

THE IMPACT ON KOSCIUSKO COUNTY
INITIATED BY THE DEPARTURE OF A BUSINESS

WHITE PAPER
KOSCIUSKO LEADERSHIP ACADEMY

MARY JO HERRIN

APRIL 26, 1990

TABLE OF CONTENTS

| | |
|------------------------------------|----|
| Introduction | 1 |
| Employees Relocating | 2 |
| Employees Not Relocating | 10 |
| Conclusion | 13 |
| Attachments | 15 |

This paper will examine the impact on Kosciusko County when a business leaves the community.

INTRODUCTION

On September 19, 1989 United Telephone Company of Indiana officially announced its plans to consolidate with United Telephone Company of Ohio. Both United of Indiana and United of Ohio are subsidiaries of United Telecom, Inc. which is located in Kansas City, Missouri. The intent of the consolidation is to join the management staffs of both Indiana and Ohio under one function; what this means to Kosciusko County is that the office located on US 30 East in Indiana will close and consolidate with the offices in Ohio. At the time of the announcement 312 employees worked at the General Office in Indiana. Therefore, 312 people would be making decisions in the near future as to whether they would stay in Kosciusko County or whether they would be willing to relocate. This relocation could involve a move with United to a sister company, a move with United to Ohio, or a move to another place of employment outside of United.

On February 26, 1990 United Telephone Company of Indiana asked for a final commitment by their employees who were impacted by the consolidation to say whether they definitely would or definitely would not consider relocation. At this time others had been added to the list of the original 312 of who was considered impacted by the consolidation. Three hundred and eighty-three (383)

names now appeared on the list. Two hundred and ninety-nine (299) were considered for immediate impact and 84 were considered for future impact. Of the 299 employees surveyed 138 (or 46.15%) said they would not leave the county and 161 (or 53.85%) said they were willing to relocate. Therefore, the potential exists for 138 people in Kosciusko County to be seeking employment in the county or in the surrounding counties.

First, we will examine what the potential impact may be to the community for the employees of United Telephone Company of Indiana who are relocating. Second, we will examine what it potentially means to the community for the employees of United Telephone Company of Indiana who have elected to stay and will be attempting to obtain employment elsewhere.

EMPLOYEES RELOCATING

A survey was sent to only the 301 employees who were still employed at the General Office as of as of March 1, 1990. (See Attachment 1) There were 312 employees at the time of the announcement of the consolidation but since that time a few employees have obtained employment elsewhere outside the county. The purpose of the survey was to actually evaluate what effect it would have on the community of the people who were planning on relocating.

Of the 301 employees who were sent the survey, 121 responded for a response rate of 40.2%. Fifty-nine (59) respondents are staying in the county, 49 respondents are relocating, and 13 of the surveys returned were invalid because those employees resided outside Kosciusko County.

Thirty-seven of the relocating respondents are married and 12 are single. Therefore, if a married employee relocates their spouse and children will be leaving the community also. Sixteen of the spouses of employees work outside the home and 22 of the spouses of employees do not work outside the home. Thirty-eight of the respondents have children and 11 do not. The age groups of the children whose parent (or parents) are relocating are as follows:

| <u>Ages</u> | <u>Number of Children</u> |
|-------------|---------------------------|
| 0 - 5 | 13 |
| 6 - 12 | 28 |
| 13 - 18 | 19 |
| 19 - + | 30 |

Question six on the survey asked what types of activities are your children involved in either through school, church, or summer activities. The responses were varied and numerous. (See Attachment 2)

Questions seven, eight, and 15 wanted to know what social or service organizations you or your spouse are

involved in. Once again the response rate was varied and numerous. (See Attachment 3)

Questions nine and ten asked with which professional organizations you or your spouse are affiliated. (See Attachment 4)

Question 11 asked if the respondent owned their home or if they rented. Thirty-nine respondents own their homes and ten respondents rent.

Question 12 wanted to know how many times a week the respondent ate lunch out. The responses were as follows:

| <u>Times Per Week</u> | <u>Number of Respondents</u> |
|-----------------------|------------------------------|
| 0 | 7 |
| 1 | 6 |
| 2 | 9 |
| 3 | 6 |
| 4 | 5 |
| 5 | 13 |
| 6 | 3 |

Question 13 wanted to know how many times the spouses of employees ate lunch out per week. The responses were as follows:

| <u>Times Per Week</u> | <u>Number of Respondents</u> |
|-----------------------|------------------------------|
| 0 | 4 |
| 1 | 13 |
| 2 | 7 |
| 3 | 2 |
| 4 | 2 |
| 5 | 9 |

Question 14 inquired how many times a week either the respondent or the respondent and their spouse ate dinner out. The answers were are follows:

| <u>Times Per Week</u> | <u>Number of Respondents</u> |
|-----------------------|------------------------------|
| 0 | 1 |
| 1 | 20 |
| 2 | 14 |
| 3 | 7 |
| 4 | 3 |
| 5 | 4 |

What deductions can be made from this survey? This survey represented 40.2 percent of the initially impacted employees at United Telephone of Indiana. Therefore, it is not all inclusive for every employee at United, but it is representative of the general population. With this assumption made some conclusions can be drawn.

First, for every married person leaving the community they will also be relocating their spouse and children if applicable. Of the 37 married people in the survey, we had 16 spouses that were employed outside the home. Therefore, there will be other businesses in the community that will be losing employees due to the consolidation.

Second, 37 of the people surveyed had children of varying ages. Of these 37 employees, not all were married; some were single parents with children. There were 90 children involved in this study. Forty-seven children were of school ages first grade through high school, 13 children were pre-school age, and 30 children were 19 years of age or older. Therefore, from this representative group 47 school age children will be exiting the Warsaw school district with 13 pre-schoolers (or potential students in our school system) exiting also. Remember, this is only 40 percent of the employees of United Telephone. The actual number of students leaving our local school system will, in the end, be much higher.

Some of these school age children work part-time jobs outside of the home. This represents a few more jobs that will be vacated in the community.

Also, as seen in Attachment 2, these children were involved in a plethora of activities both through the school system and outside the school. Their exit from the community will have an impact on these groups or organizations.

Third, let's look at what the relocation will potentially do to the housing market in the county. Of the 49 respondents who were relocating, 39 of them own their homes, 10 of them rent. This survey only represented 40 percent of the population of the initially impacted group of employees. If these figures were extended to make a composite figure of 100 percent of the relocating employees it represents a potential of 78 houses being put up for sale. A survey was sent to the United Telephone of Indiana employees which was conducted by an outside relocation firm. Their figures showed approximately 99 houses would be put up for sale as a result of the consolidation and the relocation of employees.

One of local real estate offices was contacted to discuss the future housing market in Warsaw as a result of the relocation of our employees. This office is one of four that has been designated locally by our relocation company to work with United employees. The average price of homes of United Telephone employees now being placed on the market

averages \$75,000. Realize this is an average; not a low or a high. What does this figure indicate? For the first group of initially impacted employees who said they would relocate 99 houses are anticipated to be placed on the market for sale. This represents \$7,425,000 worth of property being placed for sale on the market within the next three months. Remember this is the first group of employees to relocate. This figure will increase as the second group of impacted employees receive their notices.

Fourth, employees at United can either carry in their lunch, eat out, or go home for lunch. The 49 relocating employees in this survey said that for lunch they eat out a combined total of 95 times or 95 lunches per week are eaten at restaurants in the community.

Their spouses eat out an average of 86 lunches per week. This represents a combined average of 181 lunches per week that are eaten in restaurants. Once again, if these figures were extended to represent a composite of 100% of the relocating employees this number could be as high as 362 lunches a week that are eaten out for all employees and spouses that are relocating. If you assume an average lunch costs \$4.00 this would represent \$1448.00 a week that is spent on lunches by United employees and their spouses. Or, these figures represent \$75,296 a year will not be spent in restaurants for lunches in the county because of the relocation of our employees.

These same employees also said they eat out 101 dinners (or evening meals) per week. This figure does not include spouses that eat out. For just the relocating employees alone that responded to this survey, assuming a dinner averages \$10.00 a meal, this represents over \$1000.00 a week that will not be spent in the community for evening meals that are eaten in restaurants. Once again, if we assume this figure holds constant for the entire staff that is leaving the community, this figure now becomes over \$2000.00 a week that will not be spent on dinners by United employees or a grand total of \$104,000 a year will not be spent in restaurants for dinner by United employees only because of the relocation.

Now, let's examine some other statistics that will impact the community when the relocation is completed. This year United Telephone was designated the pacesetter organization for the United Way campaign. In just the general office alone (which involves most of the employees that are relocating), United Way collected over \$18,315.00. A very large portion of these contributions will not be available next year from United Telephone due to the relocation.

As stated in an earlier portion of this paper United Telephone asked for a final commitment by its employees as to whether or not they would relocate. Two hundred ninety-nine impacted employees responded with 138 no I will not relocate and 161 yes I will relocate. The average

income for employees at United Telephone is \$35,000. This figure includes both exempt and non-exempt employees at the General Office in Warsaw. If 161 of these employees exit the community as anticipated, Kosciusko County will have \$5,635,000 less payroll dollars in their county. These are dollars that will not be spent on mortgages or rent, will not be spent in grocery stores, will not be spent in retail stores or restaurants, will not be spent on cars or gasoline, will not be spent at insurance companies, will not be spent on recreation, and will not be used to support our local churches. And remember, this figure represents employees income only; not their spouses income and not their children's income.

EMPLOYEES NOT RELOCATING

Now, let's examine the converse on the relocating employees. Let's look at the 138 employees of United Telephone who have elected to stay within the community.

United Telephone offered a retirement package and an early retirement package to several of their employees. A total of 27 employees employed at the General Office accepted these offers. Many of these retiring employees are still willing to work and wanting to work and will still be seeking other employment within the community.

What is the potential within our county for 138 employable people to find employment at an income level that would be comparable to their present level of income? There are some employment opportunities in the county but not many of the opportunities available are for primary incomes. Primary incomes are defined in the context of this paper as income that a place of employment can provide that could solely support a family and provide the appropriate insurance benefits. A secondary income is defined as an additional income or an income that is supportive of a primary income.

An attempt has been made to identify businesses that have closed or exited the county and to identify businesses that have started or entered the county within the last three to five years. This was attempted to try and evaluate the migration of companies into and out of the county so that businesses could be identified that had the potential of hiring employees that could support a primary income. An Industrial Listing for Warsaw, Indiana was purchased at the Chamber of Commerce but upon inspection it was found that some companies listed in the directory had already left the county. Therefore, it was assumed that the industrial listing possible did not list recent industries that had entered the county.

An attempt was made to track new businesses in the county by using the Dodge Report. Then it was discovered that this report was issued only for new buildings that were

being built (which would not take into consideration new businesses that had moved into existing buildings).

Another attempt was made to track businesses that had left the county by contacting a local realtor to see if any records were kept for business properties that may be for sale or for business properties that had been sold. This ended up as a futile effort also.

Next, I interviewed the Mayor, Jeff Plank, to discuss his views on the county as to the commitment of the community to bring new businesses into the county. He felt that the vitality of the community was measured by manufacturing. He felt the first step towards this goal of bringing in new manufacturing was to initiate new sewers and to develop a water treatment plant that was capable of accommodating not only the now existing residents and manufacturers but also to accommodate future growth. Mayor Plank feels that Kosciusko County is behind 10 years in its utility growth.

Therefore, what little that can be ascertained is that at the present time no new manufacturing is anticipated to be relocated within the county but the county is taking measures to help promote new growth within the next several years. At a Kosciusko Leadership Academy meeting that was held at the Chamber of Commerce, the President of the Chamber of Commerce, Deb Wiggins, stated that at the present time growth in the community is only seen as coming from growth or expansion of existing businesses in the community not from the establishment of new businesses.

On the survey that was distributed to the 301 employees at our General Office, several employees who are not relocating made statements in the comment section (See Attachment 5) contained in the survey. These comments are from people who have lived and worked in this county. They realize that their decision to stay will be disruptive to their own lives just as the decision to relocate is disruptive to our other employees lives. The employees who have elected to stay are not having to physically move but they are going to be seeking employment locally in areas other than the field of telephony. The majority of the 138 employees who said they are not leaving the county are the primary income source for their household.

CONCLUSION

Whenever a business changes its status in a community it has an impact on that community. When a business expands it provides potential employment for current community members. It also allows for new employees to migrate into a community. When a business contracts it places employable people into the community seeking employment. When a business closes its doors for one reason or another it has an impact on the community. The size of the business determines the amount of impact on the community but nonetheless the community eventually feels the impact. United Telephone Company of Indiana is not the first company

in the county to alter its employment status nor will it be the last company to do so.

The challenge is here for the county. In order to maintain a thriving economic base for the county a strong industrial base must exist. Tax dollars must be available for a community to maintain its present status. Without the support of both the people in the community and the dollars that they provide to the community, a community could stagnate. The facts and figure in this paper speak for themselves. When a company alters its employee base, it does impact the community.

ATTACHMENT 1

Please circle the appropriate answer or fill in the blanks as requested.

1. Do you plan on staying in the county?

Yes No

2. Are you married?

Yes No

3. If you are married, does your spouse work full time outside the home?

Yes No

4. Do you have children?

Yes No

5. If you have children how many and in what age group are they?

0-5 _____

6-12 _____

13-18 _____

other _____

6. What activities are your children involved in either through school, church, or summer activities? (Examples: band, football, girl scouts, boy scouts, etc.)

| | | |
|-------|-------|-------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

7. What social or service organizations are you affiliated with?
(Examples: Rotary, Altrusa, Kiwanis, Optimist, Big Brothers, etc.)

| | | |
|-------|-------|-------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

8. What social or service organizations is your spouse affiliated with?

| | | |
|-------|-------|-------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

9. What professional organizations are you affiliated with?

10. What professional organizations is your spouse affiliated with?

11. Do you own or rent?

Own Rent

12. How many times a week do you eat out for lunch? _____

13. How many times a week does your spouse eat out for lunch? _____

14. How many times a week do you OR you and your spouse eat dinner out? _____

15. Would you please list any other activities within the community with which you are involved that is not covered within this questionnaire.

16. Are there any other comments you wish to contribute to add to the validity of this research paper that has not been asked?

ATTACHMENT 2

6. What activities are your children involved in?

Football
Basketball
Baseball
Soccer
Softball
Volleyball
Track
Golf
Wrestling
Cross Country
Band
Choir
Drama
Cheerleading
Newspaper
Gymnastics
Little League
T-Ball
Dance
Piano
Church Related
YMCA
Boy Scouts
Girl Scouts
Brownies
Cub Scouts
4-H
Tiger Cubs
Library Program
Boating/Fishing/Camping/Skiing

ATTACHMENT 3

7. What social or service organizations are you affiliated with?
8. What social or service organizations is your spouse affiliated with?
15. List all other activities within the community with which you are involved.

Toastmasters
Optimist
Kiwanis
Exchange Club
Blue Lodge
Altrusa
United Way
Chamber of Commerce
American Business Women's Association
Shrine
Eastern Star
Elks
Masonic Lodge
American Legion
Moose
Moose Auxiliary
Mobile Meals
Home Health Care
Red Cross Board
Kosciusko Community Hospital Associations
Church Related Groups
Volunteer Community Service
4-H Advisory
Volunteer Fireman
U.S. Coast Guard Auxiliary
Warsaw Astronomical Society
Home Ec Club
Pre-School Board
Kosciusko County Civil Defense
City Planning Committee
40 & 8
Lakeland Users Group
Unlimited Potential
CCAC
ABATE
Warsaw Girls Softball
Adult Tiger Club
Cub Scout Leader
Parent Teacher Organization
Tutor for Schools
Parents Advisory Committee-WCHS

ATTACHMENT 3 (CONT.)

Friends of the Library
Farm Bureau
Car Club
Pioneer Days
City/County Athletic Complex
Juvenile Shelter Care
League Bowling
Softball
Warsaw Community Baseball League
Soccer League
Racquet Club
YMCA
Wagon Wheel Playhouse
Tennis/Golf/Basketball/Movies

ATTACHMENT 4

9. What professional organization are you affiliated with?
10. What professional organization is your spouse affiliated with?

NAFE
KAFE
PRSA (Ft. Wayne)
IU Alumni
IU Business School
Realtors Association
IAEOP
NAPM

ATTACHMENT 5

16. Are there any other comments you wish to contribute to add to the validity of this research paper that has not been asked?

- (1) Property values will go down and the market will be flooded with houses for sale. Good people leaving means churches and service clubs will lack good members. Good friends will be leaving. Life styles will have to change for those left behind.
- (2) After 25 years of service with United Telephone I have no intention of moving and leaving friends and family behind or trying to pay for a house that at my age would never be paid. I have lived in Kosciusko County all my life and I like it here. I have not seen anything in Mansfield, Ohio that impresses me.
- (3) I do believe that the community does not know how much this will hurt them in the future. They are as naive as we were about this consolidation. Think about it--dentists, doctors, florists, vets, etc. Even if people do get jobs here in the county, the wages we will be able to earn will be cut drastically. Therefore spending will be cut.
- (4) Vocal support from "Big Business" within the community would be greatly appreciated. Most of us involved with job loss, that are willing to stay in this community, are having trouble receiving support and incentive to stay within the community while searching for jobs.
- (5) The city of Warsaw should wake up and realize what a loss they are about to experience with lay offs and companies moving away from the city. You seldom pick up a Warsaw paper that you do not see United Telephone employees pictures and stories of involvement in community affairs. Their contributions to the area are great! The city should also realize that unless new industry is invited to the area the economy here is going to be nil in the very near future. The chamber has held wages to a low for years while the cost of rent has been high. They have also "worked" in a vicious little circle when it comes to hiring people who have been forced to quit one place because of low wages and then tried to get hired in another area facility. Maybe now they will find themselves "eating crow". Do they realize how many hundred people are about to find themselves out of work in the next few months?

ATTACHMENT 5 (CONT.)

Area people are sick and tired of this "minority" bit! We are disgusted that our local employers go out of town to seek their employees, bus them here in fact, and this means taking jobs from local people. Soon our community will be as unsafe as the streets of Chicago and Fort Wayne. More low grade rental housing will appear and the rental properties which now are in good repair will soon be downgraded due to the quality of those renters and the way they choose to live. These people will contribute nothing to the community, while they take wages out. Next, how do you propose to pay for the new schools which are being built? Do you intend for those "shipped in" people to pay for them? I hardly think this is possible; but, you sure can count on longer lines at the welfare office, more social services with give away programs asking "us" to donate this and that. AND WE ARE OUT OF WORK!

Who do you think has helped get Warsaw where it is today? and WHO do you think is going to help keep it there?

Mansfield, Ohio needed a "paint" job and they are taking Warsaw's best "painters"! And Warsaw is going to show a loss: taxes, spending, intelligence -- you name it, it's going to be gone. And this is only the beginning!

Good luck Warsaw!

- (4) As a company becomes larger and more direction is given from a corporate headquarter less attention is given to the impact made on a smaller community with the removal of their employees. A community should have something in place that it can use to keep industry as well as plans to attract new business.
- (5) I don't feel Warsaw will be able to absorb 139 people who decided not to relocate to Mansfield. Also, it will be interesting to know how many jobs United will be responsible for finding for those of us who decided not to relocate.
- (6) By electing to remain in this community I must find another job or else all our outside activities will of necessity be curtailed.
- (7) There is a great need for more industrial business.

ATTACHMENT 5 (CONT.)

- (8) I am interested in being affiliated with a job after my function at United is finished.
- (9) The community will feel the repercussions of the consolidation for many years. Warsaw will never be the same. And, maybe not better because of it. All we can do is change and take from there. United Telephone will be sorely missed!
- (10) My wife has worked at the same job for 22 years and is receiving \$6.70 per hour. (That's a disgrace to the community.) When we say jobs in Warsaw, we mean \$7.00 to \$14.00 per hour.
- (11) Because of the freeze at Zimmer for employment there is not much opportunity available to employees remaining in the area. It would be helpful if the larger companies got together and offered an opportunity for employment to those employees in good standing with good performance ratings that will be without jobs in the very near future. They would benefit from these employees because they have proven themselves worthy and loyal to the company that employs them.
- (12) As to encouraging the "city fathers" to bring new businesses into Kosciusko County we could use some nice, inexpensive restaurants, like a Chi-Chi's or Olive Garden. Warsaw has many pizza places, fastfood "joints" and a couple expensive restaurants. What about young couples who enjoy going out to eat but have to drive an hour each way to do it?! I realize there is supposedly a ceiling on the number of liquor licenses issued and that deters these places from coming in. A few nice restaurants would make Warsaw a more attractive place to live -- or visit.