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# The Boom Came Late and Left All Too Soon in Decatur, Ala.

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DECATUR, Ala. -- In 1991, jobs were tough to come by here. Genise McCarley started scratching out a living waiting tables at Old La Casa, a Mexican restaurant where \$10 bought a Taco Supreme and a margarita. The single mother of a young daughter had to plug away until 1998 before she could move up.

By then, Decatur had finally joined the U.S. economic boom, and Ms. McCarley landed a waitressing job at O'Charley's, a new steak house. Managers at Decatur's new steel mill came in bunches and regularly left 20% tips, twice the norm for Decatur. Ms. McCarley doubled her pay, to \$500 a week, and used the extra money to buy her daughter a new computer and take her on three-day vacations to the Florida shore.

Working at O'Charley's "was the greatest thing that ever happened to me," says Ms. McCarley, now 32 years old.

But when recession struck the U.S. economy in March 2001, moderate-income workers such as Ms. McCarley, only recently enjoying newfound prosperity, were the first to hurt. The steel mill closed that month, and other employers started laying off workers. O'Charley's emptied out. Ms. McCarley's salary had dropped by half by last Christmas. Now she wonders whether she should start moonlighting at the Kroger supermarket so she can give her daughter, now 14, some cash to go shopping at the mall with her friends.

"I worry I'm depriving her," she says.

Good times came slowly to this blue-collar city in northern Alabama, as they did to a lot of other places in America where many workers lack a college education and consider a \$30,000-a-year job a big break. In these places, it took a very long time and a very low unemployment rate for the rising tide of a decade of economic growth to

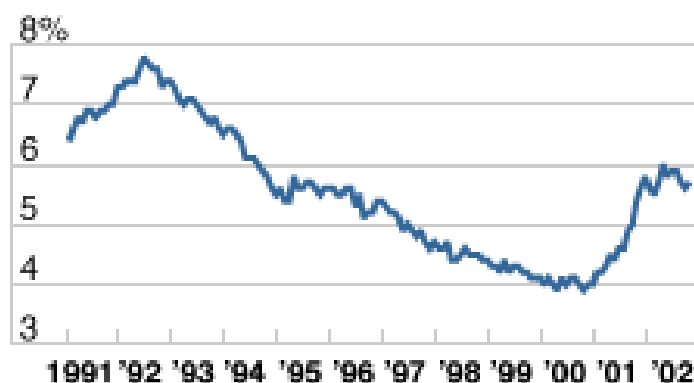
lift the fortunes of all workers. But when that economic tide rolled out, the gains of the workers at the bottom were the first to go with it.

## VANISHING GAINS

Low unemployment helped the bottom 40% of U.S. families finally enjoy the benefits of the 1990s boom, but their gains quickly evaporated with the recession of 2001.

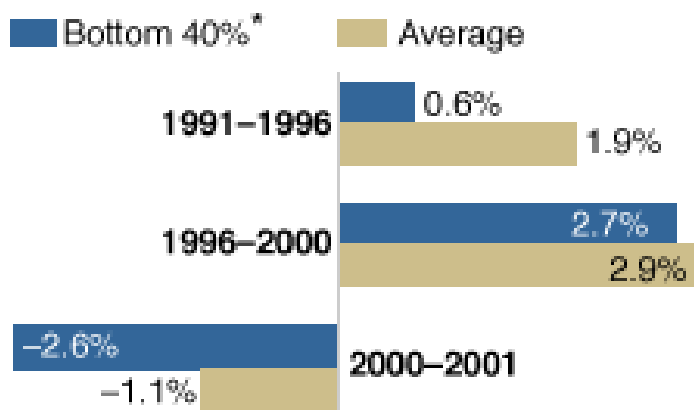
### Good times...

Unemployment rate



### Come to a hard end

Average annual gains in family income



\*Average income of families in the bottom 40%

Sources: Economic Policy Institute; Bureau of Labor Statistics

Although the U.S. economy started its record-busting 10-year expansion in March 1991, it wasn't until 1996 that incomes at the bottom began to surge. Between 1991 and 1996, the average income of the bottom 40% of U.S. families limped along at an inflation-adjusted growth rate of 0.6% a year, according to an analysis of Census Bureau data by economist Jared Bernstein of the liberal Economic Policy Institute.

The following four years, as the unemployment rate dropped below 5%, average incomes of the bottom 40% rose 2.7% a year, about the same as the national average.

When the U.S. lapsed into recession in 2001, secretaries, clerks, waitresses and other lower-wage workers felt it immediately. Average incomes for families in the bottom 40% fell 2.6% in 2001 -- more than twice the decline for the national average.

For years, the steady expansion of the U.S. economy barely touched Decatur, a quiet city of 50,000, bounded by the Tennessee River, highways and strip malls. The city was destroyed during the Civil War, and the only remaining visible sign of the Old South is an 1830s Federal-style bank building that has been turned into an art museum.

In the mid-1980s, the city set aside 2,500 acres of riverfront property for industrial development. It struck out, despite Decatur's location near a web of railroad lines, Interstate 65 and a nuclear power plant. Big companies that could have taken advantage of those things instead focused on Decatur's weaknesses: a poorly educated manufacturing work force and few of the cultural amenities that executives like. As it was, the local economy relied on chemical plants, paper mills and other factories that set up in Decatur mostly in the first few decades after World War II.

In 1992, the local unemployment rate was above 8%. Residents searched for work outside the town. The lucky ones landed jobs 30 miles east at the large U.S. Army and National Aeronautics and Space Administration facilities in Huntsville, Ala. Others ended up sewing blue jeans at factories in Florence, Ala., 50 miles west. In the early 1990s, only about 15% of Decatur adults had a four-year college degree, compared with about 21% nationally.

## **An Unsavory Image**

"The image of this area was, 'We weren't educated; we didn't have skills,'" says Mike Blizzard, a machine-tool instructor at Calhoun Community College in Decatur.

Decatur's prospects started to improve in 1995 when Trico Steel Co., a consortium of LTV Corp., Britain's Corus Group PLC and Japan's Sumitomo Metal Industries Ltd., chose the city as the site for a new steel plant that would eventually employ 325. By the time production began in early 1997, four steel processors had set up shop nearby to turn steel sheets into products for auto makers and other customers, adding hundreds more jobs. Later that year, Boeing Co. started building a factory in Decatur

to manufacture Delta IV rockets that it would ship to Air Force bases in Florida and California.

Decaturites found the string of big investments electrifying. For years, the morning traffic on the bridge spanning the Tennessee River had headed out of town. Now, it was heavy both ways. "Trico was big news; it was the major leagues," says Keith Foster, who shut down his small auto-parts distributorship to take a job as a steel-mill manager.

Decatur was caught up in a much larger phenomenon. As the national economy continued to expand, businesses were forced to search further afield for workers and inexpensive real estate. That gave Decatur and other down-on-their-luck communities an edge. "In boom times, some of the wealthier [local] economies tend to price themselves out of the market," says Mark Zandi, chief economist of Economy.com, a West Chester, Pa., consulting firm that specializes in regional economics. "The South benefits enormously from that," especially because its work force is largely nonunion.

Trico and Boeing often paid workers more than \$50,000 a year -- top wages for Decatur -- which put pressure on second-tier manufacturers and suppliers to lift their salaries to retain employees. Martin Supply Co., of Sheffield, Ala., built a warehouse down the road from Trico to supply it with industrial goods. Wages for the 14 workers averaged around \$12 an hour, says David Ruggles, a Martin vice president. That was about 10% higher than at other Martin warehouses in the region.

The arrival of big-name manufacturers fueled a boom in restaurants, hotels and retailers. Colonial Properties Trust, a Birmingham, Ala., developer, bought the city's lone indoor mall in 1995 and filled it with Decatur's first Victoria's Secret, Gap and Body Shop. Mall occupancy jumped from 70% to 90% in 2000. Books-A-Million and T.J. Maxx also opened Decatur stores.

In the late '90s, the local McDonald's scrapped its policy of starting workers at minimum wage of \$5.15 an hour, paying new hires \$6 an hour. One McDonald's worker was wooed away to manage a temporary-employment agency. Two others left McDonald's to start a business. The mall raised its starting hourly wage for security guards by 25% to \$7.50. After six hotels opened in Decatur, hotel workers also got hefty increases.

Labor Finders, a temporary-employment agency, had such trouble filling construction jobs that it installed software to dial workers in the evening and play recorded

messages about job openings. By 1998, Decatur's unemployment rate was down to 4.1%. Median income had jumped 23% from 1995, to \$40,200, after accounting for inflation.

Workers such as Tyrone Little, who had once struggled to make ends meet by washing dishes at the Holiday Inn, were in demand. He quit an \$11-an-hour job traveling around the South installing factory equipment to be closer to his kids, and he quickly found a factory job assembling air-conditioner parts at a similar wage. "Jobs weren't hard to find," says the 1989 graduate of Tanner High School, near Decatur. "I didn't miss a beat."

Then, just as Decatur was settling comfortably into its newfound prosperity, the party ended.

After the telecom industry flamed out in 2000, so did orders for the Delta rockets used to lift satellites into orbit. Rather than hire 2,000 workers, Boeing stopped at 550. Management problems and a glut of imported steel left Trico reeling. In March 2001, the company abruptly filed for bankruptcy-court protection and shut its doors, followed by one of the steel processors nearby. Other local manufacturers and suppliers held on but laid off hundreds of workers. With Decatur's top employers hurting, restaurant and retail business didn't pick up as much as usual as Christmas approached.

"We hit a wall," says Abott Wood, who manages the state employment office.

## Pink Slips

Decatur's unemployment rate jumped from 4.4% in 2000 to 5.8% in 2001 to 6.4% this fall. The highly paid workers who got pink slips scoured the area for jobs and often settled for pay cuts. As experienced, educated workers moved down the ladder, they beat out less-qualified workers for \$10-an-hour jobs. Decatur's median income plunged 13% from \$40,200 in 1998 to \$34,840 in 2001.

Martin Supply laid off its Trico warehouse staff, including Mike Currin, a well-paid buyer who went nine months without a job. He wound up doing lube jobs for \$10 an hour at Express Oil, before Martin Supply rehired him in August. Clyde Seat, who says he made \$70,000 a year selling expensive electrical equipment to Trico, ended up taking a \$15,000-a-year job selling light bulbs. "Even in a bad economy," he says, "people won't work in the dark."

Amid the broad economic downturn, biologists from Huntsville who once dismissed Decatur as a blue-collar backwater started competing for jobs testing air and water samples with a Decatur company, Mid-South Testing Inc. In December 2001, Josh Duncan quit his \$17-an-hour job as safety manager at a local manufacturer he thought would soon lay him off to take a job at Mid-South for \$12.50 an hour. Someday, he figures, he'll find a better-paying job at one of the plants where he tests the air for asbestos.

Laid-off workers signed up for additional training at Calhoun Community College, where enrollment this year is 17% higher than in 1998. This year, 73 students are studying for child-care degrees -- a sevenfold increase from 1998. Many of them plan to find work as day-care or school aides. Eighty students are enrolled in cosmetology, compared with 63 four years ago.

After Ramona Richardson was laid off in September 2001 from a \$12-an-hour job sewing T-shirts in Florence, Ala., she signed up for dental training at Calhoun Community, even though dental assistants start at only \$8 an hour in Decatur. So many apparel factories closed in the area that Ms. Richardson, 47, figured she should look for steadier work.

Ms. Richardson and her husband, who makes \$13 an hour at a rivet factory, have cut back sharply on their spending. "I used to like to go to the mall, and come and go as I like," she says. "I can't do that anymore."

Many in Decatur ran up steep debts in the good times and can no longer pay them back. About one-third more people in the area were in bankruptcy proceedings at the start of 2002 than there were three years earlier, according to Economy.com. Revenues at Mid-City Pawn are up about 20% from the late 1990s, and its business of making short-term loans at 131% annual interest is thriving. Owner Bob Lewis advertises on red billboards: "\$200, 2 weeks, \$10 fee."

When Sonia Sistrunk lost her job on the Trico steel line and her husband was laid off by a Trico contractor, they couldn't make the payments on their house and two cars, and the couple lost them all during bankruptcy proceedings. Afterward, Ms. Sistrunk worked occasionally as a house painter, while looking after the couple's four children in their rented house. Her husband headed for Texas early this year for four months of work on a construction team near Galveston.

"My husband used to work on oil rigs offshore, but he'd never been away from us that period of time," Ms. Sistrunk says. Mr. Sistrunk is back now, working as a

maintenance manager.

As anxious workers cut back on spending, the retailers, restaurants and other businesses that thrived during the boom suffered. McDonald's hasn't raised its starting wage since the late 1990s. Neither has the mall. With Decatur's hotel occupancy rate now only 50%, Shayla Bowie had to take a \$5.75-an-hour job as a night assistant at Country Inn after her hours were slashed at another hotel where she was making \$7.

"People pick up second jobs, sometimes a third," says Ms. Bowie, who works days in a payroll department at another Decatur business.

Recently, the people of Decatur see signs that the nation's shaky economic recovery is taking hold in their town. Nucor Corp., a Charlotte, N.C., steelmaker, bought the Trico plant this summer and started production in October. So far, Nucor says it has hired about 285 employees, at wages that average around \$55,000. About 100 of the hires are former Trico workers. Companies that used to supply Trico with industrial goods, uniforms and electrical equipment are gearing up again.

At O'Charley's, the steakhouse once frequented by Trico managers, business languishes. With fewer tips, Ms. McCarley has put away her credit card to avoid running up debts she can't handle. "From day to day, I don't know what I'll be making," she says.

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