Plant's absence will be felt through state

Closing of Newark Chrysler plant will affect local businesses

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For the first time in decades, Delaware could get a bitter taste of what other American communities have experienced when one of their major manufacturers packed up and left.

The Chrysler Group in Auburn Hills, Mich., said Wednesday it would eliminate a shift at the Newark assembly plant in 2007 and idle it in 2009. Economists can't recall the last time an old-line, major manufacturer of its stature closed. The plant has been a landmark on South College Avenue for 56 years and gave generations of blue-collar workers a foothold in middle-class America.

"This is unprecedented for a plant of this scale to close in the state of Delaware," said William R. Latham III, associate professor of economics at the University of Delaware.

The state and Delaware's congressional delegation aren't admitting total defeat, hanging on to the hope that the company used the word "idled" rather than closed. In the auto industry, "idled" means there is no future product planned for the plant. Sen. Tom Carper, who helped avert the closing of the General Motor Corp. assembly plant on Boxwood Road in the early 1990s, promised to continue to push to keep it open after 2009.

Sen. Joe Biden gave the plant a "50-50" chance of survival in some form.

"We have another day to fight," Biden said. "This is not over."

But if the state isn't successful in saving the plant this time around, the state will feel it, economists said. The first hit will come in the second quarter, when about 700 auto workers will be cut, according to Judy McKinney-Cherry, director of the Delaware Economic Development Office. It could also affect another 400 jobs in the plant's supply chain, she said.

A significant presence

While the plant's presence in Delaware is a far cry from its high point in 1985, when it ranked as the state's second-largest private employer behind the DuPont Co., the benefit to the state's economy remains significant. Until 2001, the plant consistently ranked among the top 10 of all employers in the state, including government.

It's estimated the Chrysler plant generates at least $300 million annually in economic benefits to the state, according to the Center for Applied Demography and Survey Research at UD. McKinney-Cherry estimated the plant contributes more than $800 million to the state's economy when it operates at full employment. It currently employs 2,100 people.

"You can't lose a business like this and not feel it," said James L. Butkiewicz, professor of economics at UD.

Because of the state's diversified economy, Delaware should be able to absorb the loss of the plant in the long term, economists said. But that doesn't mean there won't be real pain for the Newark area and individuals directly or indirectly affected by the closing.
"It's very difficult to replace an entire factory in a community. The decision to shut a factory down is monumental," said Alan Tonelson, a research fellow at United States Business & Industry Council in Washington, D.C., which represents small and midsized U.S. manufacturers, some of which are auto industry suppliers.

If the plant is finally idled, those hardest hit will be the auto workers, who face the loss of jobs that pay an estimated average of about $61,000 yearly -- and their families.

"They will never see jobs this good again," Tonelson said. "Manufacturing is the only sector of the economy in U.S. history that has enabled working-class people to lead middle-class lives and have secure retirements. Agriculture didn't do it and services can't do it."

The economic pain will go beyond Chrysler's auto workers and suppliers. Also affected will be the services provided to the plant, such as food or cleaning services. Newark shop owners who benefited from workers who shopped at their stores could feel it, economists said.

James R. Malin, co-owner of Malin's Market & Deli, which is near the plant on South College Avenue, said the Chrysler workers have been a loyal mainstay of his business since it opened in 1974.

"I've weathered a lot of storms here, but this one here would be the storm of all storms," Malin said. "It wouldn't put me out of business, but it would put me down."

**Economic storms**

In recent years, the biggest shocks in the state's manufacturing sector have been the result of realignments or consolidations among major employers that have a significant presence in the state.

Beginning in the early 1990s, the DuPont Co. began a long-term restructuring that eventually led to the 2004 sale of the company's textiles and interiors business, called Invista, to Koch Industries Inc. of Wichita, Kan. Koch continues to operate the Seaford nylon plant, which was the country's first when it was built in 1939.

On any given day, roughly 800 to 900 people are employed at the nylon plant, according to Roger Ramseyer, director of public affairs for Invista. Five hundred of those employees are permanent Koch workers, and 300 to 400 are contractors.

The steel operation in Claymont, a fixture since 1918, has been through several owners and financial ups and downs. Now, it's on an upswing. Claymont Steel operates around the clock and had an initial public offering of stock in December. The mill, which makes steel plate, employs more than 400 people.

"The future looks brighter today than it has in years for the steel industry and specifically steel plate," said Jeffrey Bradley, chairman and chief executive of Claymont Steel.

The auto assembly plants in Delaware have been in a similar pared-down mode from their glory days in 1985, when Chrysler and the General Motors Corp. assembly plant on Boxwood Road near Newport together employed nearly 9,000 people. The Boxwood Road plant was threatened with closure in 1992, but the state lobbied hard and it remained open.

In June 2006, the entire automobile, light truck and utility vehicle manufacturing sector in Delaware employed just 6,337 people. By contrast, the financial industry at the end of 2006 employed 43,700 people.

The automotive sector represented less than 1 percent of the state's estimated $53.9 billion real gross state product in 2006, according to Moody's Economy.com. Gross state product is a measure of the total dollar value of all goods and services produced in Delaware.

Financial services and insurance, by contrast, represented about one-third of the gross state product.

But gross state product is not a measure that reflects what happens at the household level.
The auto assembly jobs were a pillar of working-class America. The salaries and benefits allowed workers with high school diplomas to buy single-family homes in suburban communities, educate their children and even buy vacation homes.

The disappearance of about 2,100 of these jobs does not go down easily.

Bruce Belzowski, an assistant research scientist at the Transportation Research Institute at the University of Michigan in Ann Arbor, said in past shutdowns companies and unions have created a soft landing for employees, as would be the case in Newark.

Younger workers in their 20s and 30s will probably land on their feet because they can retrain for other jobs, Belzowski said. The impact on older workers should also be lessened by retirement and other benefits.

"Those workers with seniority will have a decent pension and they'll take another job. It might not pay as high, but their living standard won't suffer. Economically, they'll hold their own," UD's Butkiewicz said.

The hardest-hit could be workers who are too young to retire, but have not had the chance to build up seniority and benefits, Belzowski said.

Finding jobs that pay comparable wages and provide comparable benefits won't be easy, particularly if they are attached to the community and don't want to relocate, he said.

"What's likely to happen is they'll go into lower-paid service jobs," Tonelson said.

Small businesses that catered to workers will take a hit as workers "tighten their belts," Tonelson said.

"They'll be able to contribute less to the overall pot," Tonelson said.

Local businesses, such as Malin's Market, which had Chrysler as a source of customers, are likely to see the effects on that bottom line. During Chrysler's good years in the 1990s, Malin's would deliver $100 to $200 in food orders to the plant every day. A plant closure would mean working longer hours for less, James Malin said.

"And I might not need all these people," he said.