332 jobs
<b>Finance, Insurance and Real Estate</b>	<b>578 jobs</b>	<b>1942 jobs</b>
Banking	170 jobs	558 jobs
Insurance Carriers	152 jobs	516 jobs
Insurance Agents	48 jobs	166 jobs
Real Estate	84 jobs	290 jobs
<b>Services</b>	<b>2318 jobs</b>	<b>7916 jobs</b>
Personal Services	152 jobs	516 jobs
Business Services	322 jobs	1096 jobs
Auto Repair	84 jobs	288 jobs
Amusements and Recreations	80 jobs	268 jobs
Health Services	942 jobs	3202 jobs
<b>Government</b>	<b>1988 jobs</b>	<b>6758 jobs</b>
<b>Local Manufacturing</b>	<b>274 jobs</b>	<b>930 jobs</b>
Food & Kindred Products	152 jobs	518 jobs
Printing and Publishing	122 jobs	412 jobs
<b>Total Local Jobs</b>	<b>10,000 jobs</b>	<b>34,000 jobs</b>

problems and use of health agencies. Research of this type has also become a major part of our work on other projects which focus on developing plans for rebuilding communities ravaged by plant closings such as East Chicago and South Chicago. It's critical for labor and community leaders to fully understand what are some of the "costs" and how they can be used in their day-to-day work.

### **What Are Social Costs?**

The social costs of plant shutdowns and unemployment are enormous. The initial job loss affects not only the laid off worker but also those whose employment depends on workers spending their wages. The "ripple" effect of job loss reaches to local stores, restaurants, and banks, as well as to the tax base which is needed by the entire community.

In our early efforts at this kind of study, Joe Persky, an economist at the University of Illinois and a member of our Editorial Board, calculated the ripple effect of the loss of steel jobs in the East Chicago-Gary-Hammond, Indiana area. 20,000 steelworkers have lost their jobs since 1979. For every ten of those jobs lost for an entire year and not replaced in that time by other basic employment, the community loses 5 jobs. This effect worsens with time. In the same area, Persky concluded, "that for every 10 steel jobs lost and not replaced by another basic job within 5 years, the community can expect to lose 17 additional jobs. On this basis, the loss of 20,000 jobs in steel since 1979 would imply that another 34,000 jobs in the local economy will be lost if these steel jobs are not returned or replaced in 5 years."

The ripple effect extends to tax revenues which are lost at a time when the need for public service is dramatically increasing. Policy Management Associates analyzed the impact of the loss of 6,500 jobs from Youngstown Sheet and Tube. They estimate that in 39 months, the surrounding communities would lose \$8 million in taxes, the county would lose \$1 million, the state would lose about \$8 million, and the Federal government would lose about \$15 million for a total tax revenue loss of \$32 million!

Not only are there losses in revenues, but we witness a dramatic human toll caused by unemployment. Harvey Brenner of John Hopkins University is a pioneer in research documenting the human impact of job loss. After extensive work, he concluded that for each 1 per cent rise in the unemployment rate nationally, there is a yearly increase of:

- 650 homicides
- 3,300 admissions to state mental hospitals
- 500 deaths from cirrhosis of the liver
- 20,000 deaths from heart disease

as well as increases in prison admissions. Others have documented increases in problems like insomnia, smoking, headaches, stomach disorders, and alcoholism.

Terry Buss, Director of Youngstown State's Center for Urban Studies, reached similar conclusions. "When workers are laid off, it is like planting little time bombs. Gradually workers will show up at welfare agencies or mental health centers, in calls to hotlines for child abuse or spouse abuse. The time bombs go off at different times for different people. People forget it's the result of plant closings." In the Youngstown area, the time bombs are going off now:

- At the Battered Persons Crisis Center, the number of persons seeking help almost doubled between 1980 and 1982, with 810 persons, men and women alike, asking for assistance last year.
- Suicide attempts were up 70 per cent last year over 1981.
- Child abuse has climbed 35 per cent in the Youngstown area since 1979.
- Welfare cases increased 38 per cent in 1982. At least one out of every six persons living in the Youngstown metropolitan area is receiving welfare, according to one study.
- In the Warren, Ohio area, mental health center admissions are up 15 per cent from a year ago and for the last month there has been a waiting list of persons seeking assistance. In Youngstown, the caseload has soared 90 per cent since 1978. (*Los Angeles Times*, April 25, 1983)

Worst of all is the evidence that plant closings and unemployment drive people to commit suicide. When Federal Mogul closed its Detroit plant in 1974, 8 of the 2000 workers who lost their job took their own lives. In South Bend, Indiana, the suicide rate is normally about 25-30 a year. Two years following the closing of Studebaker, this rate leaped to 119. Another study of workers displaced by plant closures showed their suicide rate to be 30 times the average. Harvey Brenner identified a 4.1 per cent increase or an additional 920 deaths due to suicide with each 1 per cent increase in unemployment on a national scale.

Part of the reason job loss provokes such extreme distress is that workers and their families are often left without any defence against crisis. David Stockman stated that only about 20 per cent of unemployed workers aren't covered by some kind of health insurance. He was dead wrong. The United Community Organization in East Chicago recently did a survey of 2000 workers affected by plant closings. The initial results show that *two-thirds of those workers* won't be covered by any medical insurance.

### Why Are We Doing This Work?

Some of our own friends have challenged our decision to be involved in this kind of research, questioning its usefulness in light of the work that is required to gather the data. We are convinced that this kind of research is essential.

In the first place, this kind of research gives the industrial crisis a human face that makes it understandable to those who aren't the immediate victims. While trying to perfect our questionnaire for the Task Force, we enlisted the aid of an undergraduate student from Loyola University, Kelly Blum. She conducted a pretest telephone interview of 14 unemployed workers. The results of her small survey verified some of our worst fears concerning the problems of the unemployed and helped us correct our questionnaire. But most important was the impact doing the survey had on her in coming to know a section of the population with whom she had little experience. She wrote in the conclusion to her paper:

*Doing this protest was a very good experience for me. It gave me experience in formulating and administering a telephone survey but, more importantly, it gave me a closer view of the situation of unemployed people. Statistics can reveal one side of the story but they do not reveal the underlying feelings and tensions that exist in these homes. I have trouble imagining the day-to-day situation of these*

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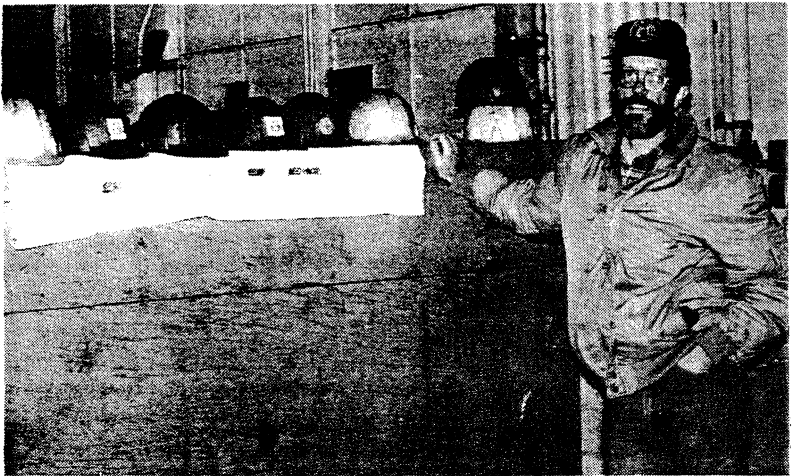
### East Chicago

It's a city of iron  
and steel  
Sandburg knew it  
well it still has  
men and women  
that got grit  
of iron  
and dirt  
in their clothes  
in the way an older comrade  
grabs your arm  
they lead us  
and now  
they're out of work

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Willie Knox





*Dan Swinney with hard hats of workers laid off in his department before plant closed.*

*people given the fact they revealed to me, a stranger, so many of their thoughts and fears on the subject (their problems must be very intense). These people seem to be in a desperate situation. For example, one woman claimed she could not take her children to the doctor, let alone take herself. Also a mother kept saying she was ready to leave; she had to leave because it was too much for her. Others claimed their family was often ill but they could do nothing about it because there was simply no money.*

*I feel terrible for these fourteen families. However, fourteen is a small number when put in the perspective of the millions of the unemployed. It is difficult to imagine so many people with such problems. I really believe something must be done for the unemployed. Maybe job programs are simply icing on a stale cake but the government must at least make some moves towards assisting the unemployed. I believe a national health program for the unemployed is a perfect first step.*

The facts that emerge from this kind of research are of real interest to a broad range of people for the same reasons that moved Kelly. This public interest and concern are important for us to recognize and use in our work.

In the past, decisions to lay off or close a plant were made considering costs, profits in a particular quarter, or the development of the particular company. This kind of analysis is rooted in

such a narrow scope of interest that its conclusions are incorrect and incomplete in light of public needs. A social cost analysis documents in a much more comprehensive and more correct way, the impact—financially and otherwise—of the decisions by these small boards of directors. This information is essential for leadership. It is a must for unions, community organizations, community institutions, progressive politicians, and political bodies in adjusting their activities and programs to the actual needs of those they represent.

Not only are corporate decisions narrow. We find that community and government agencies are also narrow in their outlook and frequently blind to changing realities. We frequently find that information on employment status is absent from record keeping procedures, for example. We have also heard from professional health providers and staff theories that trace the source of social and medical problems only to genetics, race, or individual characteristics.

Surveys that document the social cost of unemployment and plant closings can profoundly fuel a legitimate anger against the policies and people whose actions have contributed to the crisis. This work must be part of the arsenal of any organization that wants to bring about the changes required to end the permanent state of crisis we find ourselves in today. Following the statements by Stockman on the unemployed and health insurance, the results from our small pre-test and from the UCO survey appeared in a front page article in the *Hammond Times*, in the *Chicago Tribune*, and were used by National Public Radio. There is not only interest in this kind of work but the existing sources of information are so inadequate that a real information vacuum exists that should be filled by those who have real concerns for working people and working communities.

Social-cost research does not have to be a top-down process conducted by outside experts. The work can be done in a way which actively involves the members of the local community in the research itself. This helps to transform their views about their own situation and brings them into a broad working relationship with others. In our pilot project with the Task Force, we have been pleasantly surprised by the number and diversity of people who have wanted to work as interviewers for us—including local ministers and lay people, community organizers, college staff and students, members of local health and social service agencies, professionals and union leaders from the USWA, IAM, and

Teamsters. Not only will these people identify with this particular project and its results, but also with other aspects of the struggle against unemployment and plant closings as reflected in Kelly Blum's moving comments. By taking up projects such as this, our movement can break out of its isolation from important potential allies who are coming to share our concerns and programs.

### **Back to the Causes**

But, finally, a study of the costs brings us and those we involve and influence back to the causes of the crisis and forces some basic moral and legal questions. In many cases, the policies of corporate disinvestment, mismanagement, and narrow greed are clearly the main reason behind the closing of a factory or mill. In the past, these qualities or strategies have been seen as management's right. When these actions are assessed in light of increasing suicides, child beatings, divorce, hypertension, and mental illness, they sharpen our sense of moral outrage. Wider and wider circles of people are concluding that it is not "moral" to not intervene in what has been historically accepted as "management rights." The Episcopal Urban Bishops commented on this issue in their 1982 Labor Day message, saying:

*Whenever jobs are eliminated or transferred to more profitable locations, whenever the workplace is destroyed in a given town and disinvestment takes place in an industrial base built over the years by the arduous and faithful labor of men and women—such acts also destroy people: first, by depriving them of their creative role as workers; and second, by depriving them of the earnings on which the stability of their communities depend.*

MCLR is particularly close to these issues. Our office is in East Chicago where the unemployment rate is over 16 per cent. We are linked with community organizations, unions, and agencies fighting the causes and effects of this crisis. 25 per cent of our own Board are without jobs because of plant closings and layoffs.

MCLR is convinced that this kind of research can play an important role in giving shape and depth to the growing struggles for economic justice and development. Based on many efforts like this, new voices will be heard in bringing about the fundamental changes we need so badly, and new standards will be set on how to judge our accomplishments and problems in Industrial America.

