Photo courtesy of N.C State University

Industrial Growth:

An Alternative for North Carolina's Tobacco Farmers

by J. Barlow Herget

The middle-aged man squirmed uncomfortably in his seat, explaining why he wanted a job in one of the new electronic industries that had located in the Research Triangle area during the past three years. He had the hands of a farmer and looked awkward in his three-piece, knit suit. He had applied for a computer operator's job, a skill he had acquired as a state employee several years back. He was explaining a five-year gap in his work record between 1972-77.

"I decided to go back to farming," he says. "I farmed tobacco and some other crops. I didn't have an allotment so I rented about 15 acres. I quit because I got tired of working for nothing."

This time it is the wife of a Johnston County farmer whose husband tills 55 acres of tobacco, 13 of which he owns. Her name is Peggy Williams, 37, neat and soft-spoken and mother of three children. She now has a job as a traffic clerk with Data General Corporation, a manufacturer of small computers that located research and development and manufacturing operations in North Carolina during the 1970s.

"We had a bad year in 1979, and I had to go to work," says Mrs. Williams matter-of-factly. "I have worked part-time for the state at Motor Vehicles during registration time and for Hudson Belk's some. I have been farming tobacco since I was a girl. I've seen it go from mule and plough to automatic harvester and bulk barns. This is my first full-time job and it has really helped out, especially the medical and dental insurance. It's hard to tell what our children will do. My daughter wants to farm, but she's hoping to get on over here [at Data General]." Mrs. Williams pauses and then shakes her head. "Farming is getting so there's so much expense to it."

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It doesn't take a Ph.D. in history to know that the stories of the ex-farmer and Mrs. Williams have been repeated time and again across North Carolina and other southern states. Both are part of the exodus from farm to factory that has taken place in every agricultural region in the country as one crop after another has become mechanized. And now, the flight from farm to factory has become particularly apparent among tobacco growers.

In North Carolina, the small farm gave way to "agri-business" during the 1970s, and even tobacco, the last major cash crop still grown on small farms, was affected by the shift. Recent figures for the declining tobacco farmer population illustrate a trend that has been developing for a decade. In 1978, only 52,000 people were growing tobacco in North Carolina out of a total labor force of over 2.6 million. In 1979, there were only 46,000, a 12 percent decline in one year. Where have these people gone? Where can they find new jobs and incomes?

Scientific research may pinpoint the answer to the first question. A careful observer would probably find that the stories of Mrs. Williams and the ex-farmer reflect what has happened to most of those tobacco farmers who are younger and continue to work. One study of two North Carolina counties,* for instance, showed that of those allotment holders who recently had quit tobacco farming, 53 percent retired and 17 percent either turned to other types of farming or remained housewives. The remaining 30 percent, mostly those still of working age, found jobs in local industries. Industrial expansion, then, offers an essential alternative for those who now either cannot or will not continue to farm tobacco.

Attracting new industry to North Carolina was a major part of Governor Jim Hunt's first administration (1977-81) and of his successful 1980 campaign for re-election. The present Chief Executive's interest in industrialization has deep roots in North Carolina politics, going back at least as far as the policies of Governor Luther Hodges (1954-61). Almost every governor since Hodges worked hard at attracting new industry and his salesmanship paid off. Perhaps the capstone of his effort was the establishment of the Research Triangle Park between Raleigh, Durham, and Chapel Hill as a center for high technology and research jobs. The Park has become a model for economic developers across the country and has given the Triangle area the distinction of having the highest number of Ph.D.s per capita in the nation.

Like Hodges, Hunt has been guided by two principal goals: first, to diversify the state's industrial base, long dominated by textiles, apparel, and furniture; and, secondly, to attract new industries that would raise the state's low manufacturing wage. In addition to these traditional development objectives, Hunt has emphasized a third dimension: "balanced growth," a geographic distribution plan for new industrial expansion which envisions the presentation of the state's dispersed population centers, and the avoidance of the urban blight that has scarred some other fast growth regions. Thus, "balanced growth" has come to signify not only the familiar effort to balance wages and industry sectors, but also to maintain a geographic balance in industrialization.

While these may sound like apple pie and motherhood policies, they have proved politically volatile on more than one occasion. For example, Hunt's call to diversify the industrial base offended some supporters in the textile and furniture businesses. The description of certain sectors of the state as "low-wage" areas did not sit well with others. And some spokesmen for the state's politically powerful larger cities saw an anti-urban bias in the call for geographic balance in industrial growth.

Yet in 1977, when Gov. Hunt took office, the logic of these policies was persuasive. The "big three" – textiles, apparel, and furniture, all of which are low-paying – still accounted for almost 56 percent of the state's factory jobs. Historically, the concentration has caused the state's average industrial wage to remain at 49th or 50th (alternating with Mississippi) nationwide.* Moreover, these industries are all tied to the consumer goods market and thus often vulnerable to boom and bust cycles. The state economy had a habit of catching a cold when the national economy sneezed. Industial diversification was part of the cure for such violent economic swings, particularly when a new industry involved research and technology. At the same time, diversification was expected to boost the state's low average industrial wage and provide alternatives for workers turning from the farm to the factory for a livelihood.

But just what kinds of jobs are becoming available to tobacco farmers? How successful has industrial diversification been? What kinds of new jobs has this growth provided? Where have these jobs

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* "Can Tobacco Farmers Adjust to Mechanization? A Look at Allotment Holders in Two North Carolina Counties" by Dr. Gigi Berardi, *The Tobacco Industry in Transition: Policies for the 1980s* (Lexington Books, forthcoming 1981).

* Standing alone, this statistic might be misleading. It does not, for example, take into account the differences in the cost of living between states. But it nevertheless has remained a burr under the blanket of successive administrations in Raleigh.

located, and why? Is the credit due to political leadership, labor supply, good roads, adequate water, sound business habits, low unionization rates, low construction costs, or some other factors?* Has there, indeed, been balanced growth in North Carolina? And what alternative does this growth offer to the state's tobacco economy?

North Carolina, like most "sunbelt" states, benefited during the 1970s from the general growth of the South. Population figures stabilized and in North Carolina, rose dramatically. By 1980, according to preliminary U.S. Census reports, the state surpassed Massachusetts as the 10th largest in the union with over 5.8 million people. And this growth was not in the farm sectors. "What used to be called Tobacco Road in some quarters is now hailed as the dawning Sunbelt," noted N.C. Secretary of Commerce D.M. (Lauch) Faircloth in an essay printed in *The New York Times* in January, 1978.

In July, 1980, the N.C. Department of Commerce (DOC) reported that during the 1970s more than $11 billion in investment capital for new and expanding industry was committed in the state. (DOC Research Report, Vol. 3, No. 2). The number of jobs projected to flow from this investment totaled 246,770. While many of these jobs remained in the labor intensive "big three" industries, the trend in capital investment appeared to be outside these traditional sectors. In 1970, companies in the state which expanded their local operations accounted for about 65 percent of the capital announced for North Carolina industrial projects; most of this expansion was in the traditional sectors. In 1977, by contrast, over 50 percent of the announced capital investment for industrial projects was committed to new facilities (i.e., not expansion of existing physical plants), most of which came from newcomer companies outside the "big three" sectors. In 1978, such new growth rose to almost 75 percent of the announced capital investment; in 1979, it was 55 percent. (DOC 1979 Annual Report for Economic Development.)

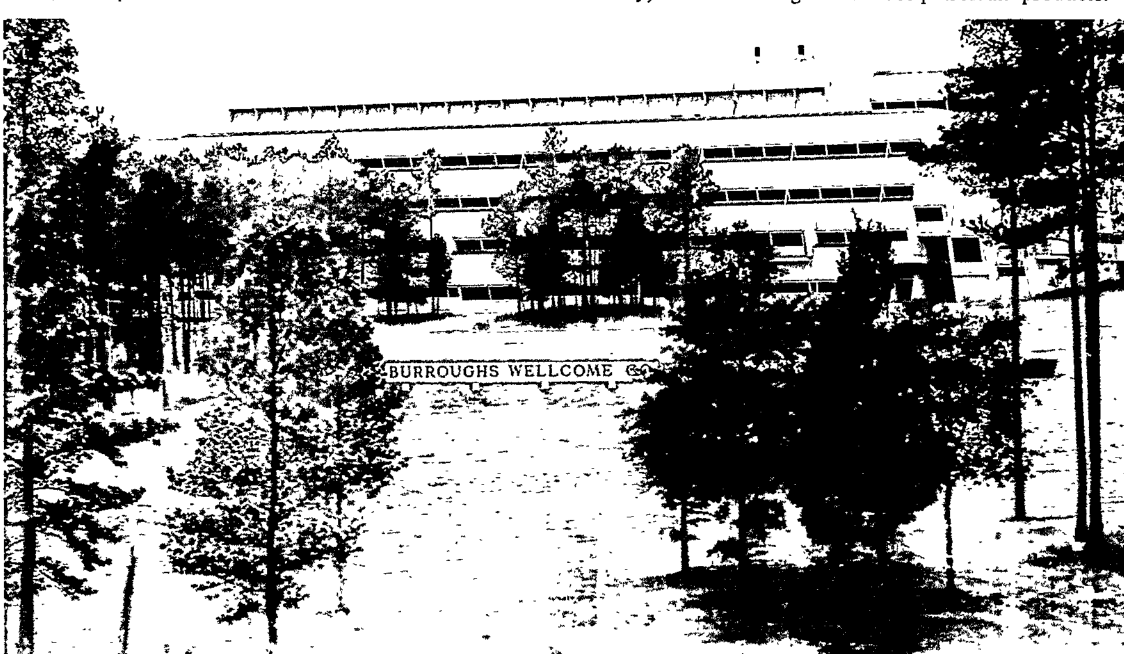
While this projected investment was made both by companies new to North Carolina and by those already in the state, it was often for jobs in high-paying sectors such as tobacco manufacturing or oil refining. In 1978, for example, the year Philip Morris announced its decision to build a major facility in Cabarrus County, tobacco manufacturing led the list of industrial sectors in the amount of investment capital committed to North Carolina. And in 1979, when a multi-million dollar oil refinery was announced for Brunswick County on the coast, petroleum interests projected the state's highest investment figures.** Jobs in both sectors pay high wages.

In addition to the investment figures, new jobs created by industrial growth tended to be in higher

* I recall one instance when an Exxon official gave credit to a persistent wife of one of his vice presidents who was a Tar Heel and wanted to move home.

** On May 14, 1981, the Brunswick Energy Co. announced the cancellation of their plan due to increased production costs (from $400 million in 1979 to $1 billion today) and a declining demand for petroleum products.

A new "corporate citizen" at the Research Triangle Park.
Photo by Paul Cooper



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wage sectors. The "big three" continued to account for large numbers of the new jobs – in 1979, 35 percent of all jobs in new and expanded industry. But in both 1978 and 1979, machinery manufacturers committed more new positions than any other sector. Electrical machinery, chemicals, transportation equipment, tobacco, and fabricated metals manufacturers also brought in substantial numbers of new jobs.

These new corporate citizens were familiar names on the Fortune 500 list: IBM, Exxon, Philip Morris, Miller Brewing Co., Eaton, Clark Equipment, General Electric, Squibb, FMC, Data General, and Crown Petroleum. A case study could be made of growth in the Triangle area of Raleigh, Durham, and Chapel Hill. Using the Research Triangle Park and the attractions of Duke University, the University of North Carolina, and North Carolina State University as lures, industry hunters brought a steady and diverse group of new companies to the area. IBM located in the Park in the 1960s and now has about 4,000 employees there. Pharmaceutical companies such as Burroughs-Wellcome, Bristol Myers, and Cutter Laboratories have put operations nearby, and other medical related businesses such as Squibb and Ajinomoto of Japan have found a home near Raleigh.

The third element in "balanced growth" – geographical dispersion – has also had an impact on recent industrialization in North Carolina. Historically, the crescent stretching through the Piedmont – from Raleigh to Durham across Greensboro and Winston-Salem to Charlotte – has been a well-defined corridor for industrial growth. This strip remains the industrial heartland for the state, but during the 1970s industries also invested in the smaller communities outside this corridor. While the Piedmont still received the largest share of investment dollars, substantial investment also went into eastern North Carolina counties – Brunswick, Columbus, Robeson, Nash, Martin, Beaufort, Johnston, Wilson, Wayne, Lenoir, and Halifax – as well as into the western counties of Buncombe, Burke, McDowell, and Rutherford. Even in the Piedmont, development often occurred on the fringes of urban concentrations rather than within metropolitan areas, which explains why 70 percent of the announced industrial investments during the past decade took place outside the state's major cities. (DOC Research Report, Vol. 3, No. 2).

Thus the state's growth in recent years has been both diverse and in industrial sectors that include high paying companies, a type of growth that offers alternatives to tobacco farmers. While many of the Fortune 500 companies relocate professionals from other parts of the country – particularly such high technology concerns as IBM, the new research facilities often spawn manufacturing operations which draw on local workers. Data General, for example, first located a research and development facility in the Park and then built a manufacturing operation in nearby Johnston County, in the eastern part of the state still known to many as "tobacco road." Such facilities offer displaced tobacco farmers a place to go as do traditional sector jobs. The percentage of factory jobs in textiles, apparel, and furniture, while still substantial, has declined annually and now accounts for just over 50 percent of the state's industrial work force.

The record, then, shows that industrial growth during the 1970s had the effect of creating an alternative job market for tobacco growers at a time when the farming of this important crop began to depend less on manpower and more on machines. Whether the state's policy to encourage industrial growth represents a response to the displacement of tobacco farmers or mere coincidence is difficult to know, especially in a state where support for tobacco is vital politically as well as economically. North Carolina does not – and perhaps should not – have a stated policy of converting tobacco farms to factory sites. But in its search for "balanced growth" the state has promoted the location of new factories in rural counties with the clear intention of creating new jobs in areas previously dependent on tobacco farming for economic survival. □