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What Does the Future Hold? What Globalization Might Mean for the Rural South

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ABSTRACT This paper considers the implications of economic globalization for rural communities in the U.S. South. Despite significant gains in average incomes and educational attainment in the South over the past 30 years, the paper finds that the rural South's longstanding reputation as the nation's low-wage, low-skilled region remains largely intact. In particular, manufacturing wages in the rural South have remained stagnant relative to the rest of the United States. Furthermore, as dominant sectors such as textiles and apparel continue to experience price competition and international pressure, there will likely be additional downward pressure on wages in low-skill Southern industries, and there may possibly be widespread job losses in the South's rural communities.

For the world's communities, the approach of the twenty-first century signals profound challenges, many of which stem from economic globalization. The most recent example of globalization's effects can be seen in the collapse of Southeast Asian economies, which sent shock waves around the globe. Although most press attention has focused on the opinions and reactions of bank officials and international trade experts, fear of the immediate and longer-term effects of globalization is evident in communities worldwide.

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Stated simply, globalization has come to mean liberalized markets, free-flowing capital, and lower-cost goods. On first glance, who would not want such benefits? In the spring of 1998, U.S. Commerce Secretary Daly suggested that Americans would benefit from lower-priced Asian imports, even as textile workers in the U.S. South were quick to point out that low-cost imports were jeopardizing their jobs. One could argue that the product cycle and the evolution of the global division of labor explain declines in such labor-intensive jobs, but the same cannot be said of the revitalized and highly productive U.S. steel industry. Yet, renewed international competition is once again threatening these high-paying jobs. In response to a new wave of international penetration, the United Steel Workers and steel company owners have been calling for penalties on the import of cheap foreign steel to stem its flow into the U.S. market (New York Times 1998). In another sign of a rising period of uncertainty, daily newspaper reports are filled with notices of declines in corporate profits as export orders are canceled right and left in the wake of the swelling global financial crisis. Coming very close to home, the Motorola Corporation, one of the nation's premier semiconductor producers, has just put on indefinite hold the construction of a new \$3 billion fabrication plant in the state of Virginia due to a decline in orders and a slump in worldwide industry sales. Only six months prior to this announcement the state was crowing about its success in landing the giant chip facility, offering other states advice on how to win the current high-tech race. Today, no one in Roanoke is boasting of this costly success gone awry.

While the global financial crisis may reflect temporary circumstances that will eventually be worked out, nonetheless, recent events underscore the degree of interconnectedness among global financial, productive, and technology markets. While only five years ago globalization was a mere catch phrase meant to capture the rare circumstances of a few corporations that seemed to transcend space, today it is a reality touching communities around the world. Thus, it is timely to ask this question: what will globalization mean for America's rural communities?

The implications of globalization for rural communities in the U.S. South are examined in this paper. The first section provides a broad definition of economic globalization, emphasizing those aspects particularly relevant for the rural South. The second sec-

tion sets the context for later examination of the impacts of globalization for the region, describing current conditions and trends for earnings and educational attainment in the rural South. The third section considers the region's manufacturing sector, focusing on the implications of globalization for manufacturing branch plants, the region's dominant type of manufacturing employer. The fourth section of this article suggests policy options for rural communities in an era of globalization.

Defining the Rural South

In a previous paper on economic conditions in the South in the early 1990s, we drew upon a general definition of the rural South based on the census definition and the 1993 Beale Code Definitions of nonmetropolitan (nonmetro) counties (Glasmeier and Leichenko 1996). Based on the census definition, the South includes the states of Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia, as well as the District of Columbia. Based on the 1993 Beale codes, we define rural counties as those that are not part of a metropolitan (metro) area (i.e., an urban area of at least 50,000 people). We also rely on the Beale codes to sort the nonmetro counties into more precise typologies; these typologies are discussed in the second section of the paper. It also should be noted that while much of our discussion focuses on the rural South as a whole, we also draw upon the results of a study on the Appalachian region (AR). Although the AR overlaps with much of the rural South, including portions of Alabama, Georgia, Kentucky, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia, it also entails rural portions of several northern states including New York, Pennsylvania and Ohio.

Economic Globalization

By now, the term "globalization" has become a cryptic description of dramatic changes in the international economic environment. For business, globalization can be roughly illustrated by the pursuit of international markets from an organizational config-

uration transcending national geographic boundaries and relying upon investment decisions that achieve profitability across nations while simultaneously preserving sensitivity to local preferences. This includes everything from the creation of products that can be sold in many regions to products tailored to final consumer needs. In economic terms, firms are searching for economies of scale in activities that are repetitive across locations while maximizing economies of scope within corporations. Unlike the past when corporations built gigantic organizations to satisfy needs and wants, large organizations are increasingly capable of controlling—without owning—the resources necessary to compete globally (Harrison 1997). Thus, we are entering an era of economic concentration without centralization. Firms can execute complex operations and transactions that span the globe without necessarily taking ownership or financial responsibility of institutions that are integral to their ability to concentrate market share (Prahalad and Doz 1987; Harrison 1997).

Financial globalization represents an even more heightened and, to some, a more frightening and immediate reality. At the push of a button, according to Gerald Epstein, professor of economics at the University of Massachusetts at Amherst, “financial capital moves around the globe at such an amazing speed that national governments seem helpless in its wake. Legislatures and citizens who want to buck the trend and achieve goals of high employment, egalitarian development and sustainable growth, are paralyzed by the threat that any policy that lowers the rate of profit will cause capital to be moved to more profitable environs, thereby reducing investment and lowering the community’s standard of living” (Epstein 1997:211).

How Globalization is Manifested

From the early 1950s to the early 1970s, global growth rates were approximately 4 percent per year. Between the early 1970s and the mid-1990s, this rate of growth slowed to about 2 percent. For some countries, particularly in Africa and Latin America, negative growth rates characterized the 1980s (United Nations Centre on Transnational Corporations [UNCTC] 1988). Slow or negative rates of growth continue to plague much of Africa (United Nations Conference on Trade and Development [UNCTAD] 1994).

Although global rates of growth picked up in the mid-1990s, the Asian crisis of the late 1990s dramatically diminished the benefits of this momentary upturn. Despite the robust performance of the U.S. economy during recent years, declining global demand for U.S. exports coupled with a rising trade deficit, is placing serious pressure on U.S. corporations, which are facing intensified competition for shares of world markets (Kaplinsky 1999; Wild 2000).

Increased competition is manifested at three levels. First, a growing number of corporations are competing internationally (The Economist 1993). Only a decade ago there were approximately 7,000 multinational corporations (primarily American- and British-owned). Today, there are over 35,000 multinational firms. Many are small (less than \$100 million in annual sales), yet ownership of these organizations has greatly expanded to include multinational organizations headquartered in both developed and developing countries (Dicken 2000). The single largest increase in the formation of multinational firms has occurred in countries located in the Pacific Rim region. Thus, the number of organizations competing in the global economy has increased dramatically, the sources of competition have expanded to include countries outside the developed world, and organizations are competing for shares in the same markets.

A second (related) trend is growth in foreign direct investment. Before the late 1980s, the majority of foreign direct investment came from U.S. and British firms establishing international operations to gain access to European and U.S. markets (Dicken 1993, 2000). This trend has now begun to change in two ways. Recently industrialized and newly industrializing country competitors (such as Japan and Korea) have established operations in the developed world (Naylor and Santoni 1999; Glickman and Woodward 1989). While the targets of foreign direct investment are still primarily the developed countries (Boyer and Drache 1997), investment in the 1990s has expanded to include developing countries—Latin American and Southeast Asian nations in particular (Nash 1993; World Bank 2000). These markets were once the singular purview of U.S. firms, but as trade liberalization has further opened economies, they are increasingly becoming the recipients of major new flows of global foreign investment.

A third development that underlies increasing global competition is the erosion of the post-World War II liberal trade regime

that regulated global trade (Gilpin 1987). Established in 1948, the General Agreement on Trade and Tariffs (GATT) was intended to ensure orderly trade and market access through the regulation of tariff and nontariff barriers. While overall trade increased dramatically over the post war period, the share of global trade affected by non-tariff barriers had risen to 40 percent (Yoffie 1990). Until the early 1990s, as countries strove to achieve internal development, they resorted to import substitution promotion twinned with export-led development (Aggarwal and Haggard 1983). With the passage of the Uruguay round of the GATT and the creation of the World Trade Organization (WTO) the use of non-tariff barriers to trade is receiving increased scrutiny. Now such claims are challenged by individual countries and subject to adjudication before the World Trade Organization (<http://www.wto.org>).

Competitors are Becoming Collaborators in the Global Marketplace

Another important development in the evolving global economy relates to the process of corporate reorganization currently underway. Corporations attempting to remake themselves are developing international strategic alliances, joint ventures, and production networks (Dicken 1993, 2000; Harrison 1997). Studies of the formation of strategic alliances suggest that these non-equity partnerships are found primarily between competitors (Morris and Hergert 1987). Competing firms are joining together to benefit from firm-specific intangible assets and core competencies that cannot be developed internally or accessed through means other than outright acquisition (Best 1990). As firms move their strategic emphases into downstream activities, particularly services, they have found it unnecessary to own production operations in order to be able to bring a competitive product to market (Dicken 2000). We are thus entering an era in which intensified global competition requires competitive collaboration in order to gain access to markets. These collaborations are beginning to be viewed as a possible basis for future community economic development.

Other developments complicate the current economic context. The first is the merger movement of the last two decades (Green 1990). During the 1980s, traditional rural sectors such as food pro-

cessing and textiles were the targets of hostile takeovers. Firms undertook mergers to grow, diversify away from slow-growing industrial sector bases, and maximize economies of scope across corporations. Mergers left many acquiring firms with high levels of debt, excess capacity, and scattered product emphases (Gaughan 1999). As takeover targets are digested, peripheral businesses are rationalized to pay down debt and to eliminate badly focused divisions. This adds to the tumultuous business environment. During the 1990s, mergers moved from goods producing to service sectors, further solidifying control of production chains. The dawn of the twenty-first century finds mega-mergers occurring in the telecommunications and media industries. The most recent AOL Times Warner merger is thought to be worth 120 billion dollars. In manufacturing, in contrast, firms are gladly handing over costly and risky facets of their input businesses to distributors, wholesalers, and freight forwarders in an effort to streamline and focus their efforts on the more lucrative high value end of the business.

Finally, the fundamental nature of spatial competition has changed as corporations are being forced to simultaneously introduce new products in multiple markets around the globe. As Dieter Ernst, long-time analyst of the global electronics industry, comments:

Far-reaching changes are currently occurring in the organization and location of the production of industrial goods and services, changes which are bound to have important implications for the welfare, the development potential, and the competitive position of different countries and regions. As competition cuts across national and sectoral boundaries and becomes increasingly global, firms everywhere are forced to shift from exports to international production. Today, dominance in a domestic market--even one as large as the U.S.--is no longer enough. Mutual raiding of established customer and supply bases has become an established business practice, with the result that firms are now forced to compete simultaneously in all major markets, notably in Europe, North America and Asia.

This has led to a rapid expansion of international production: new production sites have been added at a breathtaking speed outside the industrial heartlands of Europe, North America and Japan. Since the mid-1980's, international production has grown considerably faster than international trade. Today, the sales of foreign affiliates of TNCs [transnational corporations] far outpace exports as the principal vehicle to deliver goods and services to foreign markets. The expansion of international production is likely to continue.

Yet, quantitative expansion is only part of the story. Of equal importance are qualitative changes: a shift from partial to systemic forms of globalization. In order to cope with the increasingly demanding requirements of global competition, companies are forced to integrate their erstwhile stand-alone operations in individual host countries into increasingly complex international production networks. Companies break down the value chain into discrete functions, and locate them wherever they can be carried out most effectively and where they are needed to facilitate the penetration of important growth markets (Ernst 1997:1).

What do these developments mean for rural communities? As safe harbors for the nation's labor-intensive and natural resource-dependent industries, rural America, and particularly the rural South, has greatly benefited from seven years of strong national growth and high consumer confidence. Thus, even as globalization was unfolding, demand for consumer goods helped buoy rural labor markets. For the last two years, however, these areas and their dominant sectors have grown vulnerable to international events, particularly the growing competition from lower-cost and equal or higher-quality producers both in Asia and increasingly in Latin America. The edges of many rural communities' economies are beginning to fray as manufacturing branch plants shed domestic operations for lower-cost locations in Mexico (Appalachian Regional Commission 1998). As imports continue to flood into the U.S., low-skilled labor-intensive operations will experience increasing competitive pressure. The lack of skills and complacent attitude of many rural communities are likely to be met by a re-

newed period of industrial restructuring and job loss. Even the more skill-intensive industries may be unable to escape the pending shake-out as globalization places additional pressure on sectors such as steel and autos. Given the high percentage of total jobs in branch plants, a period of heightened capital mobility and economic instability may provide the stimulus for further corporate reorganization, downsizing, and outsourcing, particularly as prices for imported goods continue to fall in response to deflation.

Current Conditions and Recent Trends for Income and Educational Attainment in the Rural South

The rural South's main asset in attracting and maintaining its industrial base has traditionally been its low-cost labor force. Examination of current conditions and recent trends for income and educational attainment reveal that while perceptions of the rural South as the nation's low-cost and low-skill region continue to be valid, rural areas in the South have made dramatic gains in recent years. Finer-grained analysis shows, however, that these gains have been largely driven by rural counties contiguous to metro areas and/or containing a city with a population between 20,000 and 50,000. The more remote areas of the region continue to lag far behind the national averages in levels of income and educational attainment.

Notwithstanding decades of convergence, per-capita income in the South continues to lag somewhat behind the national average (Table 1). Interestingly, by breaking the South into its metro and nonmetro components, we see that the urban South has nearly converged with the national average in per-capita income, with per-capita income standing at 99 percent of the national average in 1996. The rural South, by contrast, lags substantially behind the national average, with per-capita income standing at 72 percent of the national average during the same year. An examination of per-capita income levels in different types of rural counties reveals more dramatic differences. Nonmetro counties that contain a medium-sized city of between 20,000 and 49,999 currently have per-capita income levels of 79 percent of the U.S. average, far ahead of other types of rural counties. Not surprisingly, rural counties with the lowest relative incomes are those not contiguous to a metro area and containing either a very small city (population

Table 1. Per-Capita Income in the South and in the Rural South as a Share of the U.S. National Average

	1969	1990	1996
South	0.84	0.9	0.92
Urban South	0.92	0.97	0.99
Rural South	0.65	0.70	0.72
<i>Rural South--Adjacent to a Metro Area</i>			
Medium city (20,000–49,999)	0.72	0.77	0.79
Small city (2,500–19,999)	0.66	0.70	0.71
Remote (no city)	0.64	0.71	0.72
<i>Rural South--Not Adjacent to a Metro Area</i>			
Medium city (20,000–49,999)	0.73	0.76	0.79
Small city (2,500–19,999)	0.63	0.67	0.68
Remote (no city)	0.54	0.62	0.63

Data sources: U.S. Department of Commerce. 1998. *Regional Economic Information Systems (REIS) 1969–1996*, CD ROM. Washington DC: Bureau of Economic Analysis; U.S. Department of Agriculture, Economic Research Service, 1993 Beale Code Definitions.

Table 2. Annualized Growth Rates of Real Per-Capita Income in the South and in the Rural South

	1969-1996	1969-1990	1990-1996
U.S.	1.89	2.09	1.19
South	2.22	2.43	1.46
Urban South	2.14	2.35	1.39
Rural South	2.24	2.44	1.56
<i>Rural South--Adjacent to a Metro Area</i>			
Medium city (20,000–49,999)	2.26	2.44	1.63
Small city (2,500–19,999)	2.18	2.38	1.49
Remote (no city)	2.33	2.59	1.42
<i>Rural South--Not Adjacent to a Metro Area</i>			
Medium city (20,000–49,999)	2.18	2.29	1.79
Small city (2,500–19,999)	2.21	2.40	1.55
Remote (no city)	2.47	2.76	1.47

Data sources: U.S. Department of Commerce. 1998. *Regional Economic Information Systems (REIS) 1969–1996*, CD ROM. Washington DC: Bureau of Economic Analysis; U.S. Department of Agriculture, Economic Research Service, 1993 Beale Code Definitions.

between 2,500 and 19,999) or no city; these types of counties have per-capita incomes of 68 and 63 percent of the U.S. average, respectively.

In terms of per-capita income growth (Table 2), the South has experienced dramatic increases over the past three decades, growing faster than the nation as whole during the entire period between 1969 to 1996, a finding consistent with trends toward convergence. Within the South, nonmetro area incomes have generally grown faster than urban areas, suggesting that metro and nonmetro areas within the region also are moving toward convergence. However, important differences remain among different types of nonmetro counties. Notably, earnings growth has been faster in counties that contain a medium-sized city (population between 20,000 and 49,999), whether or not that city is contiguous to a metro area. Slower growth has occurred among both contiguous and non-contiguous counties that contain either a small city (population between 2,500 and 19,999) or no city. These trends suggest that despite overall convergence with urban counties in the South, there remains ongoing income divergence among the more urbanized versus the more rural nonmetro counties in the South, with more rural counties tending to lag behind.

Despite tremendous gains in recent decades, the South also continues to lag behind the nation in all categories of educational attainment (Table 3). Comparison of the urban South with the rural South reveals noteworthy differences. The urban South has essentially converged with the nation in terms of educational attainment. In fact, it exceeded the national average in the percentage of the adult population with a college education in 1990: 21.7 percent of the adult population in the urban South had obtained a college education in 1990, whereas only 20.3 percent of adults in the nation were college-educated. By contrast, the rural South lags far behind the nation, especially in percentage of adults that are college-educated (11.5 percent), and in percentage of adults who have achieved less than a high school education. In 1990, 37.9 percent of the adult population in the rural South had less than a high school education, compared to 24.8 percent of adults in the nation.

Table 3. Educational Attainment by All Persons 25 and Older in the South, Compared to the Nation (in percent)

	Less than High School		High School		College	
	1970	1990	1970	1990	1970	1990
U.S.	47.7	24.8	41.7	54.9	10.7	20.3
South	54.9	28.7	33.0	52.5	7.5	18.7
Urban South	49.7	24.9	35.9	53.4	8.6	21.7
Rural South	65.4	37.9	27.0	50.6	4.9	11.5

Source: U.S. Department of Agriculture, Economic Research Service. 1993. *Rural Conditions and Trends* 4(3).

Manufacturing in the Rural South

The manufacturing economy in the South¹ continues to be dominated by low-wage, low-skill industries. In 1996, low - wage sectors² accounted for 21 percent of manufacturing earnings in the United States, but 28 percent in the South. The largest low-wage manufacturing sectors in the South are apparel and textiles, which account for 9 percent of total manufacturing earnings in the region, and food products, which accounts for 7 percent of total manufacturing earnings in the region. Other large low-wage sectors in the region include lumber and wood products and rubber and miscellaneous plastics. Each of these sectors accounts for approximately 5 percent of manufacturing earnings in the South.

¹ Please refer to previous sections where we identify the states in the South.

² For the purposes of this paper, we categorize the following seven 2-digit sectors as low-wage: apparel, textiles, food processing, lumber and wood products, leather, furniture, and rubber and miscellaneous plastics. Each of these sectors has average wages for manufacturing production workers that are more than 10 percent below the U.S. average for similar workers (U.S. Department of Labor 1998). Among these low-wage sectors, production-worker wages range from 63 percent of the U.S. average in the apparel sector to 88 percent of the U.S. average in the rubber and miscellaneous plastics sector.

Table 4. Average Earnings per Manufacturing Employee in the South as a Share of Average Earnings per Manufacturing Employee in the Nation

	1969	1990	1996
South	0.83	0.88	0.89
Urban South	0.90	0.98	1.00
Rural South	0.68	0.69	0.68
<i>Rural South--Adjacent to a Metro Area</i>			
Medium city (20,000–49,999)	0.75	0.76	0.78
Small city (2,500–19,999)	0.67	0.68	0.67
Remote (no city)	0.67	0.76	0.71
<i>Rural South--Not Adjacent to a Metro Area</i>			
Medium city (20,000–49,999)	0.75	0.76	0.75
Small city (2,500–19,999)	0.63	0.64	0.63
Remote (no city)	0.56	0.58	0.57

Data sources: U.S. Department of Commerce. 1998. *Regional Economic Information Systems (REIS) 1969–1996*, CD ROM. Washington DC: Bureau of Economic Analysis; U.S. Department of Agriculture, Economic Research Service, 1993 Beale Code Definitions.

A comparison of earnings per manufacturing employee in the South with the rest of the nation highlights the persistence of a low-wage, low-skill manufacturing economy there. While general trends suggest that southern communities are catching up with the rest of the nation, manufacturing wages in rural areas of region show little evidence of convergence (Table 4). For the South as a whole, manufacturing wages (earnings per manufacturing worker) are converging toward the national average, having increased from 83 percent to 89 percent of the U.S. average between 1969 and 1996.

Within the urban South, wage increases in manufacturing have been even more dramatic. Currently, manufacturing workers in the urban South have earnings on a par with the U.S. average. Within the rural South, however, manufacturing wage differentials persist. As a percentage of the U.S. average, manufacturing wages in the rural South have remained unchanged between 1969 and 1996, hovering at 68 percent of the U.S. average. This persistence in wage differentials also is evident among different types of rural counties. As a percentage of the U.S. average, manufacturing wages have remained relatively constant in all types of rural counties except remote (no city) counties that are contiguous to metro areas, many of which are targets of "edge city" industrial development. In terms of overall wage differentials among different types of rural areas, medium-sized, nonmetro cities have considerably higher relative manufacturing wages than small cities and remote areas, especially areas that are not contiguous with a metro area.

Because many of the low-wage manufacturing industries that are concentrated in the South and especially the rural South are facing growing competition from abroad, the region's low-wage labor force is becoming increasingly vulnerable to employment disruption as a result of economic globalization. The following more detailed examination of the productivity and wage differentials among the region's large employers adds fuel to these concerns.

The Importance of Big Firms in the Rural South

Historically, a significant share of state and local economic policy and programming has focused on industrial recruitment. The large branch plants of non-locally owned corporations have

been wooed by incentives and “good business climates” and then left largely to their own devices. Over the past decade, other development programs to increase productivity and technological competitiveness have focused on the needs of small and medium-sized firms (Rosenfeld, Shapira, and Williams 1992). Small businesses do indeed account for the majority of establishments in the United States and most other advanced industrialized countries. However, they do not, nor have they ever, provided the bulk of all manufacturing jobs. In fact, in peripheral regions/rural areas, large firms and multilocal corporations still provide the bulk of manufacturing employment (Miller 1993). In this next section we draw on two separate analyses of the Longitudinal Research Database (LRD), a unique, detailed plant-level database which covers the entire U.S. manufacturing sector from 1963 -1992³ in five-year intervals.

The LRD has linked plant-level observations from the seven Censuses of Manufactures across time. Both analyses were conducted by Brad Jensen at the Center for Economic Studies of the U.S. Census. The first analysis presents an aggregate regional portrait of the distribution of manufacturing employment, by establishment, by share of jobs, and by wage and productivity premiums. Here we compare the South with the rest of the nation and across the nine census regions.

The Role of Branch Plants in the South

Despite the enthusiasm surrounding the role of small firms in new job creation over the last 25 years, multi-unit establishments continue to be primary employers of American manufacturing workers. While fluctuations have occurred over time in the share of employment contained in such establishments, particularly during periods of economic recession, nonetheless, branch plants constitute more than two-thirds of all manufacturing jobs.

There is considerable variation in the share of employment in multi-unit establishments by census region. By far, the southern region of the U.S. boasts the largest share of employment in branch plants. Approximately 78 percent of all jobs are in multi-

³ LRD data for 1997 are still in the testing stage and were not available
<https://crs.olemiss.edu/jrss/vol15/iss1/4>

unit establishments. This figure peaked in 1977 at approximately 81 percent, and slowly declined up until 1992. While in over half of the Census subregions multi-establishment share of employment declined over the 25-year period, in the South growth occurred virtually through time.⁴ In 1992, the share of employment in branch plants in the South was 6 percentage points above the national average of 72 percent (Table 5).

Branch plants in general tend to pay higher wages and demonstrate higher productivity through time, both at the national and subregional levels (Table 6). The average national wage premium for branch plants was 8.89 percent.⁵ This compares favorably with the South, where branch plants paid on average a wage premium of 9.9 percent. As represented in Table 6, while wage premium are lower in the South, compared with the national average, productivity premium are considerably above the national average (29.7 vs. 27.1). Branch plants in the southeast central subregion experience the highest productivity premium of any region in the country (32.4 percent).

These results suggest that multi-unit establishments are important contributors to the manufacturing base of the southern United States. Both their numerical presence and their wage and investment policies have been important contributors to the revitalization of the southern manufacturing economy over the last 25 years (Table 7).

Options for One of the Region's Most Important Rural Employers

With the passage of NAFTA, the successful conclusion of the Uruguay round of GATT, and the creation of the WTO, the future of the region's dominant industries will be very different from the

⁴The Census Bureau reports data in nine census subregions and four large regions. In this section and the sections that follow, we are reporting results at the nine-census region level. Please see earlier sections for a listing of the states in the south.

⁵Tables 6 and 7 report the wage and productivity premia (and standard errors) of multi-unit plants in each region of the country relative to single-unit plants, controlling for industry and urban/rural effects (Jensen 1998).

Table 5. Share of Manufacturing Employment in Multi-Unit Establishments by Region (in percentages)

	1967	1972	1977	1982	1987	1992
United States	73.03	76.19	76.90	75.33	74.14	72.15
Northeast	68.45	71.60	72.55	71.91	70.89	67.98
Middle Atlantic	65.55	68.19	69.43	68.02	66.47	64.83
East North Central	78.45	81.09	81.10	79.08	76.34	73.23
West North Central	75.39	78.59	80.01	79.22	77.92	76.63
South Atlantic	74.77	78.95	80.60	79.75	79.00	77.82
Southeast Central	77.66	82.13	83.13	80.20	79.18	78.85
Southwest Central	72.97	77.61	79.01	77.58	78.91	75.99
Mountain	70.82	74.90	75.33	74.07	75.14	71.44
Pacific	72.75	72.64	70.55	69.70	67.56	64.22

Source: U.S. Bureau of the Census, *Census of Manufactures*, various years. Calculations exclude "Administrative Records" from the sample.

Table 6. Wage Premia of Multi-Unit Establishments, by Region^a

	1967	1972	1977	1982	1987	1992
United States	.062 (.0020)	.102 (.002)	.073 (.002)	.140 (.002)	.085 (.002)	.0889 (.002)
Northeast	.045 (.007)	.070 (.008)	.054 (.008)	.128 (.008)	.050 (.008)	.061 (.008)
Middle Atlantic	.063 (.004)	.094 (.004)	.076 (.004)	.139 (.006)	.071 (.005)	.0888 (.005)
East North Central	.052 (.004)	.102 (.004)	.070 (.004)	.121 (.004)	.087 (.005)	.081 (.004)
West North Central	.061 (.007)	.125 (.008)	.065 (.007)	.140 (.009)	.068 (.008)	.052 (.007)
South Atlantic	.059 (.006)	.093 (.006)	.058 (.005)	.139 (.005)	.085 (.005)	.095 (.005)
Southeast Central	.079 (.010)	.119 (.010)	.067 (.008)	.164 (.010)	.128 (.009)	.102 (.008)
Southwest Central	.062 (.008)	.096 (.008)	.059 (.007)	.149 (.008)	.105 (.007)	.079 (.007)
Mountain States	.091 (.013)	.140 (.012)	.080 (.010)	.195 (.012)	.102 (.010)	.081 (.010)
Pacific	.080 (.005)	.120 (.006)	.107 (.005)	.154 (.006)	.098 (.005)	.127 (.005)

^aStandard errors in paratheses. Sources: U.S. Bureau of the Census, *Census of Manufactures*, various years; Jensen 1998. *Entry, Exit and Restructuring in Appalachian Manufacturing 1963-1992: Evidence from the Longitudinal Research Database*. Final report, Appalachian Regional Commission.

Table 7. Productivity Premia of Multi-Unit Manufacturing Establishments, by Region

	1967	1972	1977	1982	1987	1992
United States	.165 (.003)	.220 (.004)	.204 (.003)	.268 (.004)	.232 (.003)	.271 (.003)
Northeast	.149 (.013)	.185 (.013)	.160 (.013)	.229 (.014)	.165 (.013)	.206 (.014)
Middle Atlantic	.166 (.008)	.200 (.008)	.202 (.008)	.277 (.009)	.202 (.008)	.257 (.010)
East North Central	.148 (.007)	.210 (.007)	.202 (.008)	.240 (.008)	.244 (.007)	.265 (.007)
West North Central	.190 (.014)	.256 (.013)	.216 (.013)	.291 (.014)	.256 (.013)	.263 (.0127)
South Atlantic	.168 (.010)	.227 (.010)	.205 (.009)	.282 (.010)	.241 (.009)	.271 (.009)
Southeast Central	.200 (.016)	.232 (.016)	.233 (.015)	.321 (.016)	.321 (.015)	.324 (.014)
Southwest Central	.182 (.014)	.232 (.013)	.203 (.012)	.268 (.012)	.234 (.012)	.303 (.012)
Mountain States	.188 (.023)	.266 (.021)	.195 (.020)	.276 (.020)	.246 (.019)	.265 (.018)
Pacific	.162 (.010)	.236 (.010)	.219 (.010)	.270 (.010)	.220 (.009)	.290 (.009)

*Standard errors in parentheses. Sources: U.S. Bureau of the Census, *Census of Manufactures*, various years; Jensen 1998. *Entry, Exit and Restructuring in Appalachian Manufacturing 1963-1992: Evidence from the Longitudinal Research Database*. Final report, Appalachian Regional Commission.

past. A harbinger of what is yet to come can be found in a quote by a spokeswoman for the Sara Lee Corporation, one of — if not the—largest apparel producers in the United States, and a company that owns many production plants in the Appalachian region. Sara Lee recently announced that the firm was going to deverticalize its consumer products divisions, a fundamental re-shaping that would move the firm away from making brand-name goods.

As the world opens up to do business, the operating model for today's exemplary companies no longer needs to include significant manufacturing assets . . . We've determined that we no longer need to own all the assets needed in manufacturing the products we sell. (Miller 1997:A3)

Other producers such as Levi Strauss and Van Heusen, the men's shirt company, while emphasizing the need to build global brands, are stating publicly that they are marketing companies and not producers. Corporate interviews with Levi's and with Sara Lee conducted four years ago foretold the present situation (Glasmeyer, Thompson and Kays 1993). While this might not be such a big deal—so what if they are moving labor-intensive assembly operations offshore?—the textile industry also is beginning to move. Burlington and Cone Mills both have begun to develop production capacity in Mexico to service orders once placed with American firms and now being done in Mexico. Between 1994 and 1996, the share of all U.S. imports of apparel coming from Mexico has increased by 50 percent, from 9 to 15 percent. Given that the importation of apparel is increasingly shifting away from Asia to the northern hemisphere and Latin America, the transformation predicted based on studies of the effect of NAFTA is coming true at a rapid pace (Gereffi 1997).

Conclusions

The process of globalization is occurring. The imperative is nothing less than time/space convergence. The process of economic change is occurring as more and more actors, in this case firms, are interested in competing globally. Whether our commu-

nities and the firms within them are on someone's master list of excellent, strategic, capable, and sophisticated firms is anyone's guess. There are certainly ample examples of southern rural factories that are world-class. As for the rest, some firms in the region have almost all of the ingredients to be successful, yet lack information and know-how to successfully exchange goods in the international economy.

Our findings also suggest that, despite significant gains in average incomes and educational attainment in the South, as a whole, over the past 30 years, the rural South's longstanding reputation as the nation's low-wage, low-skilled region appears largely intact. In particular, manufacturing wages in the rural South have remained stagnant relative to the rest of the United States. Furthermore, as dominant sectors such as textiles and apparel continue to experience price competition and international pressure, we expect downward pressure on wages in low-skill rural Southern industries and possibly widespread job losses. The apparel industry alone is expected to lose jobs in excess of 200,000 over the next 10 years. Many of these threatened jobs are located in remote areas of the rural South.

Communities are still quite reluctant to accept the fact that the future will be different from the past. Perhaps this resistance comes from a belief that storms unleashed through external change have been weathered in the past. Growing evidence suggests, however, that the next storm is likely to unleash gale force winds. The process of spatial filtering no longer captures the complex interplay of corporate strategy and industrial location. Strategic partnerships, joint risk sharing, and evolving skill needs are restricting industrial location to fewer and fewer sites around the world. The American rural South is not at present a part of this strategic calculus. Thus, the problem of future competition cannot be solved simply by battening down the hatches while maintaining the status quo; an adequate response for the future is far more likely to require a complete rethinking of what it means to be competitive in a global economy.

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