

Where Did Tennessee Companies and Jobs Relocate?
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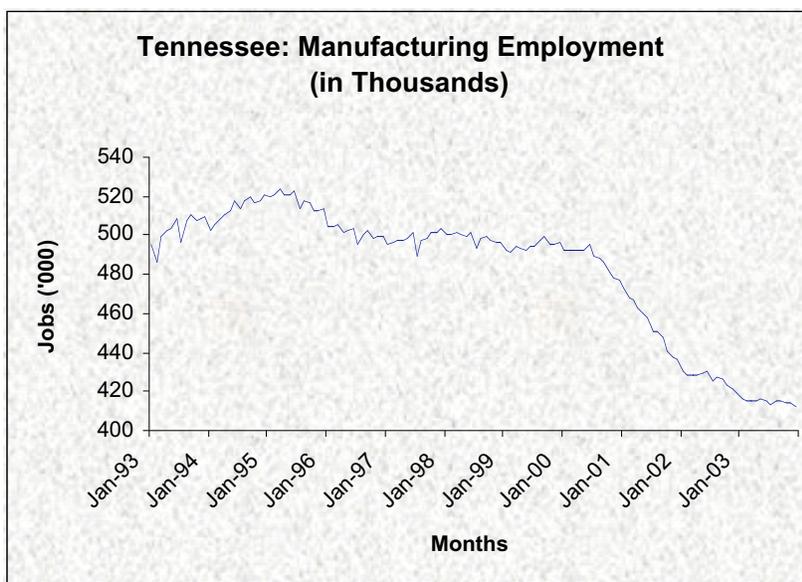
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Introduction

The year 2004 has not so far generated a vigorous recovery for the U.S. economy on the job front. Increasing productivity in the manufacturing sector is good for the global competitiveness of U.S. firms, but the decline in manufacturing jobs is an increasing concern for the states with a large manufacturing sector. Since mid-1998, for example, Tennessee has lost about 88,000 manufacturing jobs, a decline of 18 percent. The following graph depicts the trend in manufacturing jobs in Tennessee.



Where did these manufacturing jobs in Tennessee go? There are many reasons for the job losses in Tennessee. The first and by far most important is the impact of economic crisis that resulted in plant closings, especially increasing global competitive pressure that

¹ This research is based solely on company announcements as reported by local, regional, and national news media. None of the companies were contacted for this research, and no verification of the findings has been made through company contacts. Some of the job losses are estimates based on companies' statements on multiple company branches in other locations. Therefore, total numbers regarding job losses should be treated cautiously, though we think that our findings reflect overall company relocation trends in Tennessee.

eliminated high-cost and less-productive companies from the marketplace. Second, in order to cope with emerging competitive dynamics, some companies went through significant restructuring processes, including consolidation, mergers, and domestic and international outsourcing. Finally, some companies relocated their plants overseas or to other states where the production costs were significantly lower and they received substantial business relocation incentives.

In Tennessee, a preliminary analysis indicates that these three factors worked together to generate about an 18 percent manufacturing loss in six years.

This brief document investigates when and where jobs in Tennessee migrated. Although our emphasis is on the manufacturing sector, we nevertheless included firms that went through one of the processes described above.

Method

To determine business relocation activities, we used the Lexis-Nexus Academic Universe business news database. We extracted all business news regarding plant closings and company relocations between 1997 and 2004. A combined keyword search for “company,” “relocation,” and “Tennessee” generated 332 industry news items. Similarly, a combined search for “company,” “closing,” and “Tennessee” generated 1,146 industry news articles. After eliminating redundant industry news items, news about firm closings in retail sector, and outright plant closings, we extracted those business announcements that involved job losses through “merger,” “restructuring,” “consolidation,” and “relocation.”

Although more than two-thirds of job losses were in the manufacturing sector, we categorized firms relocating or going through a restructuring process into about 13 groups. Based on the information available from the company news, we obtained IMPLANPro SAM multipliers to calculate the economic impact of job losses on overall employment in Tennessee.

Findings

Sectors?

Between 1997 and 2004, about 10,000 jobs were eliminated in Tennessee through consolidation and relocation of companies. Seventy-one percent of these jobs were in the manufacturing sector while the remaining 29 percent were distributed across the 12 sectors.

Table 1. Sectoral Distribution of Job Losses

Sectors	Total	Percent (%)
Banking	1,400	14.24
Entertainment	125	1.27
Hotel	235	2.39
Leisure and Hospitality	130	1.32
Manufacturing	7,008	71.28
Marketing Services	20	0.20
Retail	25	0.25
Telecommunications	593	6.03
Services	20	0.20
Computer System Design	15	0.15
Flight Training	10	0.10
Business Services	30	0.31
Wholesale	220	2.24
Grand Total	9,831	100.00

Source: BERC

Table 1 shows the sectoral distribution of employment losses due to relocation, mergers, and restructuring. It is important to note here that significant job losses took place in Tennessee in the banking sector when the AmSouth and First American merger took place. We included this announced job loss in 1999 because of its magnitude.

As Table 1 indicates, of all the job losses we tracked, 71.28 percent were in the manufacturing sector. The announced job loss in the manufacturing sector was primarily the result of relocation activities. Telecommunications and banking job losses were primarily the result of restructuring and merger activities.

Where Did These Jobs Go?

Table 2 shows that an estimated 2,466 jobs (25 percent of lost jobs) were due to company relocation overseas. Similarly, company relocation to Texas accounts for about 22 percent of lost jobs. Equally important are the job losses due to company mergers and restructuring in Tennessee, accounting for 22 percent of lost jobs. Company relocation to North Carolina also accounts for an important fraction of lost jobs—about 13 percent. Oklahoma, Arkansas, and Colorado were other significant players luring Tennessee companies and jobs.

Table 2: Percent Distribution of Job Losses by Destination

Destination	Total Jobs	Percent (%)
Merger/Restructuring Loss	2,162	21.99
Colorado	195	1.98
Massachusetts	130	1.32
Overseas	2,466	25.08
Texas	2,185	22.23
Georgia and Alabama	50	0.51
Florida	130	1.32
California	28	0.28
North Carolina	1,230	12.51
Minnesota	10	0.10
Oklahoma	480	4.88
New York	155	1.58
Other U.S. Locations	150	1.53
Arkansas	200	2.03
Rhode Island	150	1.53
Wisconsin	110	1.12
Grand Total	9,831	100.00

Jobs Lost by Sectors and Destination

Job losses by sectors and destination provide a different perspective on the dynamics of company activities. Table 3 demonstrates that job losses in Tennessee were due to mergers and restructuring in the banking and telecommunications sectors. Jobs in the manufacturing sector were relocated primarily overseas or to Texas and North Carolina. All of the jobs that were relocated overseas were in the manufacturing sector.

Destination analysis indicates the presence of an ongoing company recruitment effort in the manufacturing sector among the states.

Table 3: Company Relocation and Jobs Lost by Sector and Destination

Sectors	Merger & Restructuring		GA &						Other U.S.			Grand					
	in TN	CO	MA	Overseas	TX	AL	FL	CA	NC	MN	OK	NY	Locations	AR	RI	WI	Total
Banking	1,400																1,400
Entertainment												125					125
Hotel	235																235
Leisure and Hospitality							130										130
Manufacturing	272	175	130	2,466	2,050	50		1,215		150		150	200	150			7,008
Marketing Services								20									20
Retail					25												25
Telecommunications	255							8		330							593
Services		20															20
Computer System Design								15									15
Flight Training										10							10
Business Services												30					30
Wholesale					110											110	220
Grand Total	2,162	195	130	2,466	2,185	50	130	28	1,230	10	480	155	150	200	150	110	9,831

When Were These Job Losses Announced?

Table 4 presents findings on the company announcements and number of jobs involved. According to Table 4, more than 30 percent of job loss announcements took place in 2002.

Table 4: Company Announcements by Years

Years	Total	Percent (%)
1997	500	5.09
1998	340	3.46
1999	1,664	16.93
2000	983	10.00
2001	1,164	11.84
2002	3,018	30.70
2003	582	5.92
2004	1,580	16.07
Grand Total	9,831	100.00

Company Relocation Destination by Type of Actions

According to Table 5, jobs going overseas and to Texas were primarily the result of relocation.² North Carolina is the choice of companies going through a consolidation process.

² “Relocation” refers to a company’s decision to move its operation to other locations. “Consolidation” refers to a company’s decision to move its operation to the company branches in other locations. “Restructuring” is basically an effort of companies’ cost-cutting policies.

Table 5: Type of Company Action and Destination States

Destination	Consolidation	Merger	Relocation	Restructuring	Grand Total
Merger & Restructuring in Tennessee	243	1,400		519	2,162
Colorado			195		195
Massachusetts		130			130
Overseas	995		1,471		2,466
Texas	710		1,475		2,185
Georgia and Alabama			50		50
Florida	130				130
California			28		28
North Carolina	1,000		230		1,230
Minnesota			10		10
Oklahoma	150		330		480
New York			155		155
Other U.S. Locations	150				150
Arkansas			200		200
Rhode Island			150		150
Wisconsin	110				110
Grand Total	3,038	1,530	4,146	255	9,831

Table 6. Total Estimated Employment Impact of Company Actions* by Sector

Sector	Direct	Indirect and Induced	Total	Multiplier**
Banking	1,400	1,554	2,954	2.11
Entertainment	125	30	155	1.24
Hotel	235	127	362	1.54
Leisure and Hospitality	130	70	200	1.54
Manufacturing	7,008	14,016	21,024	3
Marketing Services	20	11	31	1.54
Retail	25	8	33	1.3
Telecommunications	593	907	1,500	2.53
Services	20	11	31	1.54
Computer System Design	15	12	27	1.8
Flight Training	10	5	15	1.5
Business Services	30	27	57	1.9
Wholesale	220	178	398	1.81
Grand Total	9,831	16,956	26,787	

Notes: *Company actions refer to relocation, restructuring, consolidation, and mergers. **Multipliers are for selected industries within each broader sector. This is determined by the companies' operation in Tennessee. Multipliers are SAM Multipliers for Tennessee from IMPLANpro.

What is the Combined Impact of Announced Job Losses?

In order to estimate the indirect and induced impact of announced job losses, we use SAM employment multipliers from IMPLANPro.³ According to Table 6, direct, indirect, and induced job losses totaled 26,787, of which 21,024 were in the manufacturing sector.

³ IMPLANPro is software for regional economic analysis developed by Minnesota IMPLAN Group, Inc., (www.implanpro.com).

Multipliers given in Table 6 are averages from IMPLAN sectors that take into account the diverse groups of companies involved.

Conclusion

Basing our decisions on company announcements, we tracked 35 companies that went through relocation, consolidation, mergers, or restructuring. These company decisions involved about 10,000 jobs. The locus of activities was in the manufacturing sector, accounting for more than 71 percent of announced job losses. Job losses were due to consolidations and relocations (almost equally to Texas and overseas). North Carolina was also an important player in luring manufacturing companies from Tennessee. These findings dispel the notion that all manufacturing jobs are going overseas and point out the importance of increasing regional competition for manufacturing jobs. A recent relocation announcement of Vought Aircraft Industries to Texas is a stark reminder of interstate competition for manufacturing jobs.

Appendix: Companies and Destinations

Appendix: Job Losses by Company and Destination

Name	Merger & Restructuring				GA & FL CA			NC	MN	OK	NY	Other U.S. Locations			Grand Total		
	TN	CO	MA	Overseas	TX	AL	FL					AR	RI	WI			
800America.com											30				30		
AmSouth and First American	1,400														1,400		
Amtrol, Inc.													150		150		
ArvinMeritor, Inc.				317											317		
ATNG, Inc.						8									8		
BellSouth	255														255		
Bemis					110									110	220		
Bike Athletic						50									50		
Black and Decker				250											250		
Blue Mountain Avionics, Inc.	20														20		
BTR Sealing System								200		150		150			500		
Carrier Corp.				700	600			700							2,000		
Coltec								100							100		
Coors Ceramics	175														175		
CoorsTek				130											130		
Crossville Rubber Products, Inc.								100							100		
Dimension Data Holding								15							15		
Dyersburg Corp.	264							15							279		
Fawn				48											48		
Flexonics						50									50		
Hilton Hotels	235														235		
Innova Group, Inc.							20								20		
OshKosh B'Gosh				65											65		
Pan Am International Flight Academy									10						10		
Philips Electronics				130											130		
Piggly-Wiggly						25									25		
PolyOne	8														8		
Pulaski Light Vehicle Aftermarket				230											230		
ResortQuest							130								130		
Telex Communications, Inc.													200		200		
TNN											125				125		
U.S. Cellular Corp.										330					330		
Universal Furniture				546				100							646		
Vought Aircraft Industries					1,400										1,400		
Western Reserve Products				180											180		
Grand Total	2,162	195	130	2,466	2,185	50	130	28	1,230	10	480	155	150	200	150	110	9,831

Note: TN=Tennessee, CO=Colorado, MA=Massachusetts, TX=Texas, GA & AL=Georgia and Alabama, FL=Florida, CA=California, NC= North Carolina, MN=Minnesota, OK=Oklahoma, NY=New York, AR=Arkansas, RI=Rhode Island, and WI=Wisconsin.